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Challenges and Opportunities from Adopting IFRS in Saudi Arabia: The Case of the Banking Sector

Manea Salem Almansour

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ABSTRACT

Purpose: In February 2012, the Saudi Organisation for Certified Public Accountants (SOCPA) formally approved the transition to IFRS "through a *Project for the Transition to International Accounting and Auditing Standards*", to be completed by 2017 (IFRS, 2017). The Saudi Arabian Monetary Authority (SAMA) now requires all listed and unlisted banks and insurance companies to use IFRS, but all other entities, irrespective of their size, are required to use the local GAAP as issued by SOCPA (IFRS, 2017). This raises questions firstly, about the comparability of financial statements between companies using IFRS and GAAP and secondly, about the reasons why the transition to IFRS has been only partial. A number of studies have investigated IFRS implementation in developing countries (Tyrrall, Woodward and Rakhimbekova, 2007), enhancing our understanding of the importance of IFRS adoption, its benefits and its challenges. None of these, however, have investigated IFRS transition or the associated challenges in the context of the Saudi Arabia. Furthermore, the majority of prior researches in developing countries are descriptive, documenting the implementation tools of IAS/IFRS but lacking any evaluation of the elements which enable or restrict IAS/IFRS dissemination within these countries. No research has been conducted in relation to the institutional pressure that influenced Saudi Arabia to adopt IFRS. This study addresses this gap by adopting new institutional theory to overview the external and internal forces that influenced the country's banking sector to adopt IFRS, and to determine the challenges and opportunities which arose during the adoption process.

Theoretical framework: This study adopts new institutional theory to overview the external and internal forces that influenced Saudi Arabia to adopt IFRS, and to determine the challenges and opportunities which arose during the adoption process. A limited number of studies have discussed the adoption of IFRS in countries such as Saudi Arabia, which have a social, legal and political structure which differs greatly from those countries backing international accounting standards. No research has been conducted in relation to the institutional pressure that influenced Saudi Arabia to adopt IFRS.

Methodology: A pragmatic approach, combining quantitative and qualitative methods, was considered the most suitable for the study. A questionnaire was deployed to uncover the perceptions of the chosen group towards the adoption of IFRS in Saudi Arabia. Semi-structured interviews were then conducted with relevant groups to gather data beyond the scope of the questionnaire and to gain a fuller understanding of participants' perceptions. Four hundred and forty questionnaires were distributed, of which 254 were returned completed. Twenty-two interviews were conducted with standard setters from SOCPA and SAMA, bank CFOs and external auditors.

Findings: The analysis reveals that most of the study participants agreed with SAMA and SOCPA's decision to adopt IFRS. Indeed, most felt strongly that the standards should have been implemented earlier in Saudi Arabia and in all sectors, not just some. The findings illustrate that the capital market was a key factor influencing Saudi Arabia to shift from its own standards, and that the greatest perceived benefit of IFRS adoption was an improvement in the quality of financial reporting and reporting transparency. The main obstacles were perceived to be the lack of competent specialists in Saudi Arabia and the lack of IFRS implementation guidance. The analysis of the interviews enriched the study results, aiding interpretation and allowing the researcher to draw meaningful conclusions. The results are expected to contribute to the accounting and finance literature on emerging economies and the Gulf countries.

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LIST OF ABBREVIATIONS

AAA	American Accounting Association
CMA	Capital Market Authority
Zakat	Zakat and Income Tax
EU	European Union
FASB	Financial Accounting Standards Board
FDI	Foreign Direct Investment
GAAP	Generally Accepted Accounting Principles
GCC	Gulf Cooperation Council
IAS	International Accounting Standards
IASC	International Accounting Standards Committee
IFRS	Intentional Financial Reporting Standards
IOSCO	International Organization of Securities Commissions Organization
SAGIA	Saudi Arabian General Investment Authority
SOCPA	Saudi Organization for Chartered Public Accountants
Tadawul	Saudi Stock Exchange
WTO	World Trade Organisation
G20	An international forum for the governments and central bank governors
SASS	Saudi accounting standards
SAMA	Saudi monitoring Agency

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CHAPTER 1: INTRODUCTION

1.1 Background

In 2003, in an effort to establish a global financial reporting language, the International Accounting Standard Board (IASB) developed a single set of high-quality, readily understandable accounting principles known as International Financial Reporting Standards or IFRS (Peng and van der Laan Smith, 2010). Listed companies in the EU have been required to prepare their financial statements in accordance with IFRS since 2005; an increasing number of developing countries, including Saudi Arabia, have now followed suit (Cherti and Zaam, 2016) and replaced their local standards with the IASB-developed principles.

One recognised benefit of adopting IFRS is that financial reports are more comprehensive than those based on local accounting standards, making them more useful to report users wanting to make investment decisions (Alsuhaibani, 2012). However, studies discussing the core motivations behind IFRS adoption in developing countries have also identified comparability as a key driver (Sunder, 2010). Masoud (2016) argues that the adoption of IFRS raises the level of comparability of reports and improves accounting systems, which in turns leads to economic development. Other motivations include improving reporting quality (Ball, Kothari and Robin, 2000; Ball, Robin and Wu, 2003; Bischof and Daske, 2013; AlMannai and Hindi, 2015; De George, Li and Shivakumar, 2016), raising transparency levels (Elhouderi, 2014) and ensuring the provision of relevant information from all sectors of the economy (Laga, 2012). As a number of researchers (e.g. Guggiola, 2010; Odia and Ogiedu, 2013; Elhouderi, 2014) have pointed out, these improvements make developing countries more attractive to international investors and provide firms with opportunities to expand globally.

However, a number of factors can undermine developing countries' efforts to adopt IFRS. The transition must be accomplished efficiently to ensure transparency (Alkhtani, 2012; Alsalman, 2012; Zakari, 2014; Nurunnabi, 2017), but cultural, economic and political differences amongst countries can impede the harmonising of accounting standards (Nobes and Parker, 2006). Tyrrall, Woodward and Rakhimbekova (2007) argue that IFRS do not address all the accounting needs of developing countries, while Alsuhaibani (2012) cites difficulties in interpreting the standards and translation problems. Other barriers include the costs of adoption, consultation and redesign and the retraining of accountants and auditors (Elhouderi, 2014; Alsuhaibani, 2012; Almotairy and Stainbank 2014), particularly if the country already has its own institutional and enforcement mechanisms for regulating accounting professionals (Christensen, Hail and Leuz, 2013). Finally, religion has also been documented as an environmental factor that affects IFRS adoption. Some Arab countries, including Saudi Arabia, are guided by Islamic or Sharia law, some aspects of which are not compatible with IFRS (Irvine, 2008). For example, Sharia prohibits the payment of interest, but IFRS stipulate no such provision (Alkhtani, 2010).

The literature notes the dearth of studies on the institutional pressures that lead developing countries to shift from their local standards to IFRS (Irvine, 2008; Albu et al., 2011; Ibrahim, Stanton and Rodrigs, 2014; Lasmin, 2011; Hassan, 2008; Nurunnabi, 2015). The current study adopts new institutional theory (NIT) to demonstrate how institutional external pressure from the World Bank, the International Monetary Fund (IMF) and the Big Four accounting firms have influenced developing countries in the Middle East, including Saudi Arabia, to adopt IFRS. In addition, it shows how internal factors within these countries, such as legal systems, government regulations and cultural factors, present challenges to IFRS adoption. A few studies have been conducted on IFRS adoption in the context of Saudi Arabia (e.g. Alkhtani, 2010; Alsuhaibani, 2012; Almotairy and Alsalman, 2012). This study seeks to build on these previous studies and avoid their limitations to enhance the debate on IFRS adoption in Saudi Arabia.

1.2 Scope of the Study

Since 2003, 166 countries have either adopted IFRS or been permitted to use them for financial reporting purposes (AICPA, 2019). In February 2012, the Saudi Organisation for Certified Public Accountants (SOCPA) formally approved the transition to IFRS through a *Project for the Transition to International Accounting and Auditing Standards*, which was to be completed by December 2017 (IFRS, 2017). The Saudi Arabian Monetary Authority (SAMA) now requires all listed and unlisted banks and insurance companies to use IFRS, but all other entities, irrespective of their size, are required to use the local GAAP as issued by SOCPA (IFRS, 2019). This raises questions about why Saudi Arabia has pursued only a partial application of IFRS, and about the comparability of financial statements produced under the two different standards. The study aims to answer these questions by exploring the effect of IFRS adoption on financial sector reporting and revealing the potential impact of the current transition by SOPCA on companies' financial reporting. It investigates the challenges and opportunities that were encountered during IFRS adoption in the Saudi context and determines the opportunities and challenges that were encountered during the transition. The study's purpose is twofold: firstly, to present new evidence regarding the reasons for partial application. Secondly, to investigate the external and internal pressures that pushed Saudi Arabia to adopt IFRS and thirdly the challenges and opportunities experienced by a country with economic, cultural and legal structures very different from those of developed countries;.

1.3 Research Motivation and Problem

There are now 166 countries where businesses use IFRS as the basis of a common accounting language. Saudi Arabia is still in the initial stage of adoption, caught between the need to attract foreign direct investment (FDI), which requires the country to join the international community and fully adopt IFRS, and the belief held by some Islamic scholars that elements within the standards (e.g. the charging and receiving of interest) are incompatible with Islamic principles. This dilemma underlies the aim of the study to uncover the benefits and challenges associated with implementing IFRS in Saudi Arabia and how this adoption is perceived by key stakeholders.

Numerous researchers have illustrated the expected impact of IFRS adoption in developing countries, but none have critically explored the adoption of IFRS in Saudi Arabia. This is the primary motivation of this study. The study examines IFRS adoption in the country's banking sector – so far, the only sector to have adopted the standards – in order to uncover the barriers to and benefits of implementation. Unlike previous studies of IFRS adoption (Alkhtani, 2010; Alsuhaibani, 2012; Almotairy and Alsalman, 2012; Herath and Alsulami, 2017; Nurunnabi, 2018), this study was conducted during the implementation process (SOCPA embarked upon its transition plan in January 2018) (IFRS, 2019). It should also be noted that the above studies were undertaken in non-banking sectors. This study, while using the previous research as a base, differs in its objectives as it aims to find out why Saudi Arabia shifted from its own standards to embrace the partial adoption of IFRS; no research has yet been conducted into the institutional pressures that influenced Saudi Arabia to follow this path. Further, the study aims to explore how users of accounting information in Saudi Arabia perceive the convergence to IFRS. Lastly, the study's use of mixed methods has allowed it to generate richer information about the current challenges and opportunities associated with IFRS adoption in a country whose social, legal, political and cultural structures differ greatly from those of countries backing international accounting standards.

Saudi Arabia was chosen because of its enormous oil resources, which have helped the country to play a vital role in ensuring world economic stability. Additionally, it gave the country access to the G20 and WTO, which has exerted pressure on the country to abandon its local accounting standards and move toward harmonization. However, as the oil revenue is declining and with the country's aim to reduce its dependence on oil and attract more investment, the adoption of IFRS is important to promote different investments opportunities in the country and the trust of investors. Therfore It is not appropriate to generalise other cases with Saudi Arabia because it differs greatly in terms of its particular characteristics .The study addresses a gap in the accounting and finance literature on emerging economies and Gulf countries by exploring the problems that arise as a result of some banking and insurance companies using IFRS and other listed companies still using the Saudi GAAP. It identifies the reasons why Saudi Arabia has not moved towards full adoption and the opportunities that emerged during the transition and determines how this experience can be transferred to other sectors and what lessons can be learnt. By taking the banking sector as a case study and investigating how those responsible for preparing financial reports and the users of this information perceive the transition to IFRS, the study aims to bridge the gap in the literature and offer a clearer picture of IFRS adoption in Saudi Arabia, including giving insights into the potential future of the country's accounting profession.

1.4 Research Aim and Objectives

The main objectives of this study are to investigate the challenges and opportunities associated with IFRS adoption in Saudi Arabia's banking sector, and how adoption is perceived by key stakeholders. The study aims to:

- Explore how users of accounting information in Saudi Arabia perceive the convergence to IFRS;
- Find out why IFRS have not been applied to all sectors, as in other Gulf countries; and explore factors led it to adopt IFRS.

- Identify the opportunities and the challenges that associated with IFRS adoption in Saudi Arabia's banking sector; and
- Identify the cultural factors that might affect the adoption of IFRS in the country.

1.5 Research Questions

In order to address the research problem discussed above, the study aims to answer the following research questions:

1. How do users of accounting information in Saudi Arabia perceive the convergence to IFRS?
2. Why has Saudi Arabia not applied IFRS to all sectors, as in other Gulf countries, and what factors led it to adopt IFRS?
3. What challenges and opportunities are associated with IFRS adoption in Saudi Arabia's banking sector?
4. What cultural factors are affecting IFRS adoption in the country?

1.6 Methodology and Methods

This section discusses the methods and methodology used in the study and explains the pragmatic assumptions underlying the research approach.

1.6.1 Research Paradigm

This research tests and observes the chosen phenomenon with reference to existing theory (Gill and Johnson, 2010). It follows the positivist/interpretivist paradigm, which acknowledges the physical world but also recognises the existence of a social world which requires interpretation. In this case, the study draws on different forms of evidence to explore the chosen variables (challenges, cultural factors and opportunities) as they are perceived by key social actors in the banking sector and beyond.

The study adopts a positivist/interpretivist philosophy in its attempt to observe social reality in a value-free way. Pragmatists argue that the most important determinant of research philosophy is the research question(s), and that it is possible to work within both the positivist realist (quantitative) and interpretive (qualitative) positions. In this study, a positivist approach was deployed to investigate observable reality (i.e. the challenges and opportunities of IFRS adoption in Saudi Arabian banks) to provide credible data (Saunders and Lewis, 2012). An interpretivist approach was adopted to arrive at detailed explanations of the meanings attached to this reality by social actors

(Bryman and Bell, 2011). The key social actors in this research were accountants in the banking sector, other information users such as certified accountants and financial analysts, and regulators (e.g. representatives from SOCPA and SAMA). Interpretivism’s emphasis on the interaction between researcher and participant arguably makes it more likely that the researcher (and therefore the research) will be value-laden, and it has been suggested that interpretivists cannot always separate themselves from the research process (Easterby-Smith, Thorpe and Jackson, 2012). The mixed method approach favoured by pragmatism is one way for the researcher to ensure that he or she maintains independence from the research subject.

1.6.2 Research Design

The positivist/interpretivist philosophy adopted in this research supported the use of a mixed method research design (Saunders, Lewis and Thornhill, 2007) comprising both quantitative and qualitative methods. The combination of questionnaires and semi-structured interviews allowed richer data to be obtained, boosting data quality and minimising the risk of bias (Bryman and Bell, 2011; Saunders and Lewis, 2012). The questionnaire survey was administered to find out how the sample group perceived IFRS in Saudi Arabia and its associated opportunities and challenges, with the semi-structured interviews being used to gather data beyond the scope of the questionnaire. There are currently 12 banks in Saudi Arabia offering a mixture of conventional and Islamic banking. Data were collected from every one of these 12 banks.

Following Saunders, Lewis and Thornhill (2016), the questionnaire, which went through several drafts, started with a short introduction outlining the project purpose and the aim of the instrument. The main body of the questionnaire was divided into five sections (see Appendix A-Appendix B) with the design and questions being derived from the related literature (e.g. Joshi and Ramadhan, 2002; Kosonboov, 2004; Tyrrall, Woodward and Rakhimbekova, 2007; Alkhtani, 2010; Almotairy and Alsalman, 2012). Answers were indicated using five-point Likert scales, which are widely employed in social science research (Jafarabadi and Pakdaman, 2016).

Participants for the questionnaire survey were selected by means of judgement sampling. Choosing participants on the basis of particular characteristics or features (Ritchie et al., 2013) – in this case, their understanding and experience of Saudi Arabia’s accounting system and the transition to IFRS – maximised the chance of gaining rich and relevant data. Participants included accountants in the Islamic and conventional banking sectors, financial analysts (fund managers), auditors, academics.

Distribution of the questionnaire took place between March and May 2018. Some were distributed using an online survey tool, most were distributed and collected by hand and the few remaining questionnaires were sent by email. When the majority of the questionnaires had not been returned after two months, they were resent. This prompted some recipients to return their questionnaires. In total, 440 questionnaires were distributed, of which 256 were returned. Two of these were discarded because they were incomplete, but the remaining 254 questionnaires (58%) were considered valid and usable for the purpose of analysis. This analysis was done using Statistical Package for Social Sciences (SPSS) Version 12.

Semi-structured interviews were conducted as the questionnaire survey might fail to capture all the necessary data required to address all the research objectives (Easterby-Smith et al., 1991). The conceptual framework of this study uses the different perspectives surrounding IFRS adoption in Saudi Arabia, particularly in the banking sector, to determine the current obstacles to this adoption, the advantages of adoption and the actions that need to be taken to facilitate it. Accordingly, semi-structured interviews were used to delve deeper into banks' experiences of IFRS. As with the survey, the interview sample was selected using a non-probability approach. This is common in qualitative research (Saunders and Lewis, 2012; Ritchie et al., 2013). Twenty-two participants were chosen for their knowledge and experience of IFRS adoption and the change in accounting standards; these included CFOs in the banking sector, standard setters from SAMA and SOCPA and external auditors from the Big Four and local auditing firms. The interview transcripts were translated from Arabic into English by a professional translator and the data coded thematically using NVivo software. This made it possible to handle a very large amount of data and achieve high-quality coding, increasing the reliability and validity of the results (Patton, 2015).

The mixed method approach enabled the application of the two key dimensions of qualitative and quantitative research (Fielding and Fielding, 1986), with the questionnaire being used to identify social actors' perceptions of IFRS adoption and semi-structured interviews being used to explore these perceptions in more depth. Table

1-1 illustrates how the methodological approach was designed to meet the study objectives and answer the research questions.

Table 1-1: Methodological Approach

Methodological Approach		
Research objectives	**Research questions**	**Data instruments**
To explore how users of accounting information in Saudi Arabia perceive the convergence to IFRS.	How do the users of accounting information in Saudi Arabia perceive the convergence to IFRS?	Questionnaires and semi-structured interviews
To find out why IFRS have not been applied to all economic sectors in KSA, as in other Gulf countries and What factors led the country to adopt IFRS	Why has Saudi Arabia not applied IFRS to all economic sectors, as in other Gulf countries? and	semi-structured interviews
	What factors led the country to adopt IFRS?	Questionnaires and semi-structured interviews
To investigate the challenges and opportunities associated with IFRS adoption in Saudi Arabia's banking sector.	What opportunities and challenges are associated with IFRS adoption in Saudi Arabia's banking sector?	Questionnaires and semi-structured interviews
Identify the cultural factors that might affect the adoption of IFRS in the country.	What cultural factors are affecting IFRS adoption in the country?	Questionnaires and semi-structured interviews

1.7 Significance and Contribution of this Research

A number of studies have investigated IFRS implementation in developing countries, but these tend to focus on its impact rather than on the benefits and challenges associated with adoption (Tyrrall, Woodward and Rakhimbekova, 2007; Madawaki, 2012). Furthermore, most of these studies are descriptive, documenting the costs of IAS/IFRS implementation but offering little evaluation of the elements which enable or restrict transition (Zakari, 2014; Elhouderi, 2014). Those studies that have been conducted in the Saudi context (Alkhtani, 2010; Alsuhaibani, 2012; Almotairy and Alsalman, 2012) were completed long before SOCPA began its transition plan in January 2018 (IFRS, 2017) and, as Alkhtani (2010, p. 231) acknowledges, post-adoption studies "will doubtless provide different findings".

This study is important because it addresses an information gab in the accounting literature by investigating the reasons for the partial application of IFRSs in Saudi

Arabia banking sector while other economic sector are being reported under Saudi standards SASs for years, until the recent transition plan by the Saudi Organisation for Certified Public Accountants (SOCPA) in December 2017.

Further, it sheds light on a context which is rarely explained, offering a different angle and new insights from a country with a unique cultural, religious, business and regulatory framework. This research breaks new ground by exploring the advantages and disadvantages of IFRS adoption within Saudi Arabia, a rich country that sits on the world's fifth largest petroleum reserve (OPEC 2016), but which is currently attempting to diversify its national economy through its Saudi Vision 2030[1].

The study is the first to interview Saudi Arabian standard setters and to explore their role in the adoption process, including their efforts to address the difficulties that emerged during the transition period. It also explores the practical barriers from the perspective of the preparers of financial statements, whose insights into how implementation of the standards might be improved may prove useful for regulators. Overall, the findings may demonstrate how the Saudi accounting system can benefit from these standards. This may be of particular value to Saudi policymakers as the country seeks to diversify its economy, build up its private sector and boost FDI (IMF, 2018).

The results are expected to contribute to the accounting and finance literature on emerging economies and the Arabian Gulf countries by offering new insights into the impact of interior and exterior forces on IAS/IFRS implementation in these countries. In practical terms, the results of this research may be useful to those countries – especially Islamic countries – that are interested in discovering the challenges and opportunities associated with IFRS adoption, and especially to those professionals charged with preparing financial reports.

1.8 Structure of the Study

The study comprises nine chapters. This chapter introduces the research, presents the background to the study, gives an initial insight into some of the challenges and opportunities associated with IFRS adoption, explains the research motivation and

[1] Saudi Vision 2030, launched by the Saudi authorities led by Crown Prince Mohammed bin Salman, calls for less dependence on oil, more powers to be given to the private sector, and the facilitation of foreign investment (IMF, 2018).

problem and sets out the research questions and objectives. The chapter briefly discusses the adopted methods and methodology and discusses the significance of the study.

Chapter 2 introduces the concept of accounting harmonisation and discusses the development of IFRS by the IASC/IASB. It discusses some of the environmental factors that give rise to accounting system diversity and reviews some of the literature exploring IFRS adoption in developed countries. This literature provides some insights into the challenges and opportunities associated with harmonisation in these countries.

Chapter 3 discusses the literature relating to IFRS adoption in developing countries, with emphases on Middle Eastern countries and Saudi Arabia. It highlights the pressures that institutions such as the World Bank put on developing countries to adopt IFRS before outlining the major opportunities and challenges associated with IFRS adoption in these countries. The chapter concludes by presenting the theoretical basis of the study (new institutional theory) and setting out the conceptual framework.

Chapter 4 offers an overview of the Saudi Arabian context, including some of the factors that have had the biggest impact on the development of accounting in the country. The chapter examines the impact of politics, economics, culture and religion, as well as other variables such as external pressure, before tracing the development of the country's accounting and regulatory bodies and its accounting standards. It ends with a discussion of SOCPA's IFRS transition plan.

Chapter 5 discusses the methodology and methods adopted for the research. It explains the pragmatic assumptions underlying the research approach and describes the research design and data collection methods that were employed to achieve the aim and objectives.

Chapters 6,7, and 8 present and discuss the findings from the survey questionnaire and semi-structured interviews. In each chapter, the quantitative and qualitative findings are compared both with each other and with the findings from the literature review.

Chapter 6 presents the findings regarding Research Questions 1 and 2: that is, how the users of accounting information in Saudi Arabia perceive the convergence to IFRS; why Saudi Arabia has not applied IFRS in all sectors; and what factors led it to adopt IFRS in the first place.

Chapters 7 and 8 present the analysis of the findings for Research Question 3. Chapter 7 presents the descriptive and inferential analyses of the questionnaire results regarding the perceived opportunities (overall, and for investors and managers specifically) associated with IFRS adoption, followed by an analysis of the findings from the semi-structured interviews and a discussion of the results. Chapter 8 analyses the questionnaire and interview results regarding the challenges associated with IFRS adoption, highlighting those cultural factors that were reported as obstacles.

Chapter 9 presents a summary of the study findings and discusses its contribution. The chapter discusses the theoretical and practical implications of the findings before making a series of recommendations, outlining the limitations of the research and offering suggestions for future investigation.

CHAPTER 2: OVERVIEW OF ACCOUNTING HARMONISATION

2.1 Introduction

This chapter provides an overview of the background to the IFRS and the challenges and opportunities presented by the harmonisation of accounting standards. It begins with a brief discussion of the concept of accounting regulation and outlines some of the different approaches to setting accounting standards before describing the historical development of the International Accounting Standards Committee (IASC) and International Accounting Standards Board (IASB). Section 2.4 discusses the concept of IAS and some of the reasons underlying the current diversity in accounting systems, while section 2.5 describes the spread of IFRS. Section 2.6 briefly reviews some of the literature regarding IFRS adoption in developed countries, while section 2.7 summarises the main benefits of adoption and the particular associated challenges in general.

2.2 Accounting Standards and Regulations

The regulation of accounting first became important after the crash of 1920-30, since when it has ensured that relevant information is reported to stakeholders (Gaffikin, 2008). A number of arguments have been put forward in favour of robust accounting regulation. One is that a number of externalities emerge based on monetary data, and as long as these externalities are positive, they would meet the social optimal level of disclosure. According to Fishman and Hagerty (1989), though, companies may suffer from the exogenous impact of negative externalities; for example, increasing disclosure in one company can create a competitive environment and the reluctance of investors from other companies. Leuz and Wysocki (2016) argue that mandating the standardisation of financial reports makes it easier for users to deal with the information and to make comparisons. Ross (1979) claims that mandatory regulation can reduce companies' costs while De George, Li and Shivakumar (2016) suggest that it reduces the scope for negotiation regarding disclosure levels and ensures uniformity.

Irvine (2008) asserts that corporations tend to commit in a voluntary capacity to a certain level of transparency in their financial activities, which can be demonstrated upon disclosing all financial activities .However, it seems that in the private sector, the financial implications of the day-to-day running and adherence to a transparency policy can be costly, if not unfeasible.

However, there is a more refined and less prevalent argument in use that Leuz and Wysocki (2016) referred to for the purpose of reporting regulation. According to their view, there might be several social implications for acknowledging agency conflicts and utilising personal gains through controls over insiders. It is then more reasonable to think that diversion activities for the sake of personal benefits can be pricy and can also have social repercussions (Tasissa and Burkhart, 1998; Shleifer and Wolfenzon, 2002). Shleifer and Wolfenzon (2002) claim that any control over insiders will possibly yield a number of benefits and business opportunities in order to reach personal gains. So, as long as such arising opportunities are seized by other companies, such conduct will not have social implications. This is not to say there will not be significant social repercussions, especially if other companies fail to take advantage of any opportunities, which can also eventually lead to economic and financial losses. Worth emphasising is the role of new entrants seeking to build a competitive position and to be capable of raising capital in terms of the level to which consuming private benefits can have social benefits (Rajan and Zingales, 2003; Kouki, 2018).

Accounting standards are meant to give detailed guidance on how to deal with specific issues and to address those areas that are subject to varied interpretation. Standardising accounting procedures helps companies to record and monitor their activities and ensure homogenous, reliable and accurate data. According to Cortese and Walton (2018), most modern financial accounting systems are founded on the Generally Accepted Accounting Principles (GAAP). However, while these principles contain a number of general assumptions, rules and regulations, in practice, accounting standards vary from one country to another in line with local accounting objectives. The cross-border activities of multinational companies and the listing of companies of different nationalities in different stock markets make the unification of accounting practice especially important for stakeholders, who need to be able to compare the financial figures produced by different companies in order to make sound investment decisions.

2.2.1 Accounting Standard-Setting and Approaches

Different approaches to setting accounting regulations have brought about different interpretations of accounting standards. In countries under common law, such as Canada, the UK and the US, reporting tends to be high-quality because reports are made public; private companies must be seen to adhere to accounting regulations that are designed to ensure a high level of disclosure (Zeff, 2012). Countries under code law, such as France and Japan, are more likely to see accounting standards set by the public sector, including the government, and it is assumed that there is less demand for high-quality reporting or disclosure (Alexander et al., 2008; Bell et al., 2003).

In the case of developing countries, Bell et al. (2003) argue that the government is more likely to have the main responsibility for setting accounting standards, though this varies from country to country; their investigation of standard-setting in Hong Kong, Malaysia, Singapore and Thailand showed that Thailand was the only country in which the authorities were directly involved in setting the accounting standards (Bell et al., 2003).

In some Arab countries, the accounting system has been influenced by colonisation by developed countries. For instance, Egypt has adopted elements of both the French and British accounting systems (Kantor et al., 1995). In Saudi Arabia, which has not experienced colonisation, Sharia law is a major influence and the government is closely involved in enforcing accounting standards. The Gulf Cooperation Council Accounting and Auditing Organisation (GCCAAO) has issued an accounting and auditing standards framework recommending that all GCC members should follow IFRS as issued by the IASB (Al-Shammari, 2005). The standards have been accepted by all members apart from Saudi Arabia.

2.3 Historical Background: International Accounting Standards Board

The origin of IFRS dates back more than 40 years, to the International Accounting Standards Committee's (IASC) establishment of the first standards in 1971. The committee was later restructured as the International Accounting Standards Board (IASB). Over 29 years, from 1973 to 2002, the IASC set the initial stage for the IASB (Zeff, 2012), which the later has used and improve since than the IASB has been the objective of most developed and developing countries. The rationale behind the IFRS is to improve accounting quality and achieve greater comparability of financial statements across the world. The historical background of the IASC and IASB is outlined below.

2.3.1 Historical Background to International Accounting Standards Committee (IASC)

Sir Henry Benson, a prominent English accountant, prompted the IASC through introduction of harmonisation of standards, establishing accounting standards and decreasing the variation between such standards (Camfferman and Zeff, 2007).

However, at that time, the logic behind it was to gain power, which resulted in new members (the UK, Ireland and Denmark) joining the European Economic Community (later to become the EU) in the mid-1970s.

Zeff (2012) describes how the IASC was formed by a group of academics, accounting professionals and accounting managers from the US, the UK, Ireland, the Netherlands, Germany, France, Australia, Canada, Japan and Mexico. Camfferman and Zeff (2007) explain that in search of capital market efficiency, accounting standards must be high, as part of effective corporate governance. Nevertheless, it was not that easy to settle agreements on establishing accounting standards due to the conflict of business interests, and while the IASC works to set accounting principles, some saw a political aspect behind it.

In 1987, the IASC developed 25 standards (Zeff, 2012), none of which were adopted by national accounting bodies, despite the fact that they were flexible and easily implemented. There were two reasons for this; some countries (e.g. the US) considered their own standards to be better than those of the IASC, while others believed that the Committee did not meet their taxation model (Camfferman and Zeff, 2007). The only member keen to adopt the IASC standards was the Canadian Institute of Chartered Accountants (CICA). The Nederland Institute of Accounting Standards recommended a plan to accept some of the IASC requirements, but in the end, none were adopted. Ultimately, the failure of the standards to gain acceptance was indicative of the limited influence national accounting bodies had on their countries' accounting system or practice.

At its March 1987 meeting in Australia, the IASC introduced its "comparability project", which concentrated on reducing the flexibility of its standards and making them less open to interpretation. The objective behind this move was to win the support of securities market regulators. As the market began to grow rapidly, the International Organisation of Securities Commissions (IOSCO) asserted a strong influence on the IACS; however, an agreement was later reached requiring overseas firms wishing to be registered on the stock exchanges of IOSCO member states to comply with IASC financial reporting standards (Oheneba, Ali and Ahmed, 2011; Mardini, Crawford and Power, 2015; Christensen et al., 2015). The IASC succeeded in making the necessary improvements to its standards, and by the end of 1993 ten standards had been sent to the IOSCO for endorsement. The IASC was disappointed that the IOSCO accepted only a few of the ten standards and wanted further improvements on all ten. While some standards were generally approved, others were found unsatisfactory, especially IAS 39, which dealt with financial instruments (Camfferman and Zeff, 2007). The standards were not adopted worldwide, with countries possessing solid national accounting systems of their own, such as the UK, the US, Australia and Canada, being particularly resistant. These countries formed a body (later to become the G4) in 1993 to discuss accounting problems and their possible solutions. The US Financial Accounting Standards Board (FASB) was highly critical of the IASC, as was the SEC, and even 75% of its own members voted to disband it. Nevertheless, the Committee decided to act upon the IOSCO requirements, introducing additional standards in 1996 (Zeff, 2012). Recognition of IASC standards grew in Europe during the mid-1990s when they finally gained the support of the European Commission. The EU sought to build its own internal capital market; in so doing, it was trying to explore alternative options to adopt as the source of required accounting standards for listed companies in the EU. (Zeff, 2012).

2.3.2 International Accounting Standards Board (IASB)

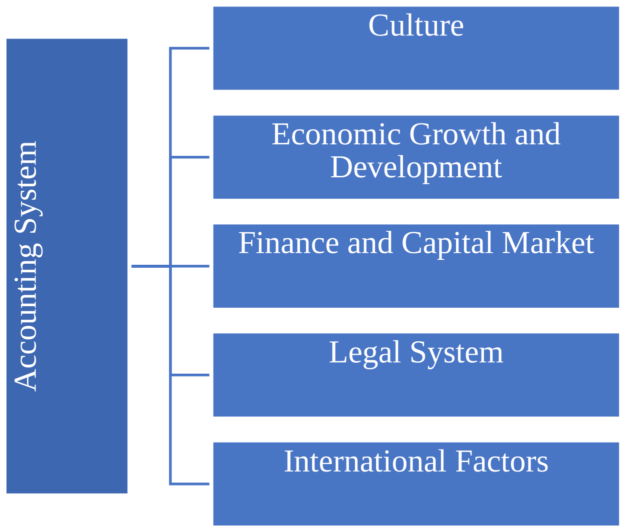
The IASC was reorganised to become the International Accounting Standards Board (IASB) in 2001 (Zeff, 2012), largely at the request of the Securities and Exchange Commission. Indeed, the latter's contribution enabled the IASC to carry on its operation when IOSCO's lack of enthusiasm for the Committee's May 2000 standards led many to favour the US GAAP standards instead. The European Commission's decision to require all listed companies in the EU to adopt IAS/IFRS for group accounts from 2005 was also a giant political boost for the IASB. This decision was mainly aimed at stopping the domination of the US GAAP and the resultant weakening of European impact on global commerce.

The majority of the 15 members who sit on the IASB are from developed countries (IASB, 2010), though candidate selection (by the IASB Foundation Trustees) is based on technical expertise and knowhow rather than country of origin (IASB, 2010). Most Board members hold some organisational positions in the previous bodies originate from developed countries (Rivera, 1989; Alexander and Archer, 2000). The IASB's former chairman, Sir David Tweedie, has pointed to the reassuring effect that international standards have on investors and their impact in improving corporate financial reporting around the world (Dunne et al., 2008), but critics have complained that the current IAS/IFRS are too influenced by the UK and US and by Anglo-American legislation (Wallace, 1990; Craig and Diga, 1996; Flower, 1997; Kikuya, 2001; Frey and Chandler, 2007). There has also been a lot of criticism of the new IASB structure, which was endorsed by the American authorities but not initially recognised by many European states (Oliverio, 2000). Buchanan (2003) argues that the US has sought to keep a strong grip on the IFRS. This arguably raises questions about the appropriateness of the IASB's standards to developing countries.

2.4 Reasons Underlying Accounting System Diversity

Roberts, Weetman and Gordon (2005) explain that accounting systems are affected by numerous economic and environmental factors. As Nobes (1998) points out, since institutional and economic factors vary from one country to another, so too do their accounting systems. Gray (1988) highlights the impact of culture, while others (e.g. Briston, 1978; Hove, 1986; Shore et al., 2015) attribute the diversity of accounting systems to the fact that different countries have different accounting needs. This leads to differences in accounting practice not only between developed and developing nations but also within culturally similar regions. Radebaugh and Gray (2002) identify culture, economic growth and development, finance, the legal system and international factors as the main environmental influences driving accounting system diversity (see Figure 2-1). Some of these influencing factors are discussed below.

Figure 2-1: Environmental Influences on Accounting Development



Source: Adapted from Radebaugh and Gray (2002: p. 60)

A number of authors have identified the legal system as a key factor influencing the accounting system (e.g. Jaggi and Low, 2000; Roberts, Weetman and Gordon, 2005; Alexander et al., 2005; Alkhtani, 2010; Alsaqqa et al., 2012; Nobes, 2012). Code law and common law prevail in Western countries, while Sharia has a major influence in the Arabic region and other Islamic countries. Jaggi and Low (2000) explain that code law, also known as Romano-Germanic law, may be sub-divided into French, German and Scandinavian varieties. French code law dominates in several European countries and in France's former colonies in Asia and Africa, while Switzerland, Japan and Korea are influenced by the German code. Each country has its own accounting regulations, based on its chosen legal system, and the local authorities play a significant role in setting standards (Alexander et al., 2008). In common law countries, on the other hand, accounting rules are independent of the law, and accounting regulations are administered through professional bodies (Alexander et al., 2005). Saudi Arabia follows Sharia Law and this has its impact on the local accounting system being used in the country and is expected to have impact on adopting any international accounting system too.

Finance providers can be classified as a key influencer in developing and/or adopting accounting systems. These may be governments, banks or shareholders (Roberts, Weetman and Gordon, 2005; Nobes, 2012), but in developing countries, the main provider of loans for governments is the World Bank. This allows the World Bank to have a strong influence on accounting regulations in these countries. It has used this ianknfluence to exert pressure on a number of developing countries to adopt IFRS (Karim, 2001; Annisette, 2004; Alfredson et al., 2005; Nobes, 2012; Abulhameed, 2015), sometimes, as in the case of Kazakhstan, as a pre-condition for being granted financial aid (Tyrall, Woodward and Rakhimbekova, 2007). While the source of finance plays an important role in influencing the construction and/or adoption of accounting systems in general, this may not be the case in Saudi Arabia, given the financial capability of the country. However, the impact of this factor is still worth investigating in the context of Saudi Arabia.

Researchers have drawn on cultural models by Hofstede (1980) and Gray (1988) to investigate the influence of culture on accounting (e.g. Perera, 1989; Fechner and Kilgore, 1994; Baydoun and Willet, 1995; Chow, Chau and Gray, 1995; Doupnik and Salter, 1995; Salter and Niswander, 1995; Sudarwan and Fogarty, 1996; Askary, 2006;

Alkhtani, 2010; Alsaqqa, 2012). Studies carried out by Jaggi (1975) and Baydoun and Willett (1995) both assert that culture plays a significant role in shaping accounting and disclosure practices, while Alsaqqa and Sawan (2013) argue that cultural differences, as identified in Hofstede's model, are the leading reason behind variances in accounting. Accounting systems form part of the cultural heritage of a given country. Consideration of Saudi Arabia's culture is therefore key to understanding the impact of this culture on the country's adoption of IFRS.

Accounting systems are also significantly impacted by economic growth and development. Arpan and Radebaugh (1985) suggest that the degree to which the government is involved in the economic sector has an impact on the economic system, which in turn has an effect on the accounting regulations employed. They identify three types of economic system: communist, market-capitalist and socialist market. In the first, the government has total control of the economy and is responsible for making all decisions. In such economies, the government is the only entity that regulates and amends accounting systems. In the market-capitalist system, economic activities are mainly controlled by investors, who are the main users of accounting information. Finally, in the socialist market, the economy is mainly in the control of the private sector, but government designs most of the regulations (Arpan and Radebaugh, 1985). In Saudi Arabia, where the economy is strongly influenced by government decision making and spending (Alkhtani, 2012), the adoption of IFRS is a clear signal that Saudi Arabia welcomes foreign investment.

Another significant factor, not mentioned by Radebaugh and Gray (2002), that produces variances in accounting systems is the accounting profession itself (Roberts, Weetman and Gordon, 2005). National accounting bodies may impose different regulations in accordance with the local legal system, while the quality and reliability of the financial reporting is likely to be higher in countries with skilled and independent accounting professionals (Nobes and Parker, 2016; Alkhtani, 2010). Nurunnabi (2014) argues that the quality of a country's financial reporting system is influenced by the accounting profession. In Saudi Arabia, the accounting system has been strongly influenced by the Big Four, while many Saudi accountants lack the knowledge or ability to understand and interpret IFRS. These difficulties have all impacted the adoption of IFRS in the country.

2.5 Harmonisation of Accounting Practices

The growing need for a global language of accountancy, and the ability of international standards to facilitate the comparison of the financial reports of firms operating in different markets, have been the major motivators behind the adoption of IAS/IFRS (Choi and Levich, 1991; Whittington, 2005; Frey and Chandler, 2007; Madawaki, 2012; De George, Li and Shivakumar, 2016). The core principle of IFRS is to enable users to evaluate the nature and financial effects of business activities and to help them in making economic decisions. This is done by providing users with financial statements that disclose information about the financial position, changes in financial position and performance of organisations (Mardini, Crawford and Power, 2015). Cai and Wong (2010) posit that having a single set of internationally acceptable financial reporting standards eliminates the need for restatement of financial statements and facilitates the cross-border movement of capital and integration of global financial markets, while Mardini, Crawford and Power (2015) argue that, by requiring organisations to disclose useful, forward-looking risk information in their financial statements to investors, IFRS enable users to evaluate the extent of potential risks and how the entity will manage those risks, improving market efficiency.

Since the establishment of the IASB in 2001 and the development of the IFRS, 166 countries and reporting jurisdictions have either mandated IFRS adoption or allowed the optional adoption of IFRS for the purpose of financial reporting. Many others have indicated that IFRS may become a requirement in the future (AICPA, 2013). The EU Commission, which regards the IFRS as the best global standards (Yu, 2006), has since 2005 required any company listed in the EU to prepare its financial statements in accordance with them (Irvine and Lucas, 2006; Walton and Aerts, 2009; Ihab and Alsaqqa, 2012; De George, Li and Shivakumar, 2016).

All of the Gulf Cooperation Council (GCC) countries, apart from Saudi Arabia, have adopted IFRS to some extent (Al-Shammari, 2005; IAS Plus, 2016). The UAE, which sits at the centre of the Middle East’s biggest trading zone, has mandated the adoption of IFRS (Irvine and Lucas, 2006) because it sees the potential advantages as outweighing the associated challenges and financial implications (Alsaqqa and Sawan, 2013). These advantages include improving quality across the financial reporting process and attracting more overseas companies to bring business to the UAE in the long term. Saudi Arabia, which differs from the other GCC countries in having its own regulatory body (SOCPA) and standards, did not consider adopting IFRS until 2017 (Alzeban, 2018). The major motivation for carrying out the current study is to uncover the reasons of why IFRS adoption came so late for Saudi Arabia, and why its application has so far been limited to the banking sector.

2.6 IFRS Adoption in Developed Countries

The subject of IFRS adoption, both mandatory and voluntary, has triggered a large number of studies in developed countries (De George, Li and Shivakumar, 2016). Most have seen it as having a positive impact on reporting quality and transparency, as improving the comparability of financial statements, and as attracting investment and lowering the cost of capital. Palea (2013) advances the argument that the quality of accounting reporting is affected by accounting regulation, and it is this fact that has led so many countries to embrace IFRS. Armstrong (2010) and Dayanandan et al. (2016), for example, conclude that the application of IFRS has improved the quality of financial reporting in terms of reliability, comparability and usefulness for decision making.

The accounting convergence process in European countries has been described by several studies. Among these studies, Haller and Eierle (2004) and Delvaille, Ebbers and Saccon (2005) described the accounting convergence process in France, Italy and Germany; focusing on consolidated accounts for the revision of existing rules, both studies showed that German companies implemented IFRS earlier than those in France and Italy, who did not fully apply them until 2005. Haller and Eierle (2004) also showed that while Italy allows the use of IFRS for individual accounts, France and Germany do not. In Portugal, Guerreiro et al. (2008) found that larger Portuguese companies are more likely to implement IFRS, while smaller companies are more likely to follow local GAAP if given the option.

In terms of the impact of this convergence, Yu (2010) examined the effect of IFRS adoption on information quality in 1,168 EU companies, finding that mandatory IFRS adoption can improve the quality of reported information if the enforcement regime is strong, but may lead investors to discriminate against companies that are based in countries where enforcement is weak. Pope and McLeay (2011) also looked at the implications of compulsory IAS/IFRS implementation in the EU, using a small dataset covering 2007-2010 and data from the INTACCT network project, which was subsidised by the European Commission. Their most important finding was that mandatory IAS/IFRS application has a positive impact where there is local enforcement and rewards for preparers. One benefit of mandatory adoption is highlighted by Marra, Mazzola and Prencipe (2011), who, examining a sample of 222 Italian firms, found that the relationship between board characteristics (such as independence and the presence of an audit committee) and earnings management became stronger after IFRS adoption.

Examining the effect of mandatory IFRS application on cross-border investment in developed countries generally, De Fond et al. (2011) found that the comparability element, which improves the qualitative aspects of accounting data, was the major motivation behind IFRS application because of its role in attracting foreign investment. Bischof and Daske (2013) identify a link between mandatory IAS/IFRS adoption and increased market liquidity and corporate disclosure in the EU. Like Armstrong et al. (2010), he points out that investors react positively towards firms offering high-quality information, which they see as one of the benefits of IFRS adoption. However, Li (2010) notes that while the EU's 2005 compulsory adoption of IFRS has resulted in increased disclosure and better information comparability among companies listed in European stock markets, equity capital costs have only gone down in countries with a robust legal system. Drawing on a sample of 6,456 firm-year observations obtained from 84 firms in the EU covering the period 1995-2006, Li (2010) concludes that legal enforcement varies from one country to another, with Finland, Denmark and Sweden having the strongest enforcement and Greece having the weakest legal enforcement. The finding highlights the importance of enforcement quality in ensuring effective adoption.

Fox et al. (2013) highlight the links between reporting quality and cultural, legal and other institutional factors in their comparison between the UK and Italy. In terms of the legal system, Italy's accounting standards follow its national legislation, which is based on code law. The authors point out that IFRS are not mandatory in the country but have an interpretative and integrative purpose with regards to the provision of the law. In the UK, which follows common law, the accounting standards seem to be more flexible and there is greater scope for interpretation, allowing IFRS to play a significant role in shaping the country's accounting system. In terms of institutional factors, while UK firms depend on the capital market to raise investment and therefore require financial statements to be efficient and transparent, their Italian counterparts are more likely to be family-owned and funded by domestic banks; hence, creditors are more interested in financial statements than other stakeholders. Finally, while the UK has mainly depended on accrual accounting as its major system, Italy is characterised by predominant caution.

The close relationship between financial reporting and legal, cultural and institutional factors suggests that requiring firms to provide high-quality financial reports may not have the same impact in terms of financial benefits in every country. An accounting system that appears beneficial in the context of an open or developed economy may not yield the same benefits elsewhere. IFRS place emphasis on fair value accounting, which offers valuable and relevant information when fair values are attained from deep and liquid markets. However, the standards may have a negative influence in countries whose capital markets are badly regulated, not liquid or unrepresentative of the economy (Fiechter and Novotny-Farkas, 2015). There is also an important role for the incentives-based view, which proposes that countries' institutional frameworks and transitions can have an impact on the capital market around IFRS use (Baker and Barbu, 2009). Taking into account all other factors, it is more likely that countries with stronger enforcement systems and institutional frameworks that incentivise robust reporting will show clear capital market impacts around the introduction of IFRS reporting, especially if there are massive differences between IFRS and the domestic GAAP (Hail and Leuz, 2007; Peng and van der Laan Smith, 2010).

Studies investigating the effects of IFRS adoption in developed countries have demonstrated mixed results, while Florou, Kosi and Pope (2015) and Wu and Zhang (2014) finding that IFRS adoption increases the credit relevance of accounting numbers Kraft and Landsman (2017) finding that introducing IFRS decreases credit relevance. Clarkson et al. (2011), whose study analysed the effect of IFRS implementation in EU and Australia in terms of the significance of book values and incomes for equity estimation, found that around 3,500 of the companies that implemented IFRS in 2005 subsequently identified higher non linearity in data. There were no detected modifications in price significance for firms in common law countries with nonlinear impacts. A final outcome of relevance in their study is that firms' numbers saw an increase once IFRS were adopted.

Barth, Landsman and Lang (2008) investigated IAS uptake in 21 developed countries between 1994 and 2003, finding that accounting quality was better in IAS firms than in firms not implementing IAS or voluntary adopters. On the other hand, Papadatos and Bellas (2011) conclude that the link between the obligatory application of IFRS and the value relevance of accounting information may be affected by company size and fixed assets.

In terms of the impact of the compulsory application of IFSR on voluntary disclosure, Li and Yang (2015) found that there was a substantial increase in the possibility and occurrence of earnings management. This is in keeping with the notion that the adoption of IFRS changes the disclosure incentives of firms as a response to a proliferation of capital market demand.

When Shima and Gordon (2011) examined US investment abroad between 2003 and 2006, using a regression model with IFRS and US investment as independent variables, they found that investment was highest in those countries with a strong regulatory environment and strong enforcement regime. Similarly, Beneish and Yohn (2008) argue that countries with strong investment protection and legal procedures are more likely to attract foreign capital than countries which implement IFRS without any investment protection (see also Leuz, 2010; Agrawal and Chadha, 2005). Regulation and legal standards are important to investors as they add to clarity, reduce uncertainty and risk, guarantee the disclosure of important information and can help reduce enforcement costs. Beneish and Yohn (2011) also found that in countries where IFRS adoption was forced, foreign debt increased but equity investments did not.

Taylor (2009) employed a sample of 150 randomly picked listed companies in the UK, Hong Kong and Singapore in their inaugural year of using IFRS to conduct a comparison of the cost of transition. The study concluded that the cost of adjustment for companies in the UK was higher than for companies in Singapore and Hong Kong. Fox et al. (2013), conducting a similar comparison of the cost of IFRS adoption in the Republic of Ireland, the UK and Italy, concluded that the costs of adopting the standards were higher than the benefits associated with reporting under IFRS.

Pajunen and Saastamoinen’s (2013) undertook a Finland-based study point to the need for a supportive culture to ensure successful adoption of IFRS, but Pickering et al. (2014) found a generally pessimistic attitude among the 300 Australian firms in their study sample, with participants expecting multiple difficulties and only limited benefits to come from IFRS implementation. Concerns were expressed about the difficulties of ensuring accurate accounting data and the cost of implementation, and the presumption was the new regulations would have little impact on capital markets as a whole.

In general, studies conducted in developed countries have shown that IFRS can provide relevant information and improve reporting quality so long as they are underpinned by strong enforcement and a robust legal system. Implementation can be challenging as countries differ in their economic, legal, cultural and accounting structures, but most studies argue that the benefits outweigh the practical difficulties. It is worth undertaking similar investigations of individual and groups of developing countries to compare the results of adoption in developed and developing nations. However, while this would undoubtedly advance the debate on IFRS adoption, such cross-country comparison is beyond the scope of this study. The following section sheds light on some of the reported challenges and the opportunities associated with IFRS adoption.

2.7 Challenges and Opportunities Associated With IFRS Harmonisation

Although the literature reports a number of opportunities and benefits that come with adopting IFRS, adoption can also bring a number of challenges. Outa (2013) describes the introduction of IFRS as the most noteworthy development in the history of accounting. Countries implementing IFRS, according to Bova and Pereira (2012), do so in the belief that they are transparent and high-quality. The general view is that IFRS accounting standards deliver more value relevant, comparable, transparent and reliable financial statements than those prepared under local GAAP (Daske and Gebhardt, 2006; Jermakowicz, Reinstein and Churyk, 2014). Though there are some who dispute whether the standards guarantee greater accuracy in practice, Sunder (2009) does acknowledge that companies would resist embracing the standards if they felt they lacked transparency. Callao, Jarne and Laínez (2007), Jeanjean and Stolowy (2008) and Soderstrom and Sun (2007) go further, arguing that there has been no increase in quality of reported accounting figures since the adoption of IFRS.

It is generally assumed that IFRS reduce the cost of information as this information becomes more internationalised (Leuz, Nanda and Wysocki, 2003); it is less expensive to produce a single set of financial statements that do not need translating. Furthermore, investors can understand these statements better than those prepared using different GAAPs (Barth, Landsman and Lang, 2008). Numerous studies have argued that the creation of one uniform reporting system should make it easier to understand and compare accounts produced in different financial environments (Nobes, 2012; Parker, 2013; Byard, Li and Yu, 2011). This is particularly important in an era of commercial globalisation, when investors want to be able to compare reports from firms around the world (Armstrong, 2010; Dayanandan et al., 2016; Nobes and Parker, 2016). A uniform accounting system can make the transfer of capital and other funds across boundaries easier, facilitating foreign investment and the influx of a broad range of capital resources (Pricope, 2016).

In developing regions, too, IFRS application is useful because of its role in: (1) minimising the cost and time taken to produce up-to-date local standards; (2) enhancing the productivity of the stock market; and (3) ensuring more effective and easy-to-read financial statements (Alsaqqa, 2012). However, the process of harmonisation in these countries may be made very difficult by local cultural, political and market conditions (Nobes and Parker, 2006). It has been suggested that the IASB has not taken account of the issues faced by developing countries (Perera, 1989a), in many of which professional accounting bodies play only a limited role. An example of the potential problems is the IASB's approach to the fair value method; IAS 39/40 and 41 for assets and liabilities are arguably designed to enable accounting users to make informed decisions based on a clear assessment of a company's actual assets and liabilities (Kosonboov, 2004). However, in developing countries in particular, it is highly unlikely to attain fair value, given that there is no active market for the majority of assets (Kosonboov, 2004).

It has been argued that many countries, including developing countries, are embracing IFRS less because of the potential economic benefits than in response to pressure from international monetary institutions and partners, and that IFRS are indicative of a general move towards the restructuring of social accounting practice (Cortese, Irvine and Kaidonis, 2010; Cortese, 2013). Pricope (2016) explains this trend in terms of institutional isomorphism; his 2013 survey of 97 countries led him to conclude that IFRS adoption is not necessarily motivated by the economic benefits, but is rather influenced by representational pressures. Institutional pressure may be exercised on companies internally by government agencies, or externally by international regulators and institutions such as the World Bank and IMF. This study investigates the impact of both internal and external institutions on the adoption of IFRS in Saudi Arabia.

2.8 Summary

As noted previously, the introduction of IFRS has triggered many studies. Phan, Mascitelli and Barut (2014) conclude that these initially concentrated on the ideology underlying harmonisation (e.g. Street, Gray and Bryant, 1999; Street and Gray, 2002), but that since the idea of IFRS gained widespread acceptance, the focus has shifted to the motivations and pressures behind the spread of the standards (e.g. Ramanna and Sletten, 2009; Judge, Li and Pinsker, 2010; Hail et al., 2011). As discussed in this chapter, the IASC/IASB's efforts to develop an international accounting system have been supported by organisations such as European Commission (EC), IOSCO and the World Bank. This institutional pressure, along with the increasing understanding of the potential benefits of implementation, have encouraged more countries to embrace IFRS. However, as this discussion of the literature shows, local legal, political, educational and cultural factors help produce a wide diversity of national accounting systems, and these local differences can impede attempts at harmonisation. This chapter deals mainly with the literature pertaining to developed countries' experience of the IFRS adoption process, but it has been argued that developing countries face their own set of challenges. Accordingly, the next chapter focuses on the motivations of developing countries – particularly Saudi Arabia – for adopting IFRS and the challenges and opportunities this brings.

CHAPTER 3: LITERATURE REVIEW OF CHALLENGES AND OPPORTUNITIES ASSOCIATED WITH IFRS ADOPTION IN DEVELOPING COUNTRIES, AND THEORETICAL FRAMEWORK

3.1 Introduction

The previous chapter offered an overview of the background to IFRS harmonisation and discussed the experience of developed countries adopting the standards. This chapter discusses the literature regarding IFRS adoption in developing countries, including Saudi Arabia, before presenting the theoretical and conceptual frameworks underlying the current study. The chapter is divided into seven sections. Section 3.2 discusses some of the key issues around IFRS adoption in developing countries, including the debate about the relevance of the standards and the pressure these countries face from international institutions. Section 3.3 focuses on the literature exploring the experience of Middle Eastern countries, including Saudi Arabia, after which Section 3.4 discusses the perceived opportunities IFRS adoption offers developing countries, according to the literature. Section 3.5 discusses the reported practical and environmental challenges associated with adoption. The theoretical basis of the study and the conceptual framework are discussed in Sections 3.6 and 3.7 respectively. The chapter concludes with a brief summary and an explanation of the research gap this study aims to fill.

3.2 IFRS Adoption in Developing Countries

Developing countries are generally defined as countries that are still in the early stages of economic growth and therefore lack a stable income (Wallace, 1990; World Bank, 2016). The adoption of IFRS in developing countries has attracted interest from a relatively limited number of academics and practitioners (e.g. Irvine and Lucas, 2006; Gyasi, 2010; Laga, 2012; Owolabi and Iyoha, 2012; Okpala, 2012; Schachler, Al-Abiyad and Al-Hadad, 2012; Zakari, 2014; Nurunnabi, 2017b), most of whom see IFRS as having the potential to raise the standard of financial reporting and enhance comparability between countries (Alsuhaibani, 2012 ; Alnodel, 2018). Taking Kazakhstan as an example, Tyrrall, Woodward and Rakhimbekova (2007) show how this can increase international investment. However, these studies also acknowledge that environmental problems may make implementation difficult. Prather-Kinsey (2006) in Mexico and South Africa, Lin and Chen (2000) in China, Chamisa (1994, 2000) in Botswana and Zimbabwe, and Perera (1985) in Sri Lanka, while generally concurring that IFRS are relevant and beneficial to developing countries, note that the considerable expense involved can disadvantage some regions in their attempts at implementation.

Other variables that can determine the success or failure of a developing country's attempts to create an IFRS-supportive setting include its access to capital markets, its openness to the outside world, cultural, economic and political factors, the flexibility of the legal system and tax regulations, and accounting education and training opportunities (Gyasi, 2010; Laga, 2012; Schachler, Al-Abiyad and Al-Hadad, 2012). Zeghal and Mhedhbi (2006), investigated determinants in 64 developing countries, 32 of which use IAS, they found that developing countries with a capital market, better education opportunities and provision, and strong economic growth indicators are more likely to embrace fresh accounting standards.

On the question of why developing countries choose to adopt IFRS, it has been argued that the majority are influenced not so much by the potential economic benefits as by political and/or institutional pressure. Section 3.2.1 discusses the influence of institutions such as the IMF and the World Bank, but most developing countries are motivated mainly by the desire to be accepted by the international business world, with the result that in some of these countries, IFRS adoption does not necessarily lead to an overhaul of the economic, political or cultural status quo (Alexander et al., 2004; Shima and Yang, 2012). Abd-Elsalam (1999) cites Egypt as an example, showing how IAS were introduced into the country in 1993, only to be replaced by new national standards three years later.

A number of researchers have questioned whether IFRS are even relevant to developing countries. While some see them as applicable (Cairns, 1990) and vital to economic revival (Larson, 1993), others argue that the IASB caters for Western economies (historically the main adopters of IFRS) and ignores the expectations and needs of those on the developing side of the globe (Kosonboov, 2004; Alkhtani, 2012). Hove (1986) points out that the reasons for setting accounting standards may vary significantly between developing and developed nations, while Alnodel (2012) questions whether the standards are relevant to developing nations with fragile economies and low reporting levels. Samuels (1993), meanwhile, claims that developing countries' political, economic and legal environments and historical and cultural backgrounds may pose challenges to IFRS adoption. The emphasis on transparency can be particularly problematic for some countries, such as Iran, who may find the disclosure requirements culturally unacceptable (Rostami and Hasanzadeh, 2016). The difficulty is summed up by Aliabadi and Shahri (2016), who argue that IFRS adoption cannot succeed in Iran without greater transparency and cooperation between institutions. They suggest that this should be government-led. However, the issue of transparency as an obstacle to adopt IFRS in developing countries could be an issue to every one of these countries, therefore worth investigating further. While this sounds like an interesting and important topic to research, it is beyond the focus of this study (it is instead mentioned within the recommendations for further studies).

3.2.1 External Pressure to Implement IFRS

As noted above, developing countries may face considerable external pressure to shift to IFRS (Mir and Rahaman, 2005; Kossentini and Othman, 2014; Nurunnabi, 2017). In a study examining the factors behind IFRS application in 161 countries around the world, Lasmin (2011) found that many were obliged to adopt the standards by international bodies. Developing countries are often not given the chance to decide for themselves whether or not they want to transition to IFRS because international organisations such as the World Bank, IMF, IOSCO, the International Federation of Accountants (IFAC) and the Big Four may make convergence a key stipulation for the provision of any kind of assistance (Hooper and Morris, 2004; Sucher and Alexander, 2004; Alfredson et al., 2005 ; Mir and Rahaman, 2005; Chand and Patel, 2008; Alsaqqa and Sawan, 2013; Irvine and Ryan, 2013; Nurrunabi, 2017). This has led some to see these organisations as “imperialist institutions” bent on spreading IAS/IFRS into developing countries in furtherance of a capitalist agenda (Mir and Rahaman, 2005).

The IMF and the World Bank are major players in the world’s capital markets. Deeply entrenched in capitalist structures (Annisette, 2004; Mir and Rahaman, 2005; Ibrahim et el 2014, 2015; Nurunnabi, 2015), their main aim is to stimulate economic development by making loans available to qualifying countries. The IMF was established with the aim of facilitating monitory stability and capitalist growth in the post-war period (Annisette, 2004; Albu et al., 2011), but it is also there to save countries who are experiencing a shortage of foreign currency and struggling to pay their foreign debt. It does this by making available balance of payments support and short-term loans. However, these come with certain conditions attached; countries that want to borrow money are required to change their overall policies to fit with those recommended by the IMF. Once a country has agreed, the IMF comes in to identify projects to which it is able to offer long-term funding. These are generally projects which facilitate development, such as schools and infrastructure projects (Mir and Rahaman, 2005; Nurunnabi, 2015). The lending regime is designed in such a way that for a country to access funds from the World Bank and, by extension, other development lenders, it has to be a member of the IMF and willing to follow its policies. The arrangement forms part of a deliberate plan by the founders of these institutions to force countries that want funding to agree to the standards imposed by the bank (Luxford 1979, cited in Payer, 1982). In essence, World Bank funds are used as a reward for conforming to the monetary and economic policy demands of the IMF (Annisette, 2004; Irvine and Ryan, 2013).

Cooke and Wallace (1990) argue that the World Bank and IMF are the leading players in promoting accounting coordination in emerging and developing countries. One way they do this is by recruiting global accounting firms to ensure that these countries are fully adhering to IAS/IFRS. Perera (2003) explains that these firms have sought to define themselves not just as powerhouses of institutionalisation but as international entities able to dedicate funds to systems of global control and harmonisation (Cooper et al., 1998). Mir and Rahaman (2005) provide evidence of the powerful role played by these firms with their explanation that Bangladesh's decision to embrace IFRS was motivated in part by the World Bank's warning that any projects it funded in that country had to be audited by accountants who were internationally reputable. In their Syria-based study, Gallhofer, Haslam and Kamla (2011) highlight the damaging effect that this competition from international accounting firms can have on the viability of local accounting firms faced with the high cost of retraining local professionals to work with the new standards. However, this high cost and the possible damaging effects of conversion to an internationally acceptable system may reflect the isolation of the local accounting system and accounting regulators in certain developing countries like Syria. Henceforth, such international systems require certain levels of transparency which may threat the conservatism and heavy control practiced by political systems in a number of developing countries, such as Iran and Syria.

Finally, Lasmin (2011) found that once IFRS standards have been introduced, accounting firms only have to emulate one another or similar regions with an established reputation for prosperity and sustained growth. His study confirms that implementation is driven not only by economic pressure but also by the pressure for social legitimacy.

3.3 IFRS Adoption in Middle Eastern Countries

Countries across the Middle East[2] may share the same culture, language and even business practices, but they differ in terms of disclosure patterns and accounting practices (Askary and Jackling, 2005; Alzeban, 2016). This is because, as Aghimien (2016) found in his comparative study of the Middle East and the US, the development of accounting standards is impacted by local cultural influences, economic development rates, taxation, and finance sources. Aghimien (2016) argues that movement in the direction of IFRS adoption could offer a level of transparency and encourage international investors to have a positive view of the opportunities available in the Middle East. Similarly, Irvine and Lucas (2006) attribute the UAE's decision to implement IFRS to globalisation, arguing that despite the challenges associated with adopting Western-leaning standards, developing countries embrace IFRS because they see this as a way to access the supposed benefits of the global economy. Hassan, Rankin and Lu (2014), meanwhile, see the spread of IFRS in the Middle East as part of a larger move to protect investors and reform governance in the region, though they caution that if this implementation is not done effectively, it risks being perceived as merely symbolic.

Levels of IAS compliance vary across the Middle East; according to one study, compliance ranges from 70% in Kuwait to 55-60% in Qatar and Saudi Arabia (Askary and Jackling, 2005). Several studies have highlighted especially high levels in Bahrain, with Joshi, Bremser and Al-Ajmi (2008) finding that 92.8% of small family-run firms in their study used IAS to enhance their financial reporting. Participants in the study claimed not to have any problems interpreting the standards and that their accountants were capable of preparing properly compliant financial statements, though the authors point to the need for more detailed implementation guidance. Juhmani (2012) reported an average compliance level of 81% among 41 firms in the same country, while Alrawahi and Sarea (2016) recorded compliance of 83% among 36 companies in the Bahraini stock market. The latter study employed the disclosure index to assess

[2] The Arab World consists of 22 countries in the Middle East and North Africa: Algeria, Bahrain, the Comoros Islands, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Mauritania, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, the United Arab Emirates, and Yemen.

compliance using financial reports. In Jordan, Momany, Al-Malkawi and Mahdy (2014) explain that although IFRS were embraced by the country in 2002, they lacked a strong enforcement framework. Consequently, the standards have recently been supplemented with regulations designed to reassure investors that the business environment is both transparent and efficient.

In terms of the benefits (and potential benefits) of IAS/IFRS adoption in this context, Aljifri and Khasharmeh (2006) and Alsaqqa et al. (2012) highlight the positive impact on financial reporting in the UAE, while Aliabadi and Shahri (2016) note the potential effect of IFRS convergence on accounting quality and transparency in Iran, given proper enforcement and full disclosure between the country's accounting bodies and auditing professionals. According to Naser et al. (2005) and Alsaqqa et al. (2012), IFRS means better comparability between firms, financial information that is more useful to decision makers, and more consistency when it comes to accounting principles and conventions. The challenges to adoption in Gulf Cooperation Council (GCC)countries particularly are highlighted by Naser et al. (2005), who draw on their findings from a survey of user groups (government officials, investors, academics and auditors) to conclude that the main obstacles to harmonisation across these countries are the lack of legal and professional requirements and poor regulatory enforcement. Looking at the UAE in particular, Irvine and Lucas (2006) also advise that for IFRS adoption to be effective, appropriate regulatory systems are needed to deal with cultural issues linked to fraud and secrecy.

3.3.1 IFRS Adoption in Saudi Arabia

There are very few studies on IFRS adoption in the context of Saudi Arabia (Alkhtani, 2010; Alsuhaibani, 2012; Almotairy and Alsalman, 2012; Alsulami et al., 2017; Nurunnabi, 2018). While these studies have set the scene and acted as a foundation for this current study, they suffer from certain limitations. For example, Alkhtani (2010) examined the perceived relevance of IFRS prior to transition (when his findings showed that listed companies were unsure of the challenges they might face, he recommended against transition), unlike the current study, which assesses the perceived benefits and challenges now that partial transition has taken place. Almotairy and Alsalman (2012) assessed the institutional factors behind adoption of IFRS in Saudi Arabia (the only GCC member whose listed companies are not obligated to use IFRS), identifying accountant training and language barriers as the main challenges. However, their reliance solely on secondary data, in the form of annual reports from insurance companies, arguably limits the scope of their findings. Alsuhaibani's (2012) study, which examines the impact of cost and training needs on IFRS implementation in telecommunications companies, is also quite limited in scope.

In a recent study, Alsulami et al. (2017) went as far as outlining the various benefits and challenges facing Saudi Arabia in the final stage of the transition process. Drawing on secondary data and SOCPA publications for data, their findings confirmed that the benefits of IFRS adoption far outweigh the challenges, though the authors recommend that the regulatory authorities still need to resolve issues around compatibility with Sharia law and Zakat[3], and accountant education and training. These challenges need to be addressed for the accounting standards in Saudi Arabia so to be acted upon. The findings are echoed by Nurunnabi (2018), whose exploratory study, which combines documentary analysis and interviews with key stakeholders in the Big Four and practitioners, also identifies far more benefits than disadvantages. It also highlights the education system and a lack of qualified accountants as the main hurdles threatening IFRS implementation in the kingdom.

It should be noted that the above studies were not applied on the same economic sector as the current study. This study, while using the previous research as a base, differs in terms of objectives as it aims to find out why Saudi Arabia shifted from its own standards to the partial use of IFRS and how the transition project is perceived by key stakeholders in the country. Lastly, this study uses mixed methods to provide richer information about the current challenges and opportunities gained from IFRS adoption in Saudi Arabia. Long before this transition, Haniffa and Hudaib (2007) blamed cultural and institutional factors for the gap between what is expected and what actually happens when it comes to auditing in Saudi Arabia, arguing that if auditing standards incorporated Islamic principles, this gap would be reduced. One of the areas of interest in the current study is the extent to which cultural factors, including Islamic principles, are having an impact on the IFRS adoption process in Saudi Arabia (see Table 1-1).

[3] Zakat is a form of tax. Under Islamic law, it is ranked second in importance after prayer and regarded as a religious obligation for all Muslims who meet the wealth criteria. Zakat is charged at 2.5% of net worth.

3.4 Opportunities Associated With IFRS Adoption

The literature has identified a range of benefits arising from IFRS adoption. It is widely accepted that financial reports prepared in accordance with IFRS are more comprehensive than those based on local accounting standards and provide more information for decision makers (Alsuhaibani, 2012). They enhance comparability (Sunder, 2011) and transparency (Elhouderi, 2014) and drive improvements in reporting quality and accounting systems that in turn foster economic development (Al-Mannai and Hindi, 2015). Whittington (2005) and Alkhtani (2012) argue that IFRS adoption can greatly enhance a country's accounting measures and activities, allowing it to keep up with global developments, and make its accounting profession more competitive (Saudagaran and Diga, 2003). By bridging the differences between global accounting systems (Radebaugh, Gray and Black, 2006; Alkhtani, 2012), IFRS adoption reduces the cost of capital, facilitates international capital mobilisation, leads to wider market development, increases market liquidity and improves value (Odia and Ogjedu, 2013; Elhouderi, 2014; Al-Mannai and Hindi, 2015; Tyrrall, Woodward and Rakhimbekova, 2007; Nurunnabi, 2017; Daske et al., 2008; Dask and Gebhardt, 2006).

Guggiola (2010), Odia and Ogiedu (2013) and Elhouderi (2014) all argue that shifting from the local GAAP to IFRS increases the influx of international investment and gives firms opportunities to expand globally. Abdulrahim (2015) makes the case that FDI boosts the competitiveness and growth of the receiving country, benefiting both local and foreign firms. In the case of Saudi Arabia, this FDI is crucial to the kingdom's plans to diversify its economy and reduce its reliance on oil revenues because it will enable it to retrain the workforce (according to Abdulrahim (2015), multinationals tend to employ more people in administrative positions than other kinds of firms), add value to local raw materials, and improve youth employment opportunities (Aga, 2014; Alsulami et al., 2017). Adopting IFRS both boosts opportunities for FDI and helps ensure that this investment is sustainable. The danger though, according to some, is that harmonising Saudi Arabia's accounting and financial standards with those of its foreign investors may, if not done carefully, make it susceptible to the undesirable effects of FDI (Alsuhaibani 2012; Alsulami et al., 2017; Nurunnabi, 2017). It is the view of Hussein (2009) that there are precise characteristics which every country should have if it desires to reap the rewards of FDI. These include increased governance and a labour market which is free. The adoption of IFRS could essentially lead to better governance and also provide advantages to the labour market. However, if these characteristics and others are not there, the foreign direct investment could lead to a negative impact on a country. This could result in a country failing to gain the identified benefits of FDI, including competitiveness and growth in the market. Therefore, in order to boost the benefits, careful strategies aligned with a suitable monitoring service need to be in place upon adopting IFRS.

3.4.1 Improved Financial Report Quality

Improving reporting quality involves raising its reliability, relevance, consistency and understandability (Nulla, 2014). Empirical studies suggest that adoption of IFRS improves relevance and reduces chances of earning management compared to statements produced according to local standards (Nulla, 2014). However, there is also strong empirical evidence that even after IFRS adoption, information quality is affected by company and country characteristics and the differences between IFRS and local standards (Lourenco et al., 2015). In other words, financial reporting quality continues to depend not only on accounting standards and regulations, but also on factors such as the prevailing legal framework, cultural background and institutional procedures.

This has led some to question whether common accounting standards are able to meet the requirements and achieve the desired level of quality in all countries (e.g. Ball, Kothari and Robin, 2000; Ball, Robin and Wu, 2003; Bischof and Daske, 2013; De George, Li and Shivakumar, 2016). When Zakari (2014) and Masoud (2014b) tested the market reaction to the adoption of IFRS in Libya, both studies found that the quality of information after adoption did not meet the expectations of investors, probably due to weak enforcement of the standards. Masoud (2014a) and Cerne (2009) offer another possible explanation: that the accounting information that are modelled out to fit in with developed countries' accounting systems may not have any bearing in the emerging economies' frameworks or decision models.

3.4.2 Comparability

IFRS act as a universal language, making it easier for analysts to assess relative performance, and for companies themselves to compare their financial reports with those of other companies (Alkhtani, 2010; Alsalman, 2012; Zakari, 2014; Nurunnabi, 2017). This has become increasingly important as international trade expands and countries, most of which have historically adhered to their own local accounting standards, have realised that they need to be able to understand each other's accounting systems. However, it is not enough simply to adopt IFRS; it is equally important that the standards are consistently applied and enforced (Gassen, 2013; Zeng, 2015; Masoud, 2014a; Nurrunabi, 2015). As both mandatory and voluntary disclosure play a significant role in the comparability function, appropriate legislation and requirements need to be in place in order to enhance the comparability of accounts prepared according to IFRS.

3.4.3 Economic Growth

The adoption of IFRS at the international level has become a topic of regular analysis and discussion in the field of accountancy, but there is some controversy surrounding the link between IFRS and economic growth. It might be assumed that a country employing internationally accepted accounting standards will be seen as more reliable within its market, and researchers such as Zeghal and Mhedhbi (2006) have argued that developing countries embracing IFRS have indeed demonstrated higher rates of economic growth. Lahmar and Ali (2017) also show that adoption can bring economic improvement, as long as it is accompanied by robust regulatory bodies and regulation. However, Woolley (1998) found no significant difference in terms of economic growth between Asian companies adopting IFRS and those using local standards.

3.5 Challenges Associated With IFRS Adoption

The literature highlights a number of challenges for developing countries considering IFRS adoption. For example, the adoption process may meet with resistance if the standards are not seen as meeting the accounting needs of the country (Tyrrall, Woodward and Rakhimbekova, 2007), or if they are seen as incompatible with Islamic law (Irvine and Lucas, 2006). Organisations may struggle with translating and interpreting the IFRS (Alsuhaibani, 2012; Joshi and Ramadhan, 2002; Alkhtani, 2012; Alsulami et al., 2017) and with the costs involved in retraining accountants and auditors to manage the transition (Alsuhaibani, 2012; Elhouderi, 2014; Almotairy, 2014; Jermakowicz, 2004; Kolsi and Zehri, 2013). Another potential obstacle to harmonisation, according to Yapa (2003) and Joshi, Yapa and Kraal (2016), is the lack of capacity of professional accounting bodies, whose support is central to implementing the accounting standards effectively as the IASB recommends.

It has been argued that adoption alone is not enough to guarantee improvement; much depends on the country's institutional and enforcement mechanisms (Leuz, 2013). For example, Hassan et al. (2014) found that the adoption of IFRS in Iraq has not produced better accounting quality because of that country's institutional instability, while Kolsi and Zehri (2013) suggest that adoption is pointless without a strong legislative/regulatory regime. The following section discusses some of the main practical challenges that have been reported in developing countries.

3.5.1 Main Practical Challenges of IFRS Adoption

Practical challenges include ensuring that information technology systems are IFRS-compatible, and accurately costing the adoption process, from the investment needed for employee training and the restructuring of internal control systems to the additional auditing costs that are likely to be incurred (Nobes, 2014; Thompson, 2016). Mande (2014) cites unconsolidated rules and a lack of regulatory strategies as a potential problem, while Osemeke and Adegbite (2016) argue that substantial dissimilarities between IFRS and the local legal system could be an indication that companies are likely to mitigate the difficulties imposed by the diversity of statutes linked to IFRS adoption. Other practical challenges include a shortage of trusted markets that can be used to determine the fair value of liabilities and assets, and not enough IFRS-certified accountants (Landsman, 2007; Laux and Leuz, 2009; Quagli and Avallone, 2010; Edeigba, 2017).

Throughout the period of transition, awareness needs to be raised through training and support, so that those who prepare financial statements can understand and use the new standards well (Bonsón, Cortijo and Escobar, 2009; Judy et al., 2016; Beckman, 2016; Joshi, Yapa and Kraal, 2016). Jermakowicz, Reinstein and Churyk (2014) highlight the importance of education and training in enabling preparers to adapt to the introduction of IFRS in developing countries, and a number of other studies have reported similar findings in other developed countries (Jones and Higgins, 2006; Guerreiro, 2012; Ibrahim, Stanton and Rodrigs, 2014), but the evidence from developing countries suggests that practitioners have only limited support or instruction from regulatory bodies (Alkhtani, 2012; Nurunnabi, 2017; Alsalman, 2012). In Libya, Faraj and El-Firjani (2014) found that those responsible for preparing financial statements were confused by the inconsistency between local disclosure requirements and IFRS requirements. The authors attribute this to the dearth of training for accountants, lack of awareness regarding IFRS adoption, and the poor adaptability of accounting employees. Ahsina (2012) identifies a similar lack of understanding of IFRS requirements in Morocco, along with internal control problems, leading him to conclude that the majority of Moroccan companies are not ready for the implementation of IFRS. In Saudi Arabia, Nurunnabi (2017) blames the lack of facilitation programmes on the lack of awareness around the transition from Saudi Accounting Standards (SAS) to IFRS. He also cites language differences as one of the key challenges affecting IFRS adoption in the country.

The unification of accounting standards is a big step towards making financial statements drafted in different countries comprehensible. However, just making the statements uniform is not enough to ensure international comparability; also vital is how IFRS are applied (De Fond et al., 2011; Edeigba, 2017; Nurunnabi, 2017b). The following section discusses the environmental factors that can affect how this is done in developing countries.

3.5.2 Environmental Factors Impacting the Adoption of IFRS

Environmental factors such as language, national accounting practices, the economic influence of the state, and local cultural dimensions and legal systems all affect the manner in which IFRS are implemented (Nobes, Parker and Parker, 2008; Tsakumis, Campbell and Doupnik, 2009; Shima and Yang, 2012; Cardona, Castro-González and Ríos-Figueroa, 2014; Nurunnabi, 2015 ; Edeigba, 2017). First of all, implementation must be compatible with domestic laws and regulations; in the case of Islamic countries such as Saudi Arabia, this also includes Sharia law. The role of culture and accounting education are discussed in some details in the following sections.

3.5.2.1 Culture

According to Hofstede et al. (2010, p. 6), “Culture distinguishes the members of one human group from another”. The influence of cultural dimensions on accounting standards at local and international levels has been identified as one of the key issues facing accounting and financial institutions all over the world (Tsakumis, Campbell and Doupnik, 2009). These cultural dimensions lead each community to produce an accounting system that is unique to its own context (Askary, Yazdifar and Askarany, 2008). The IASB was established with the aim of minimising the resulting discrepancies between national systems (Tsakumis, Campbell and Doupnik, 2009; Alsulami, 2017; Alkhtani, 2012).

Lasmin (2012) drew on Hofstede's model of cultural dimensions to study the links between the decision to adopt IFRS and the cultural aspects of 40 developing countries, which he divided into three categories: those choosing full adoption, those choosing partial adoption and those deciding against adoption. Using regression analysis and taking into account social and economic variables, Lasmin (2012) found that countries with a lower individualisation index, power index and uncertainty avoiding index were more likely to implement IFRS, as were those countries with high levels of foreign aid and education. Lasmin concluded that in developing countries, the decision to adopt IFRS is influenced more by culture than by economic pressure.

Researchers such as Skotarczyk (2011), Alkhtani (2012) and Alsulami et al. (2017) argue that cultural values differ to a measurable degree across different countries. This has led some to investigate the effect that these values have on how global-level rules such as IFRS are understood and applied. Tsakumis, Campbell and Doupnik (2009) note the influence of cultural values such as secrecy and conservatism, arguing that they have an even greater impact where implementation is a matter of judgement or interpretation. The authors refer to a study by Timothy and Martin (2003), which came to the conclusion that the US is more liberal than other countries when applying principles of accounting. For instance, they refer to the use of the term "probable" as the threshold when recognising items which depreciate in income. Other countries usually employ a lower threshold than that employed by the US, reflecting a more conservative application of the principles.

3.5.2.2 Education

As noted in Section 3.5.1, lack of understanding and awareness can be a major impediment to IFRS adoption in developing countries. This has led a number of authors to highlight the need for better education and training on the subject (Nurunnabi, 2015; Almotairy and Stainbank, 2014). Generally, in developing countries, accounting education deals primarily with the establishment of accounting systems and the impact of accounting standards. There is an obvious relationship between the level of education that accounting employees have and the degree to which IFRS is implemented

(Alkhtani, 2010; Zeghal and Mhedhbi, 2016; Alsulami et al., 2017); put simply, those countries with properly trained employees are better equipped to adopt and apply the standards (Almotairy and Stainbank, 2014). In Saudi Arabia’s case, full compliance with the International Educational Standards (IES) would boost the training of the kingdom’s accountants and create a solid basis for the wider implementation of IFRS (Almotairy and Stainbank, 2014). Nurunnabi (2017ab) and Alsulami et al. (2017) both report that one of the leading challenges faced by listed companies in Saudi Arabia is that accountants in the country lack experience in making professional judgements. Both authors attribute this to deficiencies in the education system. Given its importance to the adoption and implementation of IFRS, the impact of this factor was tested in this study.

3.6 Theoretical Framework

A number of theories may be deployed to help inform how countries and companies deal with changes in accounting systems. For example, agency theory posits that corporate managers implement accounting standards to the advantage of stakeholders rather than capital providers because of the underlying benefits in management performance and compensation arrangements (Borker, 2013; Phan, 2014). Cultural theory assumes that shared perceptions, systems of common symbols, projections of a person’s thought, and unconscious infrastructure determine whether preparers of financial statements respond negatively or positively to IFRS procedures (Gray, 1988; Borker, 2013; Hofstede et al., 2010), while stakeholder theory provides an explanatory account of the ethical and normative branch and decision-making features in accounting activities and financial reporting systems (Borker, 2013).

Institutional theory clarifies the methods by which businesses respond to institutional changes to generate legitimacy (Oliver, 1991; Scott, 2001). A number of studies (e.g. Gallhofer et al., 2011; Irvine, 2008; Mir and Rahaman, 2005; Nadia et al., 2011) have demonstrated the impact of institutional theory on the use of IAS in developing countries and emerging economies. This research draws on new institutional theory because it addresses the more resilient and profound features of social structures. Since the adoption of IFRS in Saudi Arabia has been made mandatory by SOCPA and SAMA, the study assumes that IFRS implementation is being determined, disseminated and regulated by institutional factors. The theory reflects on the processes through which structures, including plans, guidelines, standards and practices, become established as authoritative procedures for social conduct. It investigates how these structures are shaped, mixed, implemented and reviewed over space and time, or, conversely, how they decline and become obsolete (Scott, 2004, p. 2). The following sections offer a more detailed explanation of the adopted theory and conceptual framework.

3.6.1 Institutional Theory

Institutional theory, which is widely implemented in social science research and particularly within accounting studies (Scott, 1995; Greenwood, Hinings and Whetten, 2014), positions economic phenomena within their broader cultural, political, social, civil, religious and technological context (Greenwood, Hinings and Whetten, 2014). Three variants of institutional theory – old institutional economics (OIE); new institutional economics (NIE), also known as transaction cost economics; and new institutional sociology (NIS) have been employed to acquire knowledge of company change and accounting procedures (Clark, 2004; Ibrahim, Stanton and Rodrigs, 2014). This study employs new institutional theory (NIT), the salient characteristics of which are discussed in the following section.

3.6.2 New Institutional Theory

DiMaggio and Powell (1983) define an institution as a recognised social status quo comprising a number of guidelines and homogenous activities. NIT involves looking at institutions in terms of their milieu, the impacts of outsider expectations on the institution or group, and those structures and practices through which the group seeks to ensure its validity. Institutional isomorphism is the process through which an institution attempts to conform to the expectations of its environment by being seen to act in valid and legitimate – that is, socially established – ways. NIT posits that it is these external influences rather than cost-minimising objectives that do most to shape intra-organisational structures and procedures. Organisations operating in a similar environmental context are subject to comparable expectations when it comes to selecting and designing internal structures and practices such as the accounting system (Moll, Burns and Major, 2006); if they are to maintain legitimacy, these structures and practices must be acceptable to the wider milieu (Albu et al., 2011; Ibrahim, Stanton and Rodrigs, 2014). As Rodrigues and Craig (2007) explain, this can lead to one institution or group of practices becoming similar to those of another institution or group; in other words, isomorphism may be roughly equated with convergence, with institutions ultimately upholding similar values and following similar strategies and policies (Covaleski, Dirsmith and Michelman, 1993; DiMaggio and Powell, 1983; Annisette, 2004; Mir and Rahaman, 2005; Abdulhakeem, 2015; Nurunnabi, 2015).

From the institution's point of view, convergence makes access to resources easier (DiMaggio and Powell, 1983) and helps safeguard its existence within the community.

The isomorphism process may be driven by competitive forces pushing the organisation to adopt least-cost frameworks and activities, or it may be driven by coercive, mimetic or normative pressures (DiMaggio and Powell, 1983). Coercive isomorphism is driven by external determinants, such as government policy, regulation and supplier relationships, that compel an institution to use particular internal frameworks and practices. The clearest examples of coercive pressure are formal guidelines and regulations (Oliver, 1997; Albu et al., 2011; Ibrahim, Stanton and Rodrigs, 2014); as DiMaggio and Powell (1983) point out, organisations must adhere to these in order to achieve and sustain legitimacy. Nations wanting to compete in global capital markets may face coercive pressure not only to adhere to global regulations and policies, but also to adopt the regulatory systems favoured by other parties in the market (Irvine, 2008).

Mimetic isomorphism is when organisations mimic the internal structures and measures of other organisations in order to gain credibility (DiMaggio and Powell, 1983; Ibrahim, Stanton and Rodrigs, 2014). For countries, too, there can be pressure to conform to conventional frameworks and behaviours, particularly during uncertain times, though this pressure may meet with resistance where there is a strong sense of national identity and culture. In terms of accounting systems, transnational companies/organisations have created well-planned and coordinated systems (Cooper et al., 1998). As such, they have emulated other companies in terms of the desirability for globally harmonising particular practices, including financial auditing. Such keenness to model has been unprecedented for developing and emerging countries, which may show their use of global accounting measures.

Normative isomorphism takes place when companies embrace the frameworks and guidelines produced by professional agencies and experts. There has recently been criticism of this characteristically "macro" emphasis since the theory necessitates larger incorporation with "micro" interpretations and recognition of the interactive type of established procedures. (DiMaggio and Powell, 1983; Ibrahim, Stanton and Rodrigs, 2014)

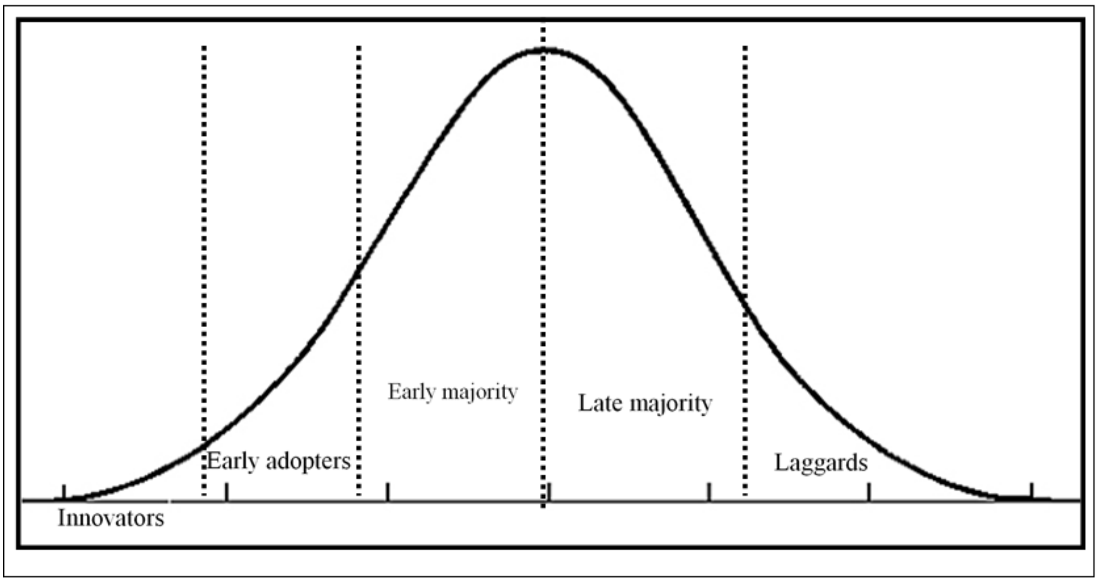
The pressure exerted by the IASC/IASB and by organisations such as the World Bank and IMF towards the global harmonisation of accounting standards has been studied by numerous researchers within accounting research in general and financial accounting research in particular (Baker and Barbu, 2007; Albu et al., 2011). Some have drawn on institutional theory to argue that under-developed economies are following Western accounting guidelines and adopting global accounting criteria as evidence of their "modernisation," regardless of whether they are required by local circumstances (Meyer and Rowan, 1977; Scott, 2001; Albu et al., 2011). Mir and Rahaman (2005), for example, conclude that institutional legitimisation was a key variable in Bangladesh's decision to employ global accounting standards. Their analysis of archival sources and interviews with influential stakeholders in Bangladesh (e.g. preparers and users of yearly reports, SEC members and representatives from professional accounting organisations) reveals the intense pressure global lending bodies like the World Bank exerted on Bangladesh's authorities and professional accounting organisations to ensure robust accountability arrangements and build credibility with foreign investors.

Albu et al. (2011) identify similar pressure in their examination of the application of global accounting criteria in Romania. Semi-structured interviews with key figures in the field of financial reporting revealed the impact of coercive external forces like the World Bank, and the complex interplay between organisations, politics and routines in the Romanian setting. In particular, the findings highlight the difficulty of altering accounting policies in an evolving economy (Albu et al., 2011). Other studies (Lasmin, 2011; Hassan, 2008) have also identified external pressure from the World Bank and its agencies as the main drivers towards IFRS adoption in developing countries (see Section 3.2.1), though it is questionable how much impact this pressure has on Saudi Arabia, given the country's financial power.

Irvine (2008) looks more specifically at the role of institutional isomorphism in the UAE, finding that coercive, normative and mimetic pressures all played a role in driving the country to adopt global accounting measures. Informal coercive pressure from the World Bank and capital markets led to the inauguration of the Dubai Stock Exchange, while the country's trading partners (both in the oil and non-oil sectors) offered it incentives to behave in globally accepted ways (i.e. encouraging mimetic isomorphism), and the Big Four accounting firms wielded normative pressure by promoting themselves as offering the best value and quality to Arab investors. These investors are required to prepare and disclose their financial reports under IFRS. Other UAE accountancy companies, keen to compete with the Big Four, are also "encouraging their clients, with considerable success, to prepare accounts under IFRS" (Irvine, 2008, p. 133).

Dayyala et al. (2017) link harmonisation with NIT and diffusion theory, applying Rogers' adopter categories of adoptee countries. These classify adopters into four categories (see Figure 3-1): early adopters or innovators, early adopter majority, late majority adopters, and laggard's majority adopters. Drawing on data from 98 countries for the period 2000-2016, the authors used IAP LUS to identify countries announcing their adoption of IFRS. Their findings indicate that IFRS diffusion is driven by inter-country communication and contact, and that all three forms of isomorphism play a role. Like Dirsmith et al. (1993), Irvine (2008) and Nurunnabi (2015), the authors conclude that countries respond to external and macro pressures in order to gain legitimacy.

Figure 3-1 Rogers' adopter categories of adoptee countries



Source: Dayyala et al. (2017)

The above discussion focuses on general explanations of the various guises of institutional theory and focuses on theoretical contributions using institutional theory. There appears to be a lack of NIT-based research exploring the adoption of IFRS in developing countries (Albu et al., 2011; Ibrahim, Stanton and Rodrigs, 2014). The current study addresses this gap by employing a conceptual framework based on NIT.

3.7 Conceptual Framework

The literature discussed above (Irvine, 2008; Albu et al., 2011; Ibrahim, Stanton and Rodrigs, 2014; Lasmin, 2011; Hassan, 2008; Nurunnabi, 2015) illustrates how external pressure from the World Bank, the IMF and the Big Four accounting firms influences developing countries to adopt IFRS, and how adoption is challenged by internal factors such as the legal system, government regulations and cultural factors. All of these conflicts between external and internal forces could impact the adoption of IFRS in Saudi Arabia. Furthermore, the decision to implement full adoption by 2017 may have been useful to SOCPA in reshaping Saudi Arabia's accounting system in the long term as relevant and comprehensive annual reports could help the Saudi economy. According to SOCPA's 2017 annual report, the rationale that underpins a full adoption of IFRS in Saudi Arabia is to achieve the Saudi Vison 2030[4] (SOCPA, 2017). Figure 3-2 below identifies the challenges (economic, legal, educational and cultural) that face Saudi Arabia on its path towards adoption and the benefits (higher-quality financial reporting, increased capital investment, improved transparency and economic growth) that it could bring. Taken in isolation, the opportunities outweigh the challenges of IFRS adoption, but the pull-push[5] of internal and external forces in Saudi Arabia has led to adoption being delayed in comparison to other GCC states such as the UAE.

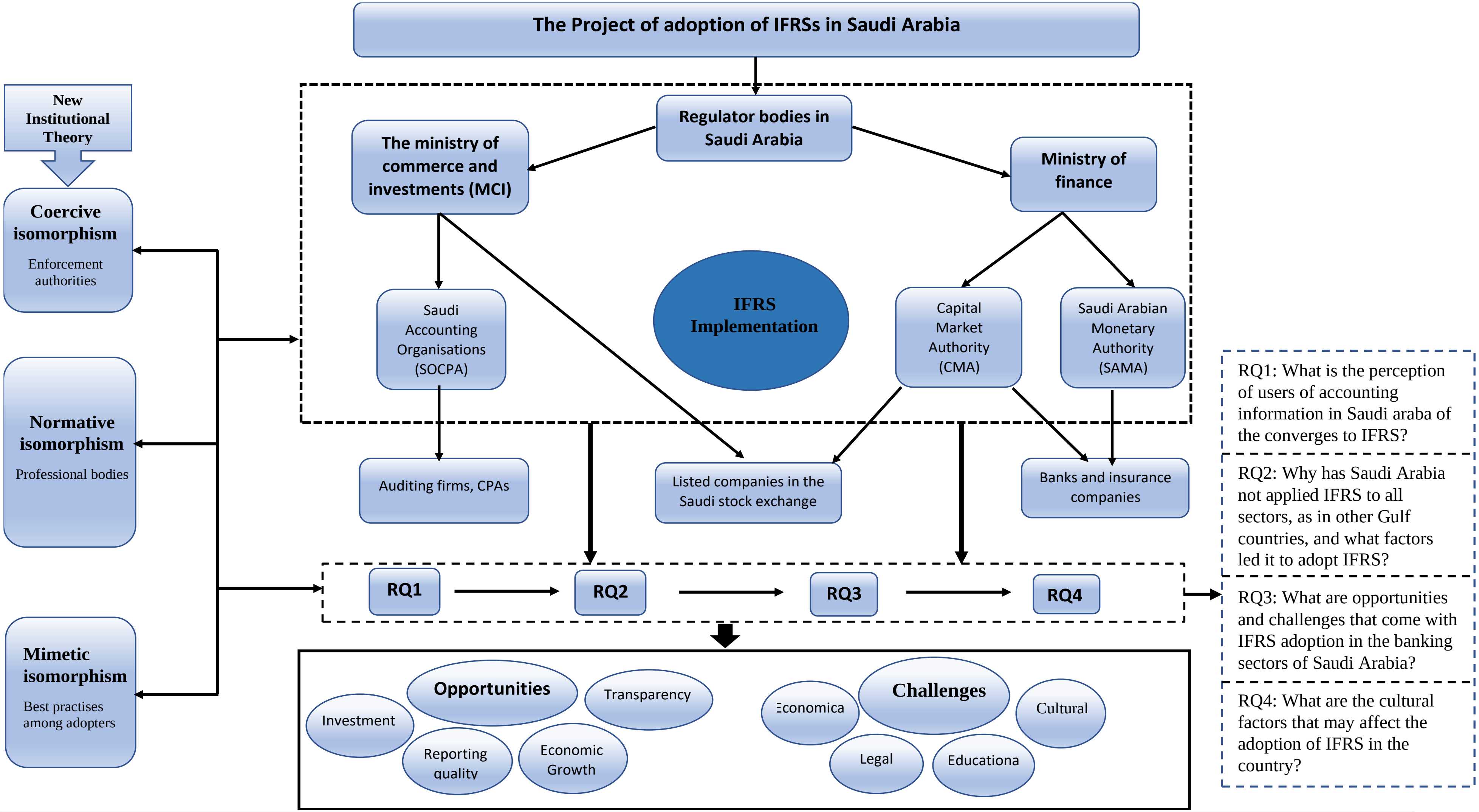
A limited number of studies have discussed the adoption of IFRS in countries such as Saudi Arabia, which have a social, legal and political structure which differs greatly from those countries backing international accounting standards. No research has been conducted in relation to the institutional pressure that influenced Saudi Arabia to adopt IFRS. This study employs NIT to review the external and internal forces that influenced Saudi Arabia to adopt IFRS in the banking sector and to determine the challenges and opportunities which arose during the adoption process. In so doing, it considers a number of drivers, including: institutional factors; normative pressure from professional bodies such as SOCPA; mimetic pressure arising from the widespread assumption that IFRS adoption is best practice and will boost economic growth; and most importantly, coercive pressure from the government, itself influenced by agencies such as the World

[4] Saudi Vision 2030, launched by the Saudi authorities led by Crown Prince Mohammed bin Salman, calls for less dependence on oil, more powers to be given to the private sector, and the facilitation of foreign investment (IMF, 2018).

[5]The fact that there are several regulators in Saudi Arabia (e.g. SAMA, CMA and SOCPA) makes it difficult to say precisely who is responsible for monitoring and enforcing reporting standards.

Bank, the IMF and IAFC. All of which were mapped onto the research questions as illustrated in figure 3-2 that presents the conceptual framework of this study, illustrating the interaction between these factors and the decision to adopt IFRS in Saudi Arabia.

Figure 3-2 Conceptual Framework



3.8 Summary and Research Gap

This review of the literature on developing countries highlights the growing attention now being paid to IFRS in these countries. The chapter starts with a general discussion of the debates surrounding the perceived relevance of IFRS to developing countries, the external pressure these countries face from institutions such as the World Bank and IMF to adopt international standards, and the practical and environmental challenges that can hinder implementation, before focusing specifically on the findings of studies investigating the experience of Middle Eastern nations, including Saudi Arabia. These highlight that for many of these countries, the decision to adopt IFRS has been driven by a desire to enhance access to the global economy, reassure investors and attract FDI.

The chapter then summarises what the literature considers to be the main opportunities and challenges associated with IFRS adoption in developing countries. In terms of opportunities, researchers have pointed to the potential of IFRS to enhance financial reporting quality, comparability and economic growth, though some caution that these benefits are dependent on the presence of robust enforcement mechanisms. The lack of such mechanisms, along with a lack of training to raise local understanding and awareness, and perceived cultural incompatibility with the requirements of IFRS, have been identified by researchers as key obstacles to IFRS adoption.

These studies have enhanced our understanding of the benefits and challenges of IFRS adoption in developing countries; this study seeks to add to this understanding by focusing on an as-yet unexplored context: the Saudi Arabian banking sector during IFRS implementation. The study also breaks new ground by employing new institutional theory (NIT) to give greater insight into the external and internal forces driving the sector's transition to IFRS. As highlighted in the conceptual framework, these forces are to a great degree driven by coercive, normative and mimetic pressures. Finally ,provide an explanation and understanding of the external and internal pressure that operating on and within Saudi Arabia and the resulted challenged and opportunities associated with the IFRS adoption in the case of Saudi Arabia , the conceptual framework is original as previous studies such as(Irvin 2008) were based in secondary data ,where the current research employ the mix method to demonstrated the different pressure that lead the country to abandon it local standards and move toward the IFRS.

CHAPTER 4: OVERVIEW OF SAUDI ARABIAN SYSTEM

4.1 Introduction

The aim of this study is to conduct the challenges and opportunities of adopting IFRS in the Saudi Arabian context. This chapter takes a broad look at the environment in Saudi Arabia and some of the dynamics that have had the biggest impact on the development of accounting in the country. These include the kingdom's politics, economy, culture and religion, as well as external pressures. The chapter describes the development of Saudi Arabia's professional accounting body (SOCPA) and its regulatory authorities (MCI, CMA and SAMA) before discussing the country's standard-setting process and the IFRS adoption process as it has unfolded so far.

4.2 Overview of Saudi Arabia

Figure 4-1: Map of Saudi Arabia

Source: Doing Business in Saudi Arabia (2017)

Saudi Arabia is the largest country in the Gulf region (see Figure 4-1). It covers around 2 million square kilometres, most of which is desert, with a chain of mountains (1,100 kilometres long and ranging from 3,000 to 9,000 feet high) along its western coast (General Statistics Authority, 2015). As of 2017, the population of the kingdom was 32,552,447, of whom, 12,143,974 were foreign nationals (General Statistics Authority, 2017). Around half of the population lives in Riyadh, the capital city, and Mecca. Seventy-two percent of the population are aged between 15 and 64 years old, while 24% are less than 15 years old. The official language is Arabic, and the country uses the Arabic lunar calendar (Hijri) (Shoult, 2006; Al Sedran, 2018). Mecca, the city that all Muslims face when they pray, and Medina, the birthplace of the Prophet Mohammed, peace be upon him, are considered two of the holiest places not just in Saudi Arabia but for the greater Muslim world. Each year, the two cities witness an influx of Muslims from all over the world coming to perform the Omrah or Hajj pilgrimage. Almost all aspects of life in Saudi Arabia are influenced by Islam, the country's official religion. This religion extends to regulates and affects business processes such as accounting.

4.3 Political Structure and Legal System

4.3.1 Saudi Political System

In any country, the political system is one of the main factors influencing the accounting system. As an absolute monarchy, Saudi Arabia has no experience of democratic institutions and practices. The Quran and the Sunnah are the two major legislative sources, and any legislation is issued by royal decree (Alghamdi, 2012). The main legislative bodies in the kingdom are the Council of Ministers and the Majlis al-Shura (Council of Consultation). The King functions as the head of the Council of Ministers, of which the Prime Minister and the Crown Prince are members. One of the main tasks of the Council of Ministers is to help the King in the execution of his duties. The King chooses who sits in the Majlis al-Shura, which operates from the seat of power in Riyadh. According to Alkhtani (2010), these two bodies have the authority to promulgate public law and take any initiatives. It should be pointed out that Saudi Arabia has never been subject to colonisation or protection by a Western colonial power.

The Saudi political system remained stable during the Arab Spring (Kamrava, 2012; Al Sedran, 2018), in part because the government demonstrated flexibility and a willingness to change economic conditions for its citizens by introducing numerous economic enhancements and raising salaries for government workers. Maintaining stable political conditions is key to attracting FDI, including in the banking sector.

4.3.2 Legal System

As the official religion in Saudi Arabia is Islam, it affects all aspects of life in the kingdom. The legal system is based on the Quran, which sets out the beliefs that govern all facets of economic, social and political life, and the Sunnah, which, through the actions and sayings of prophet Mohammed (PBUH), explains how these beliefs should be implemented in the real life. These are supplemented by sources such as the Ijma and the Qiyas (Alghamdi, 2012). The Ijma gives guidance on how to read particular Islamic traditions as defined by early Islamic theologians, while the Qiyas discusses how Islamic scholars can respond to the issues thrown up by scientific and cultural change while remaining true to the basic principles of the Quran and Sunnah (Alghamdi, 2012).

Saudi Arabian accounting policies, too, have their basis in Islamic Sharia law, which determines how business is done, how accounting activities are carried out, and how finance and banking operate (Lewis, 2001; Alkhtani, 2010; Alghamdi, 2012). All Muslims are expected to adhere to this law in their financial dealings (White, 2004). Western regulation might not be appropriate for states that draw heavily on Sharia law, given the cultural differences between Islamic and Western countries. Islam endorses collectivism and discourages individualism, while in Western civilisations the idea of disclosure is significantly more individual in its range, the disclosure of data linked to accounting leads to revealing of such information to the general public (Alghamdi, 2012). Western societies regard the principles of trade and commerce as fundamentally artificial in nature, which contradicts the moral principles of Sharia law. Western companies tend to disclose information about their corporate social responsibility- and charity-related activities to gain legitimacy, but such disclosure is avoided in Islam in order to save the recipients of these charitable services and activities from possible embarrassment.

Furthermore, as Sulaiman (2003), Alkhtani (2012) and Ahmed et al. (2019) point out, Sharia law requires the production of information that is beyond the scope of

Western accounting systems. For example, one of the key objectives of Islamic accounting is the delivery of a fair foundation for the computation of Zakat (Alghamdi, 2012). There have been several amendments to the Income Tax and Zakat Law since its introduction in 1950 by Royal Decree No. 17/2/28/3321 (Al-Ajmi, 2009). Accounting practice is at the heart of this law; Article No. 6, for example, stipulates that all business ventures and individuals engaged in investment or commercial practices are required to provide organised accounts specifying the business' capital takings and expenditures for the financial year.

Trade between Saudi Arabia and the UK and US has had a major impact on Saudi company law and accounting systems (Alsultan, 2017), with much of the national regulation being adapted from US and UK principles (Alsultan, 2017). However, the country's accounting standards are first and foremost expected to be able to deal with the instruments and measures required under Sharia law, and to meet the expectations and needs of Saudi users.

4.4 Economic System

4.4.1 Economic Overview

Historically, Saudi Arabia's main economic activities were agriculture and religious pilgrimage, but since the late 1930s, oil has been the country's main source of revenue (Al Sultan, 2017). The Saudi economy is the strongest and most stable in the Middle East. The country possesses 18% of global oil reserves (OPEC, 2015) and is the world's largest oil producer to date, with oil exports now accounting for more than half of the national income (Ministry of Economy and Planning, 2018). GDP was reported as 683.3 billion USD in 2017, up from 646 billion USD in 2016 (World Bank, 2017). As a result of that enormous leap in growth, the net flow of FDI stood at around 13 billion USD. Becoming a member of the WTO has allowed Saudi Arabia to play a more active role in the global economy (MCI, 2016), but it has also increased pressure on the country to change some of its regulations, policies and investment plans to bring them into alignment with those in developed countries.

The increase in per capita income from oil revenues has driven consumption and fuelled a rise in both imports and exports, and there have been massive changes in the types of business enterprise operating in the kingdom. Since the 1970s, there has been a shift away from conventional individual and family-based enterprises towards partnerships and associations (CMA, 2015). This has increased demand for a wide array of accounting services and led to a rise in the number of accounting companies (Alkhtani, 2010; Alsultan, 2017).

Notwithstanding its recent growth, Saudi Arabia is intent on reducing its dependence on oil and encouraging more FDI into the country. The 2008 global downturn and subsequent collapse in oil prices served as a stark warning of the danger of relying on a single source of income, prompting the Saudi government to start looking for other means of generating revenues. It became necessary to take action to enhance FDI and attract other sources of investment: one strategy was to adopt IFRS; another – Saudi Vision 2030 – is discussed in the following section.

4.4.2 Saudi Vision 2030

Saudi Vision 2030, launched by the Saudi authorities led by Crown Prince Mohammed bin Salman, calls for less dependence on oil, more powers to be given to the private sector, and the facilitation of foreign investment (IMF, 2018). Its key targets include:

- Ensuring a strong, thriving and stable Saudi Arabia and providing opportunities for all.
- Offering better opportunities for partnerships with the private sector based on the country's position as the heart of the Arabic and Islamic worlds, its leading investment capabilities, and its strategic geographical position.
- Enhancing the business environment in order for the economy to grow and thrive.
- Ensuring healthier employment opportunities for Saudis and long-term affluence for all.
- Maintaining cooperation and mutual responsibility throughout.

One of the first initiatives driven by Saudi Vision 2030 was the privatisation of ARAMCO, a state-owned oil enterprise, through the sale of 5% of its shares (IMF, 2018). This step has been hailed as a positive move, as shifting one of the government's largest assets into the private sector means more investment opportunities and fewer regulatory obstacles, while at the same time ensuring more diversification in other economic sectors.

The decision to open up the local market to overseas investors (Al Sedran, 2018) is evidence of the government's resolve to overcome previous constraints and expand the opportunities for diversification. One potentially rich area of opportunity is tourism, which has seen major investment on the strength of the recommendations in Saudi Vision 2030. Religious tourism in particular is a thriving business in the kingdom; according to the General Statistics Authority (2018), in 2017 alone, 1,862,909 pilgrims visited the holy cities of Mecca and Medina for Hajj and 19,079,306 visited for Omrah. A railway linking the two cities has now been completed, but Zamani-Farahani and Henderson (2010) recommend further initiatives to improve the products and services offered in this sector. As they explain, there are more than 1.5 billion Muslims around the world, most of whom will wish to make this religious trip at least once in their lifetime.

4.4.3 Saudi Stock Market

The Arabic term "Tadawul" refers both to the Saudi Arabian Stock Exchange as an institution and the stock exchange process in the capital market. The Tadawul was founded in 1935 (Aljaser, 2002; Alsultan, 2017), at which time there were only five listed companies in the kingdom (Albarrak, 2005). This had grown to 17 by 1975, since then the number has increased as oil prices have risen (Albarrak, 2005; Alamri, 2014; Alsultan, 2017). Recent government plans to expand privatisation across a wide range of economic and business sectors have also incentivised many family enterprises and private corporations to go public. As a result, the number of Saudi listed companies almost tripled over 10 years, from 61 in 2004 to 161 in 2014 (Tadawul, 2015). Table 4-1 below shows the total number of listed companies as of 2017.

Table 4-1 Total Number of Listed Companies in the Tadawul

Sector	***Number of listings***
Banks & Financial Services	*12*
Petrochemical Industries	*14*
Cement	*14*
Retail	*17*
Energy & Utilities	*2*
Agriculture & Food Industries	*16*
Telecomm. & Information Technology	*4*
Insurance	*35*
Multi-Investment	*7*
Industrial Investment	*15*
Building & Construction	*18*
Real Estate Development	*9*
Transport	*5*
Media and Publishing	*3*
Hotel & Tourism	*4*
Total	*175*

Source: CMA (2017, Online)

In 1984, the government issued a royal decree appointing the Saudi Arabian Monetary Authority (SAMA) to monitor and develop regulation for the market (SAMA, 2016). SAMA’s activities included the introduction of automated clearing and settlement in 1999, followed the next year by the Electronic Securities Information System (ESIS). Three years later, the government established the Capital Market Authority (CMA) to regulate the stock market and investment therein (CMA, 2014). The Tadawul is chaired by a self-regulating board comprising nine members appointed by the CMA. Government institutions such as SAMA, the MCI and the Ministry of Finance are responsible for nominating three of the nine members, listed companies may nominate two, and the remaining four are nominated by licensed brokerage firms.

Although big when compared to stock markets in other developing countries, researchers have concluded that, as in other developing countries, the Saudi stock market is ineffective (Alkhtani, 2010; Alghamdi, 2012). This is in spite of the government introducing new requirements and regulations to improve adherence to corporate governance and disclosure requirements in 2006, and the CMA's efforts to improve the clarity and comprehensiveness of corporate financial reporting (CMA, 2007). At the end of July 2017, individuals held 27.26% of the shares in the main market, while institutions possessed 66.09%; only 2.18% were owned by shareholders from other Gulf states and 4.47% were owned by foreign companies (Tadawul, 2017). It can be inferred, therefore, that there is an institutional orientation in the main market that leaves little opening for foreign investors.

4.5 Privatisation

In recent decades, the government of Saudi Arabia has, by encouraging the extension of the private sector and the diversification of economic activities, sought to reduce the country's dependence on the petroleum revenues that has long been the mainstay of its economic development (SAGIA, 2018). For almost two decades, the Supreme Economic Council (SEC) has played an important role in the promotion of privatisation, overseeing the application of economic strategies that promote private sector investment and liaising between the different governmental bodies. A key part of the government's strategy has been the privatisation of government-owned businesses such as power services and telecommunications, while initiatives such as its Eighth Development Plan (2010-2015) have focused directly on promoting the private sector (SAGIA, 2016). Through its actions, the government has not only encouraged economic diversification, but it has also started to change its own role from that of dominating presence to passive supervisor (Alghamdi, 2012).

The impact of the government's initiatives is demonstrated by the fact that between 1975 and 1995, the proportion of GDP generated by the private sector rose from 2% to nearly 50%. Furthermore, 75% of GDP was generated by non-oil products (United Nations, 2019). According to Hassan (1998), only 20% of developing countries have a private sector that generates more than 50% of GDP; in most cases, the figure is less than 30% (Bloomberg, 2012). This makes Saudi Arabia's private sector much more effective than that of many other emerging economies, especially in the southern hemisphere.

4.6 Saudi Arabian Culture

The strong impact of cultural dimensions on both local and international accounting standards has been observed since the 1970s (Tsakumis, Campbell and Doupnik, 2009); indeed, the IASB was launched to help bridge the differences in accounting practice that arose as a result of this cultural variation (Tsakumis, Campbell and Doupnik, 2009). As far as Arab cultures are concerned, arguably the most comprehensive empirical study is that by Hofstede (2010), though this places all Arabic-speaking countries into one homogeneous group and pays little attention to the cultural and other differences between them. The current study focuses on one of these countries: Saudi Arabia.

In terms of Hofstede's cultural dimensions, Saudi society may be broadly characterised as high-power distance, high uncertainty avoidance and masculine. There is a general lack of transparency (Alkhtani, 2012), with the culture and, in turn, the business, legal and political environment being shaped by tradition and – most specifically – religion. Social networks, whether friends and acquaintances or family and tribe, are hugely influential; for example, Rice (2004) and Aldossari and Robertson (2016) observe that it is a deep-rooted tradition among Bedouin tribes and chiefs that they may approach politicians for support and favours. Wasta, which Rice (2004, p. 64) defines as "the granting of favours to friends, extended family, and tribal members in order to circumvent rules" is a widely practised tribal tradition in the Gulf states in general and in Saudi Arabia in particular (Aldossari and Robertson, 2016). The collective spirit of Saudi culture is also evidenced in the importance attached to family; Rice (2004) reports that it is typical for young people to remain in their parents' house and be financially dependent until they marry. The huge impact of tribal and social behaviour on Saudi culture is something that foreign investors must learn to understand if they are to venture into the country's business environment (Aldossari and Robertson, 2016).

Bedouins and ethnic Arabs in fact only account for part of Saudi Arabia's population (Wilson and Graham, 2016). The racial mix is particularly noticeable in the western region, where hundreds of pilgrims returning from Mecca and Medina have decided to settle rather than going back to their homelands. However, as the glue that unites all these ethnic minorities, Islam has much more influence on culture than local traditions and behaviours. As discussed in Section 4.3.2, Sharia law is the basis for all legislation in Saudi Arabia and the Muslim faith impacts on all walks of life, including business, political and social activities. Prokop (2003) argues that much of the legitimacy and power of Saudi's top politicians is drawn from religious authority, whereby the more they claim they are applying Sharia, the more likely it is the public will want them to stay in power. Islam's effect on business is most evident during the holy month of Ramadan, when obligatory fasting and shorter business hours disturb daily routines and reduce productivity (Rice, 2004; Aldossari and Robertson, 2016). All in all, the cultural distance or gap (Rice, 2004; Idris, 2007; Aldossari and Robertson, 2016) between Saudi and Western cultures can be a major hurdle for foreign stakeholders seeking to venture into the Saudi market.

While the study of these dimensions is useful in determining the opportunities for and threats to investment, it also highlights a fact that is directly relevant to accounting practice in Saudi Arabia; that is, the economic interests of the country do not take precedence over cultural phenomena like favouritism and family loyalty. This often results in negligent and careless accounting practice, which is then covered up, and lack of transparency in companies (Alkhtani, 2012). The aspects of Saudi culture described above seem to confirm to a certain extent the ostensible relationship between Gray's (1988) accounting values (as per Hofstede's dimensions) and specific characteristics of the accounting culture that shapes the country's accounting system. A refined accounting system is needed that will have more influence than the traditional accounting system currently in place, but this system must take into account and accommodate these cultural aspects.

4.6.1 New Culture

The impact of the West on modern-day Saudi culture is more evident in the younger generation. In the field of accounting, Western culture is having an impact through a number of individuals who have completed their tertiary education in countries like the US and UK and then helped set Saudi Arabia's accounting standards, or influenced the training of its accounting professionals, upon their return home (Alghamdi, 2012) (see Section 4.8.2.3).

4.7 Regulatory Bodies for Listed Companies

4.7.1 Ministry of Commerce and Investment (MCI)

The Saudi MCI was established in 1953 with the main objectives of regulating commercial activities in Saudi Arabia and implementing and enforcing trade policies. It also regulates and maintains foreign trade relations and is in charge of promoting the production and export of non-oil products. Before the creation of the CMA, the MCI had sole responsibility for regulating listed companies and protecting their shareholders' interests. The upgrading of the Companies Law in 2015 saw these regulatory and supervisory roles assigned to the CMA.

The MCI 2019 Annual Report describes the organisation's aim as being to promote business activities outside the petroleum sector both within and outside Saudi Arabia, which it sees as key to distributing wealth across the country and attracting investment from the rest of the world. Another aim is to enhance the effectiveness and reinforce the role of private enterprise and entrepreneurship in order to expand the range of commercial activities and keep abreast with local and international markets. The report emphasises the need to start recruiting talented people from across the country, to promote and organise the business services sector and to develop financing activities in collaboration with the concerned authorities. The report is optimistic that these measures will enable the trade sector to improve in terms of producing goods and services that meet Saudi and international specifications and ensuring that consumers have access to the right quantity of goods at the right price.

4.7.2 Capital Market Authority (CMA)

Established in the early 1950s, the CMA operated under SAMA's supervision up until 1989, when the government set its rules and guidelines. The real revolution, however, came in 2003 when a royal decree made CMA the government's regulator of the Saudi stock market and accountable for all financial, procedural and legal monitoring. An independent body reporting directly to the Minster of Saudi Arabia (Saudi Arabia's Minister of Finance), the CMA's main role is to regulate and develop the Saudi capital market in accordance with the rest of the world and within the capital market law. It is responsible for creating a suitable environment for investment and enforcing transparency, and for protecting investors from illegal trading.

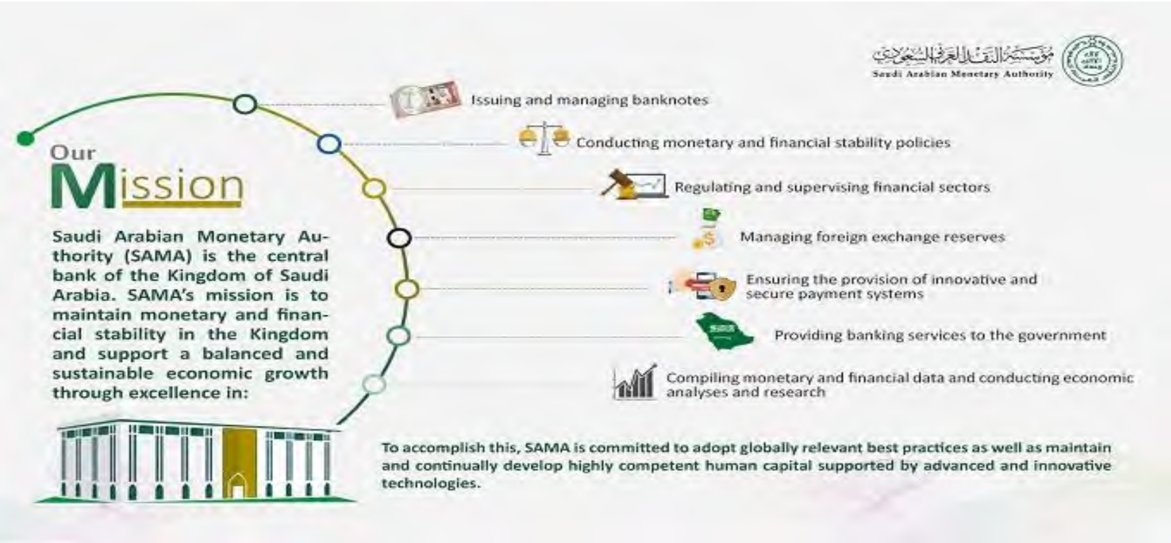
In 2015, CMA allowed non-Saudis to access the Saudi market and purchase shares in Saudi companies using swap arrangements. These must be conducted by Saudi brokerage firms licensed by CMA to hold and buy shares for non-Saudi clients. This opened up investment opportunities in Saudi Arabia, but it also increased pressure on CMA to facilitate direct access to the market. In response, the CMA reformed its procedures. The newly formulated aims, published in June 2015, are as follows:

1. “To monitor and control the stock market of Saudi Arabia (Tadawul) and the development of its standards and trades;
2. To help secure and protect the public and investors from illegal, unfair and unsound practices such as manipulation and fraud;
3. To develop and improve market efficiency and regulate transaction security;
4. To provide suitable measures and standards to avoid risk with any transaction;
5. To monitor and regulate listed companies’ disclosure of information;
6. To monitor and regulate all transactions and activities in the Saudi market (Tadawul); and
7. To oversee and improve the issuance of securities under the transaction-trade.” (CMA, 2018)

4.7.3 Saudi Arabian Monetary Authority (SAMA)

Ever since it went into operation in October 1952, SAMA has played an important role in monitoring and regulating Saudi Arabia's financial system. Under the supervision of the Central Bank (see Figure 4-2), SAMA is responsible for licensing banks, investment institutions and lending organisations and ensuring that the banking system remains robust.

Figure 4-2: Mission of Saudi Arabian Monetary Authority (SAMA)



Source: SAMA (2018, Online)

SAMA's responsibilities include (SAMA, 2015):

1. Handling all banking affairs with the government;
2. Regulating and issuing the Saudi currency (Riyal), managing the stability of the currency by strengthening its value internally and externally and improving its cover;
3. Regulating the foreign exchange reserves of Saudi Arabia;
4. Implementing policy to manage prices and exchange rate stability;
5. Managing the growth of the financial system and ensuring its development;
6. Regulating all financial disclosure and reported information from banking, insurance and financial companies;
7. Controlling currency exchange dealers and commercial banks;

8. Administering insurance firms and the insurance practice of self-employed professionals;
9. Keeping financial firms under supervision; and
10. Regulating the activities of credit information companies and related professions.

There are currently 12 banks in the country offering a mixture of conventional and Islamic banking services and products (see Table 4-2). These are: Bank Al Jazira, Bank Al Bilad, Al Rajhi Bank, Banque Saudi Fransi, Riyadh Bank, Samba Financial Group, Alinma Bank, the National Commercial Bank (NCB), Arab National Bank, the Saudi Investment Bank, the Saudi British Bank (SABB) and Saudi Hollandi Bank. At the time of writing, the government share in commercial banks stands at no more than 10%, which means that adequate financial flows facilitate fair price funding.

Table 4-2: Saudi Arabia's Banking Sector

Bank Name	Operation city	Capital(Billion)	Number of branches	Finance type
Riyad bank (RIBL)	Riyadh	SAR 30,000,000	233	Islamic
Bank AlJazira(BJAZ)	Riyadh	SAR 4,000,000	78	Islamic
The Saudi Investment Bank(SAIB)	Riyadh	SAR 6,500,000	82	Islamic
ALAWWAL bank (ALW)	Riyadh	SAR 5,715,360	60	Conventional
Banque Saudi Fransi (BSFR)	Riyadh	SAR 12,053,572	91	Conventional
The Saudi British Bank (SAAB)	Riyadh	SAR 15,000,000	82	Conventional
Arab National Bank (ARNB)	Riyadh	SAR 10,000,000	120	Islamic
Samba Bank (SAMBA)	Riyadh	SAR 20,000,000	48	Conventional
Al Rajhi BANK	Riyadh	SAR 16,250,000	500	Islamic
ALBILAD BANK	Riyadh	SAR 5,000,000	291	Islamic
Alinma BANK	Riyadh	SAR 15,000,000	119	Islamic
National Commercial Bank (NCB)	Jeddah	SAR 20,000,000	374	Conventional

Source: SAMA (2016, Online)

Monitoring and enforcement are the responsibility of several regulatory bodies, who between them employ a range of instructional frameworks[6]. According to Almotairy and Alsalman (2012), regulatory bodies such as SOCPA and the CMA have resisted adopting international standards on the grounds that they are unsuited to the Saudi environment. In contrast, SAMA has been ordering all banks and insurance companies to prepare their financial reports in accordance with IFRS since 2008. Thus, while the banking and insurance sectors apply IFRS, all other listed and unlisted companies are still under the local or national accounting standards (SAS) mandated by SOCPA.

SOCPA's Strategic Plan for 2009-2013 contained a commitment to improve Saudi accounting standards and made no mention of adopting IFRS. However, since 2002 SOCPA has issued just four Saudi standards. It concedes that "in the absence of a Saudi accounting standard or professional opinion as issued by SOCPA, the accounting standard issued by the IASC on that issue shall be considered the generally accepted standard in this respect" (SOCPA, 2009, p. 10). In short, IFRS are applied in Saudi Arabia whenever the local accounting standards provide insufficient guidance. This variation in institutional bases in terms of reporting standards raises questions about comparability within the accounting system (Almotairy and Alsalman, 2012).

4.8 Accounting in Saudi Arabia

4.8.1 Professional Development and the Emergence of SOCPA

Efforts to enhance the accounting profession in Saudi Arabia began in 1979 when Mr Abdulaziz Al-Rashed, the owner of an auditing firm, was commissioned by the MCI to research ways of promoting performance (SOCPA, 2016). This was followed in 1981 by a series of workshops and seminars at King Saud University addressing the question of how to improve accounting standards and the Saudi accounting system so as to meet the demands of Saudi's emerging economy (Alsaeed, 2006).

King Saud University established the Saudi Accounting Association (SAA) within its Department of Accounting in 1981 (SOCPA, 2016). However, while the SAA may have had its origins in an academic institution, it actively engaged with practitioners

[6] SAMA, SOCPA and the CMA each have their own framework for monitoring and enforcing reporting standards.

in the field to instil and consolidate accounting concepts across the profession (Al-Mogbel, 2003). It also promoted the exchange of thoughts and initiatives with professionals outside Saudi Arabia, as well as offering advice and encouraging research to enhance the kingdom's accounting system. These efforts came to fruition in 1986 with the issue of the *General Presentation and Disclosure Standards* (SOCPA, 2017).

A major step towards the continuous promotion and regulation of the accounting profession was taken in 1992 with the launch of the Saudi Organisation for Certified Public Accountants (SOCPA) (SOCPA, 2017). The organisation is presided over by the Minister of Commerce and Investment and a board of up to 13 members, two of whom are deputy ministers. The other affiliates include six certified accountants and two university academics, as well as the Deputy President of the General Audit Bureau. SOCPA's funding comes from a combination of subscribers' contributions, published works and government subsidies. Like the board, the technical committees charged with articulating supervisory guidelines are made up of a mixture of academics, accountants and company representatives (SOCPA, 2017).

Several key tasks are carried out by SOCPA, including developing and issuing accounting standards, implementing solutions to ensure the disclosure of financial statement elements, and developing and enforcing auditing standards for CPAs. The organisation is also responsible for assessing auditors, tracking CPA performance, guaranteeing compliance with Saudi accounting principles and rules, and strengthening the Code of Professional Conduct. SOCPA prepares and oversees the Professional Licence test and provides continuous professional development opportunities, producing a newsletter for accountants and auditors and hosting conferences, seminars and workshops in accounting and auditing (SOCPA, 2016).

4.8.2 Factors Influencing the Saudi Accounting System

Saudi Arabia may not have adopted any external accounting standards, but its own standards are somewhat similar to the US GAAP. The country's accounting regulations and practices are influenced by three main factors: international accounting firms, foreign businesses and Saudi Arabia's accounting education system. These are discussed below.

4.8.2.1 International Accounting Companies

In the mid-1980s, overseas firms provided almost 40% of auditing and accounting services to companies operating in Saudi Arabia (SAMA, 1986). The proportion has declined since then, with the majority of services being provided by local firms (SAMA, 2016), but the Big Four companies (Deloitte Touche Tohmatsu, KPMG, PricewaterhouseCoopers (PwC) and Ernst & Young) remain active in the country, operating from their British or US branches or working with companies already operating in Saudi Arabia (Alghamdi, 2012). As providers of consultancy services, the Big Four are able to exert pressure on client firms to adopt IFRS and arguably to take advantage of those that do not. They may also encourage the Saudi employees of these firms to seek further training in Western countries in order to upgrade their skills and knowledge in the field (Alghamdi, 2012).

4.8.2.2 Foreign Businesses

A common way for accounting concepts and measures to be transferred between countries is through international trade. This is nothing new; double-entry bookkeeping was exported from Italy centuries ago by Italian merchants dealing with their counterparts in other countries (Lee, 1975). According to Al-Rumaihi (1997), the economy of Saudi Arabia has seen rapid development over the past three decades, with many overseas firms, especially from the US and UK, contributing massively to the improvement of the country's infrastructure, including roads, bridges and educational institutions (according to SAMA (2016), foreign contractors were assigned 63% of the aggregate value of development contracts in 2016). This has had both positive and negative impacts on local accounting systems. On the one hand, Saudi staff in these companies are being introduced to contemporary accounting practices and new technology, and some graduate employees are even being given the opportunity to travel abroad for additional education and training in specific accounting techniques (Alkhtani, 2010; Alghamdi, 2012). On the other hand, these foreign firms employ their own accounting values, which may not be consistent with local environmental and cultural conditions. In these circumstances, importing foreign accounting practices into local businesses can be problematic.

4.8.2.3 Accounting Education in Saudi Arabia

Like many other emerging countries, Saudi Arabia has pledged to provide scholarships for students wanting to study business and accounting abroad, particularly in the UK and the US. In 2004, approximately 30,000 Saudi students were granted scholarships to study in higher education institutions (HEIs) overseas. However, this number increased dramatically after the introduction of the King Abdullah bin Abdulaziz Programme for Studying Abroad, and by 2015 there were 75,000 Saudi students studying at foreign HEIs (Ministry of Higher Education, 2016).

This has an impact on accounting in Saudi Arabia as returning students become the next generation of faculty members – a generation that has the knowledge and expertise to change how accounting is taught. This can only be to the benefit of the profession as a whole. Having obtained postgraduate degrees in the US or UK (for example), they come back to Saudi Arabia able to pass on what they have learnt and to introduce others to new policies and accounting standards. However, it is arguably scholars from Egypt that have had the greatest impact through their role as teaching assistants and professors in accounting departments across Saudi Arabia; in King Saud University alone, 80% of the teaching staff originates from Egypt (KSU, 2016). These faculty members have had massive input into the formulation of departmental policies and a major influence on teaching methods and the learning process, with positive results. It is worth noting that as a former British colony, Egypt is significantly influenced by the UK accounting system. This arguably makes Egyptian scholars particularly well placed to help navigate the import of the UK educational and regulatory system into the Saudi context (Almotairy and Stainbank, 2014).

The accounting profession in Saudi Arabia also contains members from other Gulf countries, most of whom have qualified first in their home country before completing postgraduate studies in US or UK HEIs. Almotairy and Stainbank (2014) also highlight the influence of the US and UK, showing that teaching staff tend to favour material provided for them during their postgraduate studies or training in these countries. Kantor et al. (1995) describe an initiative undertaken to recruit Saudi accounting professionals and give them additional training at Saudi universities (e.g. the University of Petroleum and Minerals, King Saud University and King Abdelaziz University). Although a promising step towards training more professionals at home universities, here too, the instruction was heavily influenced by US and Egyptian content as the tutors had either learnt their trade or qualified in these two countries. Western and other accounting systems and procedures thus have a far-reaching impact on Saudi's national system, resulting in an assortment of accounting standards and activities that draw from several countries and contexts. This will be explored further in the following sections.

4.8.3 The Setting of Accounting Standards

Prior to the establishment of SOCPA in 1992, the preparation of the Saudi standards was SAA's responsibility. However, since 1992, this role has been assigned to SOCPA (Article No. 19). The standard-setting process comprises ten phases (SOCPA, 2002, 2007; Al-Mogbel, 2003), any one of which may be affected by political interference (Alkhtani, 2010), especially as SOCPA has shown itself to be incapable of monitoring the process or offering accounting standards that meet the expectations of all Saudi stakeholders (Alsalman, 2003; Alzaben, 2018). The following section discusses the previous accounting standards and how they compare with IFRS.

4.8.3.1 Existing Accounting Laws

Prior to 1992, the SAA had issued only a single set of accounting standards; namely, the *General Presentation and Disclosure Standards* in 1986. These were based on the standards in Germany, the US and Tunisia (SOCPA, 2016). The selection of these countries was based on a number of factors, including the level of development of the accounting profession, the extent of similarities between the economic environment of that country and that of Saudi Arabia, and the potential help Saudi Arabia might get from professional bodies in these countries (Alkhtani, 2010). Alghamdi (2012) adds that the US was selected for its well-established and highly advanced accounting standards and profession and because it is a Saudi close ally; Germany was selected because of its rules and measurements; and Tunisia was chosen because it is an emerging country.

By 2016, SOCPA had developed 21 accounting standards and 15 auditing standards (see Table 4-3). These all draw on US GAAP, IAS and UK standards.

Table 4-3 Saudi Accounting Standards up to 2016

Saudi Accounting Standards up to 2016	*Year of issue*
1 General presentation and disclosure	1986
2 Foreign currency	1997
3 Inventory	1997
4 Related party disclosure	1997
5 Revenue	1998
6 Administration and marketing expenses	1998
7 Research and development costs	1998
8 Consolidation of financial statements	1998
9 Investment in securities	1998
10 Preliminary financial reports	1999
11 Zakat and income tax	1999
12 Fixed assets 2001	2001
13 Accounting for leases	2001
14 Segmental reports	2002
15 Accounting for investment according to property rights	2002
16 Intangible assets	2002
17 Accounting for government grants and subsidies	2003
18 Accounting for the impairment of non-current assets	2004
19 Earnings per share	2007
20 Accounting for service construction contracts	2010
21 Accounting for business combinations	2011

Source: SOCPA (2016, Online)

4.8.3.2 Comparing IFRS and SAS

There have been numerous critical accounts of the similarities and differences between IFRS and SAS (e.g. Alkhtani, 2010; Almotairy and Alsalman, 2012; Nurunnabi, 2017a). However, while these studies have provided crucial background knowledge for practitioners and regulators looking for a suitable convergence platform, most in fact lack the detailed comparison they purport to provide.

The major differences that have been identified between the international and national standards are: (1) they employ different accounting assessments, with SAS making greater use of historical cost than fair value (the MCI allows the employment of fair value only in regard to market value of shares); (2) international standards require more detailed statements and disclosure; (3) international standards also provide more information, including more explanatory notes and sections to assist the reader; (4) there is greater focus on the framework and aims covered by the standard (e.g. IAS 34 requires a more detailed account of activities than SAS 10, including gains and losses) (Alsulami, 2017; Alkhtani, 2012; Nurunnabi, 2017a). The Zakat and income tax standard (11), and the administration and marketing expenses standard (6) have no connection with international accounting practices. A more detailed comparison of the two sets of standards is displayed in Appendix F.

4.9 Process of IFRS Adoption in Saudi Arabia

In 2012, the MCI appointed SOCPA to set up a committee, alongside SAMA and the CMA, to formulate a plan for the transition to IFRS (SOCPA, 2016). The *SOCPA Project for the Transition to International Accounting and Auditing Standards* (SOCPA, 2018) involved: (1) approving the international accounting standards; (2) assessing whether any changes were needed; and (3) identifying the standards that were most appropriate for the Saudi context and in line with best international practice. The committee undertook to classify the international financial standards into categories in order to study their various legal, procedural and cultural aspects. Mindful of the environmental challenges and wanting to maximise the chances of a smooth transition, SOCPA announced that the adoption of IFRS had to be done gradually to give professionals in the country time to prepare (SOCPA, 2018). The various phases of the plan are outlined below.

4.9.1 First Phase

- ❖ The accounting and auditing committee studied the relevant international standards in order to determine whether any adjustments were needed, in light of local environmental factors taking into account the readiness of the local environment.
- ❖ Round-table discussions were held to review and comment on the standards. These included accountants in the banking sector, users, preparers and other regulatory representatives (e.g. from SAMA and the CMA).
- ❖ Feedback from these meetings and any proposed amendments were reviewed by the technical committee.
- ❖ The technical committee's recommendations were published on SOCPA's website for public consultation.

❖ All public comments were reviewed and any further adjustments are referred to the technical committee to deal with.

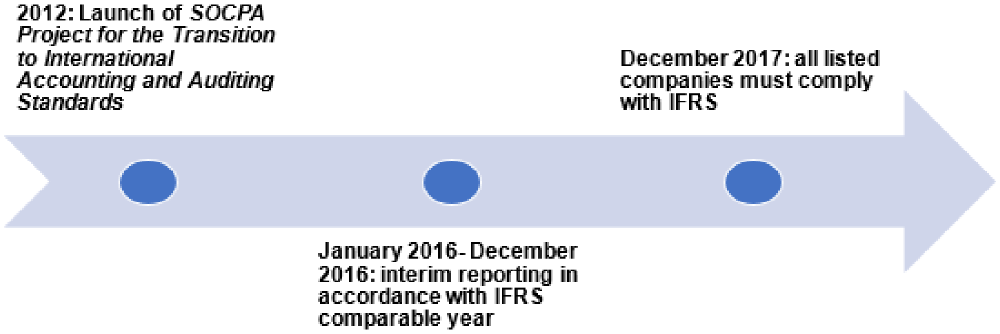
4.9.2 Second Phase

Listed companies were required to start implementing all standards for the period up to January 2017. Interim financial statements were required to be in line with international standards for the first three months of 2016 (enabling accounting managers in those firms to come up with comparative findings for the following year), but most companies were unable to meet this requirement. Companies were expected to prepare their annual report in line with IFRS from December 2017. Once compared to the previous year, public listed companies were required to start the adoption phase in time for the onset of the new financial period soon after. The decision of SOCPA to supervise all listed companies' adherence to the convergence schedule (see Figure 4-3 was backed by all regulatory bodies, including the CMA and SAMA.

4.9.3 Third Phase

SOCPA's three-stage plan was designed be accomplished within the specified timescale (2012-2017) (see Figure 4-3). The intention was to create sub-categories for each set of standards that contain all IASB reviews and accountants' opinions to be dealt with. To avert any confusion, SOCPA has promised that the international standards will not change drastically in the near future, and that priority will be given to issues related to the current requirements of the converged standards.

Figure 4-3 SOCPA Adoption Plan Timeline



(Source: Authors own)

4.9.4 Last Phase: Adoption Day

Companies had to transition to IFRS by December 2017 (SOCPA, 2015). Public companies were expected to have audited their accounts as mandated in international standards by the end of 2017, with non-public companies expected to do the same by 2018 at the very latest.

4.10 SOCPA and Future Challenges

SOCPA has made considerable progress in terms of identifying the challenges to transition and finding ways to make its efforts at adoption more successful, but its plans have arguably been undermined by the limited number of Certified Public Accountants (CPAs) in listed companies, and indeed in SOCPA itself (Nurunnabi, 2017a); only 227 of its 5,000 affiliates are licensed CPAs. Saudi Arabia has only 163 accounting firms to meet the needs of almost 5,000 clients, though the vast majority of listed companies in the country seem to favour working with the Big Four, who together account for 90% of the auditing market (Nurunnabi, 2017a). The lack of sufficient local expertise is both encouraging this dependence on the Big Four (even though this means incurring higher costs) and undermining trust in local firms.

Only a limited number of professionals have assisted in the examination and preparation of Saudi accounting standards, partly due to the low salaries and incentives offered by SOCPA. Instead, the majority of qualified accountants prefer to pursue the career opportunities offered by big accounting firms and companies based in Saudi Arabia. Moreover, the response and contribution to the new SOCPA-issued standards has been very limited.

The growing need for information and the inevitable disruption mean that SOCPA will continue to face challenges. The primary aim of this study is to assist SOCPA by recommending potential courses of action and by ascertaining if IFRS are contextually relevant to the Saudi Arabian case.

4.11 Summary and Conclusion

This chapter examines some of the factors that have had the biggest impact on the growth and development of the accounting sector in Saudi Arabia, including religious, political, cultural and economic factors, as well as other external factors. The chapter provides an explanation of accounting policies and regulations in the country, as well as of how its accounting bodies and accounting standards were constructed.

A major challenge to IFRS adoption is the impact of the local culture, which is heavily influenced by Islam, a religion that is inconsistent with IFRS on a number of points. Auditing and accounting standards must take into account the mechanisms and measures employed in Sharia-based financial transactions, and they must be able to run alongside SOCPA's standards for Zakat computation.

SOCPA having been established in 1992, Saudi Arabia is some way behind other countries in the preparation of national accounting standards, most of which have been influenced by practice from a range of countries. Nevertheless, SOCPA has faced considerable pressure from a number of interested parties to make the transition from these local standards to IFRS. A major factor in this pressure is the drive to increase FDI; this was the underlying motivation of the Saudi Stock Market Authority (CMA) when it recommended SOCPA to use IFRS as a way of pushing companies to improve their financial reporting and provide better clarity and more information for investors.

CHAPTER 5: METHODOLOGY AND METHODS

5.1 Introduction

The previous chapters have reviewed the literature regarding the challenges and opportunities associated with IFRS adoption in developed and developing countries, presented the conceptual framework of the current study and given an insight into its context. This chapter presents the methodology and methods employed for the research. Section 5.2 offers an overview of the pragmatic assumptions on which the research approach was based, after which section 5.3 gives details of the research design and how it addressed the research questions. Section 5.4 describes the data collection process, including the design and administration of the questionnaire survey and semi-structured interviews. Section 5.5 concludes with an explanation of the study's ethical compliance and a summary.

5.2 Research Paradigm and Philosophy

The research paradigm is the framework that guides the researcher's practice in the field (Willis, Jost and Nilakanta, 2007; Saunders and Lewis, 2012; Collis and Hussey, 2013). It is characterised by a particular set of ontological, epistemological and axiological assumptions. This set of beliefs, along with the type of environment or information involved (Corbin and Strauss, 2014), influence which methods the researcher chooses to make sense of reality and events and produce the sought-after knowledge (Guba and Lincoln, 1994).

5.2.1 Research Philosophy

Saunders et al. (2013) describe the research philosophy as relating to the development of knowledge and the nature of that knowledge. The selection of a research philosophy should be the researcher's first concern as it goes to the heart of how he or she sees reality and the nature of knowledge (Saunders et al., 2013). The main research philosophies are subjectivism and objectivism; according to Saunders, Lewis and Thornhill (2016), the subjectivism or objectivism of a paradigm are expressed through its epistemological, ontological and axiological assumption.

5.2.1.1 Ontology

Ontology refers to the nature of reality (Duberley, Johnson and Cassell, 2012). For the researcher, the question is whether the phenomenon being investigated exists independently of social actors (Bryman, 2006; Symon and Cassell, 2012; Saunders, Lewis and Thornhill, 2016) (objectivism), or only through the perceptions and consequent actions of social actors (Saunders, Lewis and Thornhill, 2016) (subjectivism). If the phenomenon is one with which the researcher is familiar (Saunders and Lewis, 2012; Symon and Cassell, 2012), the varying assumptions by researchers can lead to various realities, which could either be subjective or objective. Subjectivism's assumption that social phenomena are the outcome of the assumptions and beliefs that guide social actors (Easterby-Smith, Thorpe and Lowe, 2001; Saunders and Lewis, 2012; Collis and Hussey, 2013) – in other words, that reality is socially created – has led some to rename it as "social constructionism" (Saunders and Lewis, 2012). The concept of social constructionism allows researchers to place emphasis on social actors' thought processes, feelings and communicative acts, and how they make sense of a given context through social interaction (Martin and Sugarman, 1996).

One of the objectives of this research is to carry out an exploratory study of the external factors that are affecting the adoption of new accounting standards in the context of Saudi Arabia. This inevitably means that much of the data are socially constructed, as many of these external factors are not independent, unchanging objects but the products of people's actions and sense-making.

5.2.1.2 Epistemology

Epistemology is concerned with what constitutes acceptable knowledge in the field of research (Saunders and Lewis, 2012), with particular focus on how we know the world and the nature of the relationship between the inquirer and the known (Guba and Lincoln, 1994; Bryman, 2004). As such, it takes into account the perceptions of the researcher and how he or she examines different kinds of phenomena (Easterby-Smith, Thorpe and Jackson, 2012). Hopper and Powell (1985) refer to epistemology as the branch of philosophy focused on identifying types of knowledge, where this knowledge comes from (i.e. what kinds of evidence sources are used) and methods of language acquisition and transmission.

In epistemological terms, the two main paradigms are positivism and interpretivism (Collis and Hussey, 2003). In the positivist paradigm, only quantifiable and recognisable phenomena count as knowledge (Collis and Hussey, 2003; Easterby-Smith, Thorpe and Jackson, 2012). According to O'Sullivan and Irby (2014, p. 375), "the positivist paradigm assumes that reality is ordered, predictable and ultimately knowable through objective measures and rigorous application of scientific methods", although Alvesson and Sköldberg (2017) note that positivism can recognise as natural phenomena that are, in fact, socially constructed. This approach is mostly linked to quantitative research methods (Saunders, Lewis and Thornhill, 2007; Jankowicz, 2000; Collis and Hussey, 2003; Johnson and Onwuegbuzie, 2004) in which the researcher seeks to gauge the links between variables by means of quantifiable observations that can be interpreted and analysed statistically (Saunders, Lewis and Thornhill, 2007).

In the interpretivist or phenomenological paradigm, phenomena are not seen as possessed of an independent reality but as social constructs that are highly dependent on time and context (Collis and Hussey, 2003). According to Saunders, Lewis and Thornhill (2007, p. 107), "phenomenology refers to the way in which we as humans make sense of the world around us". Crotty (1998) indicates that the phenomenological approach requires the individual to interact with phenomena in his or her own world; this extends to the researcher, whose own mental and emotional state will affect how he or she understands social reality (Collis and Hussey, 2003). In other words, the researcher becomes an integral part of the research. The prioritisation of subjective consciousness means the phenomenological paradigm is naturally suited to a descriptive and interpretive approach (Remenyi and Williams, 1998) and to qualitative research methods.

This study combined elements of both the positivist and interpretivist paradigms, adopting a pragmatic approach to examine the benefits and challenges associated with IFRS adoption in the context of Saudi Arabia. In this approach, the major factor underpinning the research philosophy is the research question, and it is acceptable to draw on both the positivist and interpretivist positions, combining quantitative and qualitative methods to collect and interpret data (Saunders et al., 2012; Collis and Hussey, 2003). In this case, a survey was conducted to collect quantitative data that would give an initial overview of how key stakeholders in the banking sector and other prepares perceive IFRS adoption and its associated challenges and opportunities. Since these perceptions are subjective in nature, semi-structured interviews were conducted to explore them in more detail qualitatively.

5.2.1.3 Axiology

Axiology refers to the function of value in the research context or the level of attachment or detachment of the researcher (Saunders, Lewis and Thornhill, 2007). In the positivist paradigm, the research is considered value-free because the researcher is disconnected from the phenomenon under investigation. Conversely, research conducted under the interpretivist paradigm is likely to be value-laden because the researcher will interact with the subjects and/or objects he or she is attempting to study (Easterby-Smith, Thorpe and Jackson, 2012).

The decision to combine elements from the positivist and interpretivist paradigms in this study was guided by the research questions and research objectives. The aim was to conduct a value-free observation of the challenges and opportunities associated with IFRS adoption in Saudi Arabia's banking sector, as perceived by the key social actors (e.g. accountants in the banking sector, certified public accountants, financial analysts and SOCPA). The opinions and responses of these standard setters form the basis of the investigation, thus the analysis, and these responses may arguably have been influenced by the interaction between participant and researcher. However, care was taken to maintain independence from the research subject (Saunders and Lewis, 2012), while the mixed method research design allowed the gathering of both quantitative (from the questionnaire survey) and qualitative (from the semi-structured interviews) data. The latter allowed rich insights into the subjective views and experiences of participants and confirmed and clarified the statistical results (Maxwell and Mittapalli, 2010).

5.3 Research Design

The research design must enable the researcher to capture the data needed to meet the articulated objectives (Creswell, 2009). According to Bryman and Bell (2015), this involves choosing between the quantitative, qualitative and mixed methods approaches. The following sections discuss the quantitative and qualitative research approaches and describe the approach adopted in the current study.

5.3.1 Quantitative Research

Research that is objective in nature is typically quantitative in approach (Naoum, 1998). In the social sciences, quantitative research generally involves investigating a social or human problem by testing a theory composed of variables or formulated hypotheses using statistical methods (Creswell, 2009). The results of the quantitative analysis are then used to produce generalisations or to assess hypothetical-deductive generalities[7]. Saunders and Lewis (2012) list a number of differences between qualitative and quantitative data: first, quantitative data pay more attention to meanings extracted from statistics, whereas qualitative data focus more on information and meanings conveyed through linguistic and communicative acts and exchanges; and second, quantitative data are numerical and standardised, while qualitative data are generally non-standardised and categorised into sub-sets or groups. Quantitative data analysis relies on mathematical and statistical tools, with the results being presented in the form of graphs, tables, charts and figures. In contrast, qualitative data analysis is undertaken by means of conceptualisation.

5.3.2 Qualitative Research

Patton (1992) describes qualitative research as the in-depth description of certain events, observed interactions, general opinions and behaviours, while Brannen (1992) explains that qualitative studies aim to expound both the viewpoints and the conduct of the people under investigation. The main methods of collecting data in this kind of research are focus groups and face-to-face interviews, direct observation and case studies (Saunders and Lewis, 2012), with semi-structured interviews being particularly popular for their ability to yield detailed data about participants' experiences, beliefs, emotions and knowledge. The resulting qualitative data are non-statistical and non-quantifiable (Saunders et al., 2014). The aim in the qualitative approach, according to Patton (1990), is to inductively give meaning to human experiences and actions within a given contextual setting.

Quantitative and qualitative methods have their own strengths and shortcomings, and one study may employ both in the data collection process (Patton, 2002; Saunders, Lewis and Thornhill, 2016). The main consideration when choosing a paradigm, according to Patton et al. (2002), should be whether it suits the purpose of the

[7] This is a proposed description of scientific method where scientific inquiry proceeds by formulating a hypothesis in a form that could be conceivably be falsified by a test on observable data

inquiry, the questions being investigated and the available resources – not whether the researcher is adhering consistently to the prescribed canons of either logical positivism or phenomenology.

In the current study, the type of information needed and the research objectives meant that the most suitable research design was a combination of qualitative and quantitative methods (see Figure 5-1). Taking into account the researcher's own ontological and epistemological beliefs, and the culture and environment of both the researcher and the participants (Snape and Spencer, 2003), the decision was made to adopt a pragmatic approach to examine the adoption of IFRS in the context of Saudi Arabia. Under this paradigm, the major factor underpinning the research design is the research question, and it is possible to combine both positivist (quantitative) and interpretivist (qualitative) methods to collect and interpret data (Saunders and Lewis, 2012). The questionnaire survey allowed the capture of quantitative information from a large sample of respondents, thus facilitating generalisation of the findings. The questionnaire data were supported by the qualitative data gathered from the semi-structured interviews, promoting data quality and minimising the risk of bias. The deductive approach was considered appropriate because the study seeks to test known concepts and theoretical patterns rather than to infer new patterns and concepts from the empirical data (see Saunders et al., 2009; Bhattacherjee, 2012; Trochim et al., 2015).

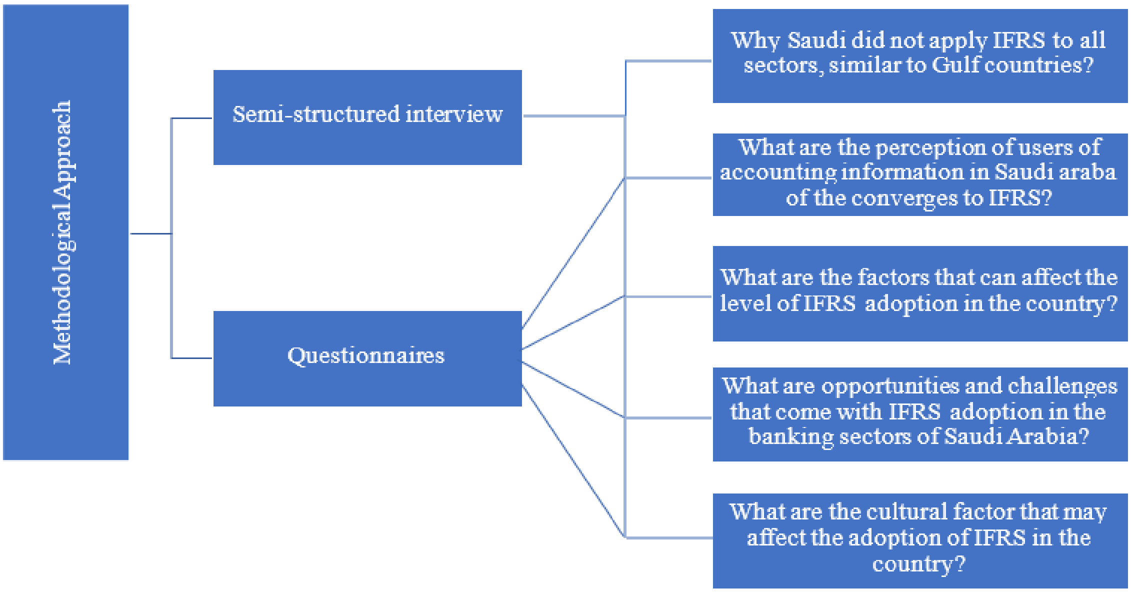
5.3.3 Mixed Method

Robson (2002, p. 80) asserts that "The general principle is that the research strategy or strategies, and the methods or techniques employed, must be appropriate for the questions you want to answer". In line with its adoption of a pragmatic paradigm combining elements of both the interpretivist and positivist philosophies, this study employed both quantitative (questionnaire surveys asking closed questions) and qualitative (semi-structured interviews asking open-ended questions) instruments on the grounds that these were considered the best able to respond to the research questions (Saunders, Lewis and Thornhill, 2009). The mixed method approach also made the research process less susceptible to inaccuracies because it allowed for data triangulation and reduced the risk of bias (Hussey and Hussey, 1997). Each method can address the other's limitations; for example, it is possible to cover a sizable sample using questionnaires, but it is highly unlikely that all the sampled population will be interviewed because of time constraints. On the other hand, questionnaires are unable to collect detailed information in the way that interviews can. In the current study, the interviews allowed the researcher to gather the views and explanations of key social actors (Saunders, Lewis and Thornhill, 2016) and to clarify trends within the quantitative data which could not be explained by statistical analysis. At the same time, the questionnaire data were useful in terms of comparing the responses of sampled groups and identifying the major variances (Saunders, Lewis and Thornhill, 2016).

Further ,as outlined by Creswell (2008) mixed methods can be described as a procedure where the researcher employs different sources of information to frame themes or categories. It also reflects an attempt to secure an in-depth understanding of the investigated questions from different perspectives. That is to say, quantitative methods might be used to gather initial perception and data around the field of the study, while qualitative methods could be employed to access local knowledge and provide theoretical explanation and concepts.

The nature of this research is explanatory and exploratory because it aims to explore the challenges and opportunities of adopting IFRS in Saudi Arabia. However, its main objective is the underpinning factor, therefore the explanatory dimension dominates the study, thus the qualitative research approach dominates the pragmatic research philosophy. Adopting the mixed method approach is guided by the paradigm in this particular research, which provides the opportunity for better insights that cannot be accomplished by one approach alone. Additionally, triangulation was adopted to improve the validity and reliability of this research because it gave the leverage to use multiple methods, see different world-views, as well as using different forms of data collection and analysis (Creswell, 2014). While the ontological position of the researcher accepts the existence of an external reality, which is needed to explain the phenomenon of this study in order to produce the desired outcome, the epistemological position adopted for this research allowed the combination of both objective and subjective perspectives. In other words, under this combined approach, knowledge is constructed, either from the researcher's understanding of what is reality, or perhaps how reality exists. In this way, the mixed method approach enriched the data gathered for this study (Saunders and Lewis, 2012) and gave a deeper and more comprehensive insight into the analysis and conclusions (Silverman, 2013). Figure 5-1 shows how the data collection methods responded to the research questions.

Figure 5-1 Research Method Framework



Source: Author's Own

5.4 Data Collection

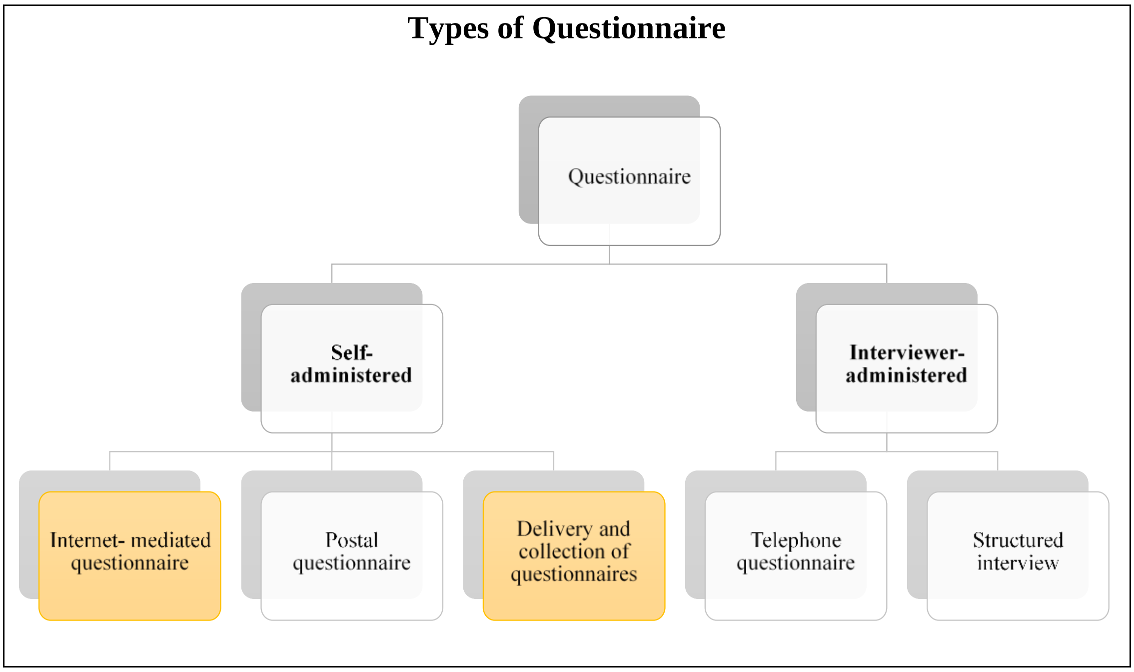
Data collection involves a series of interrelated activities to gather information to answer research question(s) or test hypothesis (Creswell, 2009). In this study, the two data collection methods employed were the questionnaire survey and semi-structured interview. These methods are discussed in some more detail in the following sub-sections.

5.4.1 Questionnaire Survey

The most widely used method for gathering primary data is the survey strategy (Aaker, Kumar and Day, 2007), usually accomplished using questionnaires, interviews or normative surveys (Bryman and Bell, 2011), is a cost-effective way of gathering a large amount of quantitative data (Page and Meyer, 2000) for descriptive (Zikmund, 2003) or inferential analysis (Lukas et al., 2004). Depending on the field of study, it can provide a model to view a wider range of variables than experimental methods. Hussey and Hussey (1997) cite a number of advantages of the questionnaire method, including that it is economical and comparatively easy to arrange and analyse, and that it allows for extensive coverage (e.g. covering respondents across a wide geographical area) while requiring no personal interaction between researcher and respondent. This means it offers anonymity to the respondent (Falgi, 2009). In this study, a questionnaire survey was deployed to gather data regarding the factors having the greatest impact on IFRS adoption in Saudi Arabia. The survey instrument was particularly well suited to this topic, dealing as it was with information that might be considered sensitive (Aaker, Kumar and Day, 2007); it was felt that respondents would be more comfortable disclosing their views about Saudi Arabia's delay in adopting IFRS if they could do so anonymously. Finally, they were able to complete the survey in their own time and at their own convenience, which adds to the advantages of using this data collection method in this study (Aaker, Kumar and Day, 2007).

Saunders, Lewis and Thornhill (2016) divide questionnaires into self-administered and interviewer-administered (see Figure 5-2). Self-administered questionnaires may be drop and collect, internet-mediated or postal, while interviewer-administered questionnaires may be structured interviews or telephone questionnaires (Saunders, Lewis and Thornhill, 2016). For this research, questionnaires were self-administered (drop and collect and internet-mediated) firstly, because this was cheaper and easier than other methods, and secondly, because the anonymity it offered increased the response rate.

Figure 5-2: Types of Questionnaire



Source: Saunders, Lewis and Thornhill (2007, pp70)

The main drawback of self-administered questionnaires, according to Oppennheim (2000), is that they rarely produce a high response rate; in fact, the response rate is often in the region of 10% or less. One can also infer that as only the people most interested in the topic are likely to respond to the researcher's forms, he or she may end up with a biased sample which does not provide an accurate representation of the population. Another danger is that without input from a questioner, respondents may return forms that are incomplete, reducing the useable data available to the researcher (Neuman, 2000). To address these limitations, which can undermine the quality of a study, the survey questionnaire is mostly used with other methods, such as semi-structured interviews (Jankowicz, 2004; Saunders, Lewis and Thornhill, 2016). This was the approach adopted in the current study.

The accuracy of the collected data depends on how the contents of the questionnaire are designed, its structure and the form of the responses (Akintoye, McIntosh and Fitzgerald, 2000). These considerations are discussed in the following sub-section.

5.4.1.1 Design of the Questionnaire

Saunders, Lewis and Thornhill (2016) observe that designing a decent questionnaire is more complicated than the researcher might think, though Jankowicz (2005) argues that it demands less skill than directing semi-structured interviews. The primary requirement is that the questions will be interpreted in the same way by all participants (Robson, 2011), as this is likely to produce data that are more internally consistent and coherent for the purposes of analysis (Farnik and Pierzchała, 2012).

The purpose of the survey questionnaire in this study was to gather data regarding the factors that respondents saw as having the main impact on IFRS adoption in Saudi Arabia. The survey went through several drafts, each of which was discussed with the supervisory team. The previous literature informed the design of the questionnaire, with the questions being drawn from other studies (e.g. Joshi and Ramadhan, 2002; Kosonboov, 2004; Tyrrall, Woodward and Rakhimbekova, 2007; Alkhtani, 2010; Almotairy and Alsalman, 2012). In term of factors that may possibly impact the adoption of certain regulation or standards , Further, the design of the questionnaire was guided by the adopted theoretical framework with NIT informing the questionnaire design where questions considered the coercive, normative and memetic pressure that led the country towards the adoption of IFRS (see appendix A section 2). Also, the content of the questionnaire provides an illustration of the challenges and opportunities as a result of these external and internal institutional pressures. The research theory is used to explain the result; it was not used to test or build a theory.

The questions were answered using five-point Likert scales, which are widely used in social research (Creswell, 2015). The questionnaire was prefaced by an outline of the study's purpose. The main body of the instrument was divided into five sections. The first established the respondent's background and current job title, while the second focused on their education level, professional qualification and experience. Questions in the third section explored how users of financial statements perceived IFRS adoption, while questions in the fourth section investigated the perceived challenges and opportunities associated with the transition to IFRS (respondents were given an opportunity to add more information about their views in this section). The fifth section addressed those environmental aspects that respondents felt are affecting the level of IFRS adoption in Saudi Arabia (e.g. cultural issues).

Care was taken to make the questions and layout of the survey clear, direct and understandable. It was designed to be of a reasonable length (i.e. long enough to yield useful data but not so long that respondents would be deterred from finishing it) and not overly complex to complete. The questions were designed to elicit answers that would be clear and suitable for the analysis process, and the questionnaire offered spaces after each section for participants' comments and reflection. As Arabic is the official language of Saudi Arabia and the majority of the survey population do not understand English, the questionnaire was translated into Arabic and then given to three academics (both accounting graduates and fluent in both English and Arabic) to check the translation. (One of the supervisory team, who is bilingual, also helped ensure that the Arabic version would capture the required data.) Finally, the questionnaire was sent to an English language specialist whose main language is Arabic to revise the translation. The questionnaire was then amended according to comments received from the three reviewers.

5.4.1.2 Piloting the Questionnaire and Assessment of Validity

The piloting stage is very important in ensuring a survey questionnaire will be effective. The primary objective of this stage is to estimate the possibility of developing a comprehensive questionnaire that will produce useful information in the main survey (Saunders, Lewis and Thornhill, 2016). Accordingly, it should allow space for participants to make comments or suggest revisions. The pilot study also allows the researcher to perform a preliminary analysis to establish whether the wording and content of the questionnaire are likely to present any difficulties in the main analysis (Burgess, 2001; Bell, 2014). If necessary, the researcher can refine the research instrument and make any changes before the main data collection begins (Creswell, 2017).

The questionnaires of this study were pre-tested to check their reliability and suitability in achieving the research objectives by sending them to select members of the study sample (see Table 5-1 below). In total, 40 questionnaires were distributed for the pilot study, 23 of which were returned, with two incompletes. Twenty-one questionnaires (52%) were considered valid and useable for the purpose of analysis. Fewer questionnaires were returned by external auditors and academics than by accountants and financial analysists due to the time constraints faced by these groups

Table 5-1 Pilot Study Response Rate

Groups	Questionnaires Distributed	Questionnaires Received	Questionnaires Excluded	Questionnaires Analysed	Analysed (Percent)
Accountants in the banking sector	10	7	-	7	33%
External auditors	10	5	-	5	24%
Financial analysts	10	6	1	5	24%
Academics	10	5	1	4	19%
Total	40	23	2	21	100%

The pilot study produced minor criticisms of the language, which were corrected, but most participants viewed the questionnaire as comprehensively covering the research questions and suitable for the research aims and objectives. Primary analysis of the data using Cronbach's alpha factor in SPSS confirmed the validity and usefulness of the questionnaire. The pilot exercise was valuable in providing comments and feedback to enhance its potential as an instrument for collecting data.

5.4.1.3 Research Sample and Selection Criteria

The first step in administering a questionnaire survey is to select the sampling technique or frame for the survey participants. Judgemental sampling was chosen for this study; that is, participants were selected by the researcher based on their experience of the phenomenon being investigated (Hussey and Hussey, 1997). Also referred to as purposive sampling, judgemental sampling is a non-probability sampling technique because it does not rely on random selection (Saunders, Lewis and Thornhill, 2016). This kind of sampling is advisable when the range of information and number of respondent categories involved are limited (Sekamn, 1992), and when a deep understanding is required (Neuman, 2000). In this case, the limited number of individuals with experience of the IFRS adoption process in Saudi Arabia meant that if the sample was to be informative, the sampling technique had to be non-probability in nature (Neuman, 2000). Time and resource constraints also made it necessary to select only those individuals who met the pre-determined criteria. To clarify this, the population of this study was chosen taking into account the following obstacles:

1. IFRS adoption is known to be a difficult topic and it is rare to find Saudi experts; therefore, an accountancy qualification is required.

2. It is difficult to identify the number of accountants (i.e. the potential sample

size) in each bank.

5.4.1.4 Respondent Selection

The questionnaires were distributed to four groups of respondents who are affected by the IFRS transition in Saudi Arabia. Drawing on his previous experience and personal contacts as an accountant in the banking sector, the researcher was able to informally approach several CFOs, who acted as gatekeepers. In addition, approval letters were secured from SOCPA and SAMA to facilitate access to the workplaces of financial analysts and external auditors. Both organisations helped secure the required official approval from the banks' head offices. Academics in accountancy were accessed by email, drawing on the researcher's time working in higher education institutions. A number of previous studies have turned to these four groups to examine the challenges and opportunities associated with IFRS in various developing regions (e.g. Joshi and Ramadhan, 2002; Kosonboov, 2004; Tyrrall, Woodward and Rakhimbekova, 2007; Alkhtani, 2010; Almotairy and Alsalman, 2012)

The first group were accountants and financial statement preparers in the banking and finance sectors, who are now required to produce their financial statements under IFRS. As representatives from the first sector to implement IFRS in Saudi Arabia, this group could speak with experience of the benefits and obstacles that they encountered during the adoption process.

The second group were financial statement analysts (i.e. those who make at least some use of annual reports in their analysis). There are 100 fund managers and financial analysts registered with the CMA, 85 of whom are currently active (CMA, 2017).

The third group comprised external auditors involved with accounting firms, including local and Big Four companies, as well as Certified Public Accountants (CPAs). Accountants licensed by SOCPA are still using the Saudi GAAP, while the Big Four firms are the main auditing firms working with the banking sector. There are 179 licensed accountants and auditors in Saudi Arabia (SOCPA, 2017).

The final group comprised academics working in accounting and finance departments at Saudi universities (there are 34 universities in Saudi Arabia). It was expected that a number of these academics would have carried out some research in accounting and auditing in Saudi Arabia and that they would be able to provide informative perspectives on the development of accounting in the country and the key factors affecting IFRS adoption.

5.4.1.5 Questionnaire Distribution

The questionnaire survey distribution started at the beginning of February 2017 and lasted till May 2017. The questionnaires were distributed and collected mainly by hand, but some were distributed using an online survey tool and a few were sent by email. When the majority of the questionnaires had not been returned after two months, reminders were sent to those who did not return them. This prompted some recipients to return their questionnaires.

The questionnaires were distributed to the four groups (see Table 5-2). Fewer questionnaires were handed to financial analysts and academics due to their time constraints. In total, 440 questionnaires were distributed, of which 256 were returned. Two were discarded because they were incomplete, leaving 254 usable questionnaires; giving a response rate of (58%) that were valid and usable for the purpose of the analysis.

Table 5-2: Distribution of Questionnaires

Profession	Distributed questionnaires		Received questionnaires		Overall percentage	
	Number	%	Number	%	Number	%
Accountants in the Banking Sector	200	45	101	40.79	**254**	**58**
External Auditors	120	27	82	32.28		
Financial Analysts	80	18	34	13.40		
Academics	40	9%	37	13.38		
Total	**440**	**100**	**254**	**100**	(30% -50%) Average	

5.4.1.6 Reliability

Reliability is the measurement of the internal consistency between observations across variables in a survey. It is used to detect any inconsistency via one-measurement procedure. Although other approaches can be used to measure internal consistency, such as test re-testing, this study employed Cronbach's alpha (Gadermann, Guhn and Zumbo, 2012). This is the most commonly used tool for quantitatively analysing the data from social science surveys (Cronbach, 1951). The study employed seven scales measuring:

- Perception of IFRS adoption
- Factor lead to adopt IFRS
- Opportunities
- Benefits to investors
- Benefits to managers
- Challenges
- Cultural factors that can influence IFRS adoption.

Some of these scales have been used in previous studies on the adoption of IFRS in developing countries such as Saudi Arabia, the UAE and Libya (Alkhtani, 2010; Alnodle, 2015; Aljifri and Khasharmeh, 2006). The internal consistency of each scale was tested using Cronbach's alpha. The alpha level ranges from -1 to +1 and reflects the intercorrelations between statements. While there is no universally agreed cut-off score, a score of 0.7 and above is regarded as acceptable (Gadermann, Guhn and Zumbo, 2012; George and Mallery, 2003); the higher the alpha, the more reliable the test. As can be seen in Table 5-3 below, all the scales employed in this study achieved acceptable reliability levels.

Table 5-3: Scale Reliability through Cronbach's Alpha

Scale	Number Items	Cronbach's Alpha
Perception	3	0.75
Factors lead to adopt IFRS	5	0.73
Opportunities	10	0.87
Benefits to investors	3	0.90
Benefits to managers	3	0.90
Challenges	9	0.83
Cultural factors	3	0.70

5.4.1.7 Validity

According to Gill and Johnson (2002), validity denotes the accuracy of the measurement process; that is, whether the findings truly represent the phenomenon being measured. It is an indication of how sound the research is in terms of both design and methods. A central concern in research, validity may be divided into internal validity and external validity (Gill and Johnson, 2002). Internal validity refers to the validity of the measurement and test itself and thus the extent to which the researcher can have confidence in the causal relationships they identify. External validity, on the other hand, refers to the ability to generalise the findings from the selected population to other people or environments (Fontaine and Letaifa, 2012).

To strengthen the internal validity of this study, the survey was distributed to four different groups within the target population: accountants in the banking sector, external auditors, financial analysts and academics. The survey was followed by 22 face-to-face interviews. The interview sample was large and diverse enough to support and further explore the findings from the survey phase.

5.4.2 Statistical Analysis of Questionnaires

The data collected via the survey questionnaires were analysed using Statistical Package for Social Sciences (SPSS) Version 12. The statistical analysis involved choosing the appropriate statistical tests, based on certain statistical assumptions (Siegel, 1956; Field, 2009). The assumptions and selected tests are outlined below

5.4.2.1 Statistical Assumptions

Normality Test: Normality tests examine whether data are normally distributed and symmetric around the centre (e.g. mean) or non-normally distributed. If the data are normally distributed, parametric tests such as ANOVA are more robust; if data are non-normally distributed, non-parametric tests are used (George and Mallery, 2003). In this research, the normality tests were done to determine whether the sample differed significantly from the normal distribution of population. This was done using "goodness-of-fit" methods: the Kolmogorov Smirnov (KS) test and the examination of skewness and kurtosis. The results of the normality tests for all study variables showed that the data were not normally distributed (see Appendix E). Thus, non-parametric tests were used to analyse the data.

Equality of Variance: Equality (Homogeneity) of Variance is the assumption that all comparison groups have the same variance. This was best researched using ANOVA which utilised Levene's robust test (Levene, 1960) for continuous dependent variables. Testing for normality and homogeneity of variance revealed that the p- values for the Kolmogorov Smirnov (KS) test and the Levene's test were less than 5% (see Appendix E). The null hypothesis assuming the data were normally distributed was therefore rejected, and parametric tests were rejected as inappropriate.

Violation of parametric assumptions changes the interpretation of the results and the conclusion. If these assumptions are met within the data, the researcher can use parametric statistical tests. Otherwise, non-parametric statistical tests should be used. Siegel (1956) recommends non-parametric tests where the ordinal dependent variables do not meet the assumptions for using parametric tests. Accordingly, this research employed descriptive statistics and inferential statistics (Kruskal-Wallis and Mann-Whitney tests).

5.4.2.2 Descriptive Statistics

Sekaran and Bougie, 2010 state that before using statistical techniques to analyse data, researchers should have an understanding of the data. In this present study, the descriptive statistical technique was used to transform raw data into information that would be easy to understand and interpret. The application of descriptive statistics involved establishing the frequencies and percentages from the analysed responses, along with mean scores (allowing comparison between groups), standard deviations and rankings (of the four groups according to the level of agreement). By examining the data individually without manipulation, it was possible to gain a better understanding of the data as they were. Analysis of descriptive statistics for each aspect are presented in chapters 6, 7 and 8.

5.4.2.3 Inferential Statistics

Kruskal-Wallis Test: This non-parametric statistical test was adopted to compare two or more independent groups and to examine the differences across the four groups (accountants in the banking sector, external auditors, financial analysts, academics).

Mann-Whitney Test: This non-parametric test was used as a post-hoc test to compare pairs of groups when the Kruskal-Wallis test showed a p-value of less than 0.05 across all professions. The result was compared with that of a one-way ANOVA test for sensitivity analysis.

5.4.3 Background of the Participants

Overall, 254 questionnaires were considered usable for this study. Of these, 193 were completed by males and 61 by females (see Table 5-4) records the jobs of the participants according to their gender. The highest percentage of both males (77.2%) and females worked as accountants in the banking sector. The smallest employment categories among males were academics and financial analysts.

Table 5-4: Professional Background of Participants by Gender

Profession	Gender			
	Male (%)		Female (%)	
	Number	%	Number	%
Accountant in the Banking Sector	**78**	**77.2**	**23**	**22.8**
External Auditor	**65**	**79.3**	**17**	**20.7**
Financial Analyst	**25**	**73.5**	**9**	**26.5**
Academic	**25**	**67.6**	**12**	**32.4**
Total	**193**	**76**	**61**	**24**

Table 5-5 below demonstrates that 49.2% of the respondents held a bachelor's degree, while 46.8% had an MSc, 1.6% were PhD holders, and another 2.4% had another form of accounting qualification. Breaking it into the different professions, the accountants in the banking sector were divided between Bachelor (52.5%) and Master (44.5%), with just 3% holding another accountancy diploma. A significant number of the external auditors (56.1%) had a BSc, while the majority of academics held an MSc (62.2%), and 10.8% held a PhD.

An overwhelming 46.5% of accountants in the banking sector had no professional qualification, while 26.7% had SOCPA certification, 16.8% CPA certification, 6.9% had another accountancy qualification, and 3% held both SOCPA and CPA certification. A significant number of financial analysts (55.9%) and academics (58.3%) also had no accounting qualification. However, 42.7% of external auditors and 30.6% of academics had SOCPA certification. Across the four professions as a whole, only 12.3% and 4% had either CPA certification or SOCPA and CPA certification respectively.

The level of experience across the four professions also varied. Across the sample as a whole, the largest category (32.7%) was that with 5 or less years' experience. Looking at the individual professions, 35.6% of accountants in banking had 5 or less years, while 34.1% of external auditors and 32.4% of financial analysts (the largest category for each profession) had 16 years or more of practical experience. The largest category in the academics group (43.2%) had 11-15 years' experience.

In summary, every participant had an accounting or finance background, and 67.3% had at least 5-10 years' experience. 46.8% of the survey participants held a professional qualification in accounting. This demographic data suggests that we can have a high degree of confidence that the responses reflect a reasonably well-informed understanding of the challenges and opportunities associated with IFRS adoption.

Table 5-5: Education and Experience of Participants

Qualification										
Education Level	Accountant in the Banking Sector		External Auditor		Financial Analyst		Academic		All Four Groups	
	N	%	N	%	N	%	N	%	N	%
BSC	53	52.5	46	56.1	16	47.1	10	27	125	49.2
MSC	45	44.5	33	40.2	18	52.9	23	62.2	119	46.8
PhD	0	0	0	0	0	0	4	10.8	4	1.6
Other Accountancy	3	3	3	3.7	0	0	0	0	6	2.4
Total	101	100	82	100	34	100	37	100	254	100
Professional Accounting Qualifications										
Major	Accountant in the Banking Sector		External Auditor		Financial Analyst		Academic		All Four Groups	
	N	%	N	%	N	%	N	%	N	%
SOCPA and CPA	3	3	5	6.1	2	5.9	0	0	10	4.0
CPA	17	16.8	11	13.4	2	5.9	1	2.8	31	12.3
SOCPA	27	26.7	35	42.7	5	14.7	11	30.6	78	30.8
None	47	46.5	21	25.6	19	55.9	21	58.3	108	42.7
Other	7	6.9	10	12.2	6	17.6	3	8.3	26	10.3
Total	101	100	82	100	34	100	37	100	254	100
Experience										
Length of Experience	Accountant in the Banking Sector		External Auditor		Financial Analyst		Academic		All Four Groups	
	N	%	N	%	N	%	N	%	N	%
<5 years	36	35.6	24	29.3	8	23.5	15	40.5	83	32.7
5-10 years	27	26.7	7	8.5	7	20.6	2	5.4	43	16.9
11-15 years	21	20.8	23	28	8	23.5	16	43.2	68	26.8
=>16 years	17	16.8	28	34.1	11	32.4	4	10.8	60	23.6
Total	101	100	82	100	34	100	37	100	254	100

5.4.4 Semi-Structured Interview

Qualitative research investigates a phenomenon by interpreting the meanings that individuals assign to it (Denzin and Lincoln, 2005). Interviews are a popular technique for gathering this kind of qualitative data (Bhattacherjee, 2012) as they can produce an in-depth understanding and rich results (Corbin and Strauss, 2008; Creswell, 2017). Interviews allow participants to provide deeper insights about intricate issues (Bryman and Bell, 2011). They may be structured, semi-structured or unstructured. An unstructured interview does not rely on pre-set questions at all, instead working on the premise that themes and questions will arise from the context (Patton, 1990). Conversely, structured interviews depend entirely on pre-determined questions and can therefore be lacking in terms of the leeway they allow the interviewer; like a questionnaire survey, this kind of interview does not allow much scope for collecting additional data. In semi-structured interviews, however, the interviewer is able to depart from the question schedule to draw the respondent out and seek further clarification where necessary (Fontana and Frey, 1998).

Braun and Clarke (2006) list a number of advantages of interviews, starting with the fact that the format allows the researcher to better explain the reason for and aim(s) of the study. A pre-discussion before the interview itself gives the researcher the chance to answer any queries that the interviewee may raise. Second, as interviews usually attract a higher rate of participation than questionnaires, they can, if conducted successfully, be more productive than a large-scale survey. Third, an experienced interviewer can take the interviewee’s outlook and manner into account when conducting the interview, allowing him or her to interact more effectively with the interviewee and potentially gain more insight into the researched topic. He or she may also be able to observe the respondents’ non-verbal cues, in particular their body language, to support his or her findings. These observations can be extremely helpful as they enable the researcher to infer meanings that are not explicitly expressed by the participant and, as a result, to gain additional information.

Easterby-Smith, Thorpe and Jackson (2012) observe, there are many similarities between interviews and questionnaires, but the main difference lies in the interviewer having the opportunity to elaborate on the questions and to clarify the respondent’s answers or gain further insights concerning the topics under study. Semi-structured interviews allow the researcher to adapt the interview questions to the experiences of the interviewee and to identify any new issues or sub-themes. This can be useful in terms of responding to the research questions (Saunders, Lewis and Thornhill, 2016). In this study, the survey questionnaires alone were not enough to achieve all the study objectives, especially as some of the research questions necessitated delving deeper into the current challenges and opportunities of IFRS adoption. Semi-structured interviews were adopted because their flexibility allowed the interviewees' perspectives to be explored more fully (Bryman and Bell, 2011, 2015). The semi-structured interviews with accountants and other key stakeholders were vital in clarifying and developing the findings from the survey, making more specific enquiries and gathering additional material.

5.4.4.1 Design of the Interview Guide

As with questionnaire surveys, the interview guide must be carefully designed to ensure that the questions meet the study's needs (Saunders, Lewis and Thornhill, 2016). Cornford and Smithson (2005) argue that it is essential to keep to the main topic of investigation to provide consistency throughout the interview process. Furthermore, in order to ensure that all aspects of the topic are adequately covered, the interview guide should include a brief introduction, the main research question and clarification sub-questions.

Such a guide (see Appendix B) was employed in this study, though deviations were allowed when necessary to probe further into an interesting or ambiguous answer (Bhattacherjee, 2012). The development of the questions was guided by the results of the questionnaire analysis and the research questions. The interviewer used the primary, factual findings from the questionnaire as a platform for exploring the deeper reasons behind adoption and the motivation of the country toward adoption. Therefore, the findings from the questionnaire survey acted as a vehicle for mobilizing institutional theory and construct such as coercion, professionalism. They provide a deeper understanding of the internal and external pressure driving financial reporting in Saudi Arabia and its associated challenges and benefits as a result of that pressure. Therefore, pillars of NIT were used in constructing the interview questions.

Each interview began with an explanation of the study brief, after which interviewees were asked about their background, current job title, years of experience and how often they engaged in IFRS preparation. The next group of questions focused on their level of education and their perceptions of IFRS adoption, while questions in the fourth section explored the reasons behind the partial application of IFRS, and what factors led Saudi Arabia to adopt IFRS. The last section investigated the perceived challenges and opportunities associated with the transition to IFRS. This section gave interviewees an opportunity to discuss the factors they saw as affecting the level of IFRS adoption in Saudi Arabia (e.g. cultural issues). Clarification questions were designed to ensure that the maximum amount of relevant information was elicited.

The interview guide questions were first designed in English and then translated into Arabic by the researcher before being back-checked (i.e. from Arabic into English) by a professional translator. This was to ensure that the meaning of each question was as consistent as possible with the English version. The interviews were conducted in Arabic – the main business language in Saudi Arabia.

5.4.4.2 Sampling

The sample was chosen using a non-probability technique (snowball sampling) because participants were selected based on specific criteria. This logic is common in qualitative research, as a homogenous sample may be more helpful in providing a more detailed understanding of the phenomenon (Saunders and Lewis, 2012; Ritchie et al., 2013). In the current study, the main criteria were participants' knowledge and experience of IFRS adoption in Saudi Arabia. Consequently, the sample was drawn from those with significant experience of working in the Saudi banking sector and standard setting; in other words, those with the knowledge and experience to draw a detailed picture of the change in accounting standards. The sampling process began with the researcher approaching a number of former colleagues who still work in Saudi Arabia's banking sector. These early interviewees then suggested other potential candidates who might have insightful contributions to offer. These suggestions made it possible for the researcher to gain access to other interviewees who might have otherwise been difficult to reach.

A total of 22 interviews were conducted. Half of the final sample were executive managers from the accounting departments of banks. These individuals play a central role in the preparation of financial reports and implementing IFRS. In the other half of the sample, six interviewees came from the regulatory bodies that oversaw the adoption process (these included one representative from SAMA, which controlled the banks' IFRS adoption, and five members of SOCPA, the accountants' professional body) while the remaining five represented the users of financial statements; these included auditors from the Big Four and licensed accountants. These interviewees were able to provide useful information as they operate under both local and IFRS accounting standards.

Researchers generally agree that the maximum interview sample should be 50 (Ritchie, Spencer and O'Connor, 2003). However, Bryman and Bell (2015) found that the average for the UK is 28. In the current study, a total of 22 interviews were conducted. According to David and Sutton (2011), the researcher can estimate the sample size based on his or her experience and the available resources (cost and time). Sample size may also be affected by the point at which data saturation is reached and the research questions are answered (Charmaz, 2008). The qualitative phase of a study is concerned with meaning rather than distribution (Crouch and McKenzie, 2006); when there is enough data to provide diverse variables and more data might be repetitive, the researcher may decide to stop looking for new participants (Glaser and Strauss, 1967). The objective of the interviews in this study was to provide richer data and deeper insight into the partial application of IFRS in Saudi Arabia, the factors that led the country towards full adoption, and the current challenges and opportunities associated with IFRS. When the data analysis, which was conducted concurrently with the interviews, indicated that saturation point had been reached after 22 interviews, this part of the research process came to an end (Babbie, 2010).

5.4.5 Analysis of the Interview Data

The data obtained from the semi-structured interviews were subjected to thematic analysis using the NVivo software program Version 11.03 for Windows. This software allows the researcher to import and code written data, revise the text without affecting its coding, search for groupings within the text, and separate data into sub-groups. This produces a simpler arrangement, making it easier to identify emergent themes (Creswell, 2013). The analysis process began with the transcription of the semi-structured interviews. A new folder was opened in Nvivo Sources to collect the data linked to each question, and themes were chosen, coded and grouped into families in tree nodes plus illustrated a graphics as networks of connections (see Figure 5-3 and Figure 5-4Figure 5-3).

Figure 5-3: NVivo Analysis

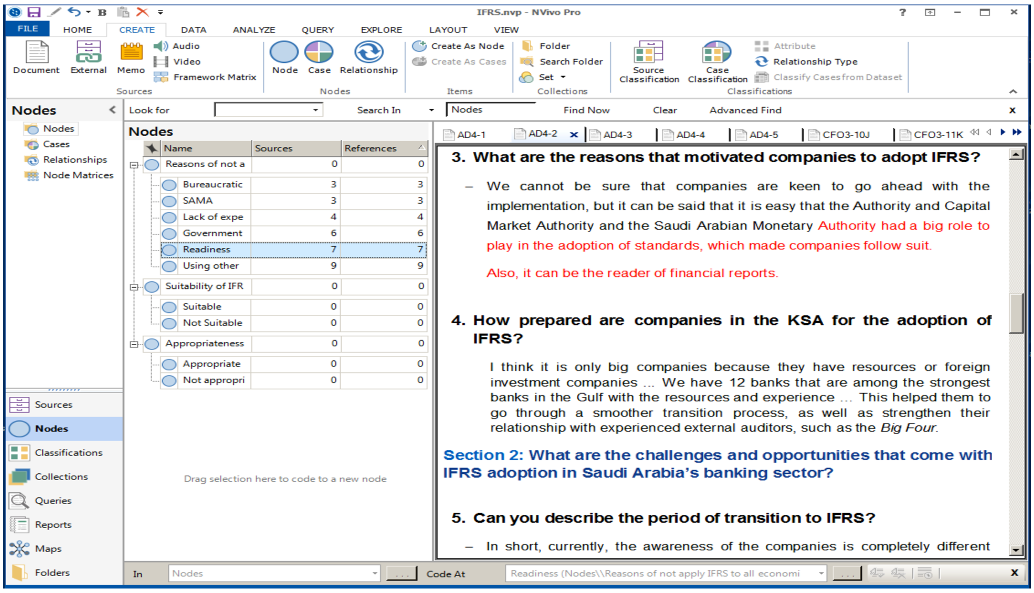


Figure 5-4: NVivo Screen Shot of Node Cloud

Table 5-6 summarises the main and sub-themes that emerged during the analysis. Five main themes were identified: the reasons behind the partial application of IFRS, perceptions towards IFRS adoption in Saudi Arabia, opportunities of IFRS adoption, challenges of IFRS adoption and cultural factors. Each theme had sub-themes which illustrated the actual benefits and challenges of adoption.

Table 5-6: Emerging Themes

Main Themes	Themes	Sub-Themes
Reasons behind partial application of IFRS	Using Saudi standards	
	Lack of readiness	
	Government decision	SAMA
	Lack of experience and expertise	
	Bureaucracy	
Perceptions towards IFRS adoption in Saudi Arabia	Suitable	
	Not suitable	
	Factors motivating Saudi Arabia to adopt IFRS	Regulator
		Comparable inside and abroad
		Investment
		External factors: World Bank, Big Four and G20
		Comprehensive
		Previous standards were ineffective
		Worldwide recognition
		Economic growth
Opportunities of IFRS adoption	Enhance quality of financial reports and statements	
	Investment	
	Transparency	
	Comparability	
	Reliability and consistency	
	Development	
	Save time and effort	
	Harmonise all reporting activities	
	Enhance decision making	
Challenges of IFRS adoption	Lack of training	
	Resources and cost	
	Lack of awareness and knowledge	
	Lack of expertise	
	Unhelpful guidelines	
	Transition period	
	Weak enforcement body	
	Dealing with differences	
	Lack of preparedness	
	Education system	Improve the accounting and finance curriculum
		Linkage or collaboration between universities and private sector
Cultural factors	Language	
	Local legislation (Sharia law, Zakat)	
	Unsuitability of some IFRS to the Saudi environment	
	Resistance to change	

5.4.6 Characteristics and Experience of Interviewees

As shown in Table 5-7, 11 of the 22 interviewees were from the banking sector. This was the first sector to implement IFRS in Saudi Arabia

Table 5-7: Interviewees by Position/Role

Position/Role	Number of Interviews
Executive managers of accounting departments in the banking sector	11
SOCPA (Saudi Organization for Chartered Public Accountants)	5
SAMA (Saudi Arabian Monetary Authority)	1
Auditors, licensed accountants	5

The interviews were conducted face-to-face in four of Saudi Arabia's main cities: Riyadh, Jeddah, Dammam and Mecca. The fact that the interviews were conducted in the interviewee's place of work made it easier to access relevant documents where necessary. Each interview lasted approximately one hour and was conducted in Arabic. The transcripts were subsequently translated into English, with care being taken to preserve the interviewees' meaning as closely as possible. Each interview began with the researcher giving an overview of the study's objectives and explaining the importance of the research.

Table 5-8 shows that 86% of the interviewees held a degree in accounting, 14% held a business administration degree, and 36% had a master's degree in accounting and finance. In terms of professional qualifications, an overwhelming 87% held SOCPA, CPA or CFA certification, with just 13% having no professional qualification. The majority of regulators had more than 18 years' experience, while the majority of CFOs had more than 15 years' experience in the banking sector. The external auditors had between 10- and 25-years' experience. In summary, the interviewees, most of whom were Saudi nationals, had a range of qualifications in accounting and finance and between 10- and 30-years' experience. This suggests that we can have a high degree of confidence that the interviewees possessed a thoughtful and well-informed understanding of the challenges and opportunities associated with IFRS adoption.

Table 5-8: Interviewee Profiles

NO	Code	Current Position	Organisation	Academic Qualification	Professional Qualification	Experience in Field - Years
1.	R1-1	Standards Setter	SOCPA	DBA in Accounting	CPA/SOCPA	30
2.	R1-2	Standards Setter	SOCPA	PhD in Accounting	SOCPA	20
3.	R1-3	Standards Setter	SOCPA	PhD in Business and Accounting	SOCPA	26
	R1-4	Standards Setter	SOCPA	Master's in accounting and Finance	ACCA/CPA/ SOCPA	22
5.	R1-5	Standards Setter	SOCPA	PhD in Accounting	SOCPA	25
6.	R2-1	bank monitoring	SAMA	Bachelor's in accounting	CPA /CMA/CFA	18
7.	CFO3-1A	CFO bank	BANK A	MBA Banking and Finance	SOCPA	20
8.	CFO3-2B	CFO bank	BANK B	Bachelor's in accounting	None	17
9.	CFO3-3C	CFO bank	BANK C	Master's in accounting and Finance	CPA/SOCPA	15
10.	CFO3-4D	CFO bank	BANK D	Bachelor's in accounting and Finance	None	18
11.	CFO3-5E	CFO bank	BANK E	Master's in accounting and Finance	CPA	17
12	CFO3-6F	CFO bank	BANK F	Bachelor's in business administration	None	18
13.	CFO3-7G	CFO bank	BANK G	Bachelor's in business administration	CPA/CFA	17
14.	CFO3-8H	CFO bank	BANK H	Bachelor in Business Administration	CFA	22
15.	CFO3-9I	CFO bank	BANK I	Bachelor in Business Administration	CPA /CMA/CFA	15
16.	CFO3-10J	CFO bank	BANK J	Bachelor in Business Administration	CFA	18
17.	CFO3-11K	CFO bank	BANK K	Bachelor in Business Administration	CPA/CMA	17
18.	AD4-1	Partner (financial advisor)	EY	Master in Accounting and Finance	SOCPA/CPA	17
19.	AD4-2	Partner	KPMG	Master in Accounting and Finance	SOCPA	12
20.	AD4-3	Partner	PWC	Master in Accounting and Finance	SOCPA/CPA	17
21.	AD4-4	General Manager	Owner of accounting firm	Bachelor in Accounting and Finance	SOCPA	10
22.	AD4-5	General Manager	Owner of accounting firm	Master in Accounting and Finance	SOCPA	25

5.5 Ethical Considerations

Following the ethical guidance provided by the Nottingham Trent University and in accordance with the University Research Governance Framework, ethical approval was granted by the College Research Ethics Committee (CREC) in March 2018. The current research was conducted in accordance with the ethical guidelines. All participants received a full brief that included the nature and objectives of the study, the estimated duration of the interview and survey, and consent forms. Written consent was secured from all participants, who were assured that participation was voluntary and that they had the right to decline participation before commencement or to withdraw the data they had provided, without giving any reason or justification, up to the set deadline (30/09/2018).

Both interviewees and survey respondents were assured that their responses would be confidential and that their identities would not be made available to any third party without their agreement. All participants were provided with the researcher's contact email and number in case they wanted to contact him. Survey respondents were asked to make a note of their unique questionnaire number/code, provided at the top of the participant information sheet, so that if he or she wanted to withdraw from the study, it could be used to identify the single questionnaire related to that participant. The researcher was the only person with access to the codes, which were stored securely and separately from the raw and processed data. All information was stored on a password-protected computer.

5.6 Summary

This chapter explains that the study adopted the pragmatic paradigm as the best suited to answer the research questions. This allowed the researcher to employ elements from both the positivist and interpretivist paradigms, with quantitative data being gathered from the questionnaire survey and semi-structured interviews being used to gain insight into the subjective views and experiences of participants and make better sense of the statistical results. The survey allowed a large-scale examination of the current challenges and opportunities associated with IFRS adoption in Saudi Arabia, while the semi-structured interviews provided a deeper understanding and explanation of the key challenges and benefits of adopting IFRS in Saudi Arabia, along interviewees' perceptions of these challenges and benefits. The use of mixed research methods also allowed for data triangulation, enhancing the reliability of the results.

The chapter gives a detailed description of the two instruments Table 5-9 and their design. It explains the sampling techniques that were employed in each case and presents the profiles of the two (survey and interview) samples, showing how they met the selection criteria in terms of relevant knowledge and experience. It then discusses the analysis process for each instrument; for the questionnaire survey data, this involved statistical analysis using the Kruskal-Wallis and Mann-Whitney tests, while for the semi-structured interview data, thematic analysis was conducted using the NVivo programme.

Table 5-9: Summary of Data Collection and Analysis

SUMMARY OF DATA COLLECTION AND ANALYSIS			
DATA COLLECTION METHOD	**Sample Size**	**Sample Method**	**Process of Analysis**
QUESTIONNAIRE SURVEY	254	judgemental sampling	Kruskal-Wallis and Mann-Whitney Tests
INTERVIEW	22	snowball sampling	NVivo

CHAPTER 6: ANALYSIS OF THE PERCEPTIONS SURROUNDING IFRS ADOPTION IN SAUDI ARABIA

6.1 Introduction

This chapter presents and discusses the findings from data collected via the questionnaire and semi-structured interviews to address Research Questions 1 and 2: that is, (1) what the users of accounting information in Saudi Arabia think of the decision to adopt IFRS, (2-1) why they think the standards were only applied in the banking sector, and (2-2) what factors they think led the country to adopt IFRS in the first place. Questionnaires were distributed to individuals from the four groups (see Section 5.4.1.4) most closely concerned with the implementation of IFRS, while interviews were conducted with CFOs in the banking sector, standard setters and external auditors (see Section 5.4.6).

The findings and discussion are presented in four sections. Section 6.2 presents the quantitative and qualitative findings regarding the perceptions surrounding IFRS adoption in Saudi Arabia, after which Section 6.3 presents the main reasons why this adoption was only partial, as identified by the interviewees. The factors that led Saudi Arabia to adopt IFRS are presented in Section 6.4, while Section 6.5 brings together the results of the questionnaires and semi-structured interviews in a discussion of the findings. Finally, Section 6.6 gives a summary of the chapter. Research Questions 3 and 4 are addressed in Chapters 7 (the opportunities associated with IFRS adoption) and 8 (the challenges associated with adoption).

6.2 Perceptions Surrounding Adoption of IFRS in Saudi Arabia

6.2.1 Descriptive Analysis of Questionnaire Results

The second section in the survey was designed to establish the extent to which respondents agreed with the IFRS adoption decision. Participants were asked to respond to each of three sub-questions on a scale of 1 to 5, where 1 was strongly disagree and 5 was strongly agree. The sub-questions were: Statement 1: “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 (SOCPA). To what extent do you agree with this decision?”; Statement 2: “Banks are required by the Saudi Arabian Monitoring Authority (SAMA) to prepare their financial statements in accordance with IFRS .To what extent do you agree with SAMA's decision?"; and Statement 3: "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?".

Figure 6-1 indicates that more than 98% of the participants either agreed or strongly agreed (these options were combined to facilitate the analysis process) with SAMA's decision to require banks to prepare their financial statements in accordance with IFRS, while 88.3% agreed or strongly agreed that the resulting reports meet the different needs of users in Saudi Arabia. Table 6-1 shows that the overall mean for the SAMA sub-question was 4.63, for the SOCPA sub-question was 4.52, and for the third sub-question was 4.30. Further, the table demonstrates that the Cronbach's alpha test produced a coefficient of 0.75 for this question, which indicates good reliability (Zikmund et al., 2010).

Figure 6-1: Respondents' Perceptions Surrounding IFRS Adoption Decision

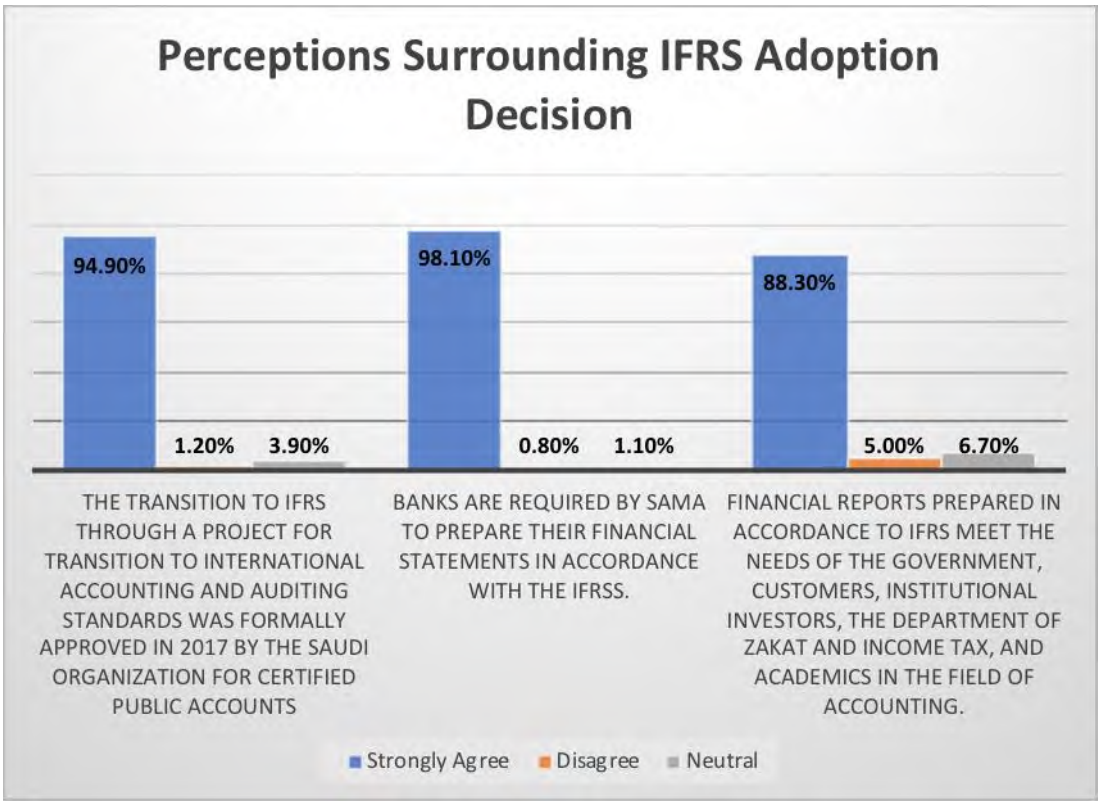


Table 6-1: Descriptive Statistics for Respondents' Perceptions Surrounding IFRS Adoption Decision

Statement	Level of Agreement* (%)					Total Mean Score	SD**	Median (25-75)	Rank	Cronbach's α
	SD*	D	N	A	SA					
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?	0.4	0.8	3.9	36.2	58.7	4.52	0.65	5 (4 – 5)	2	0.75
Banks are required by SAMA to prepare their financial statements in accordance with IFRS. To what extent do you agree with SAMA's decision?	0.4	0.4	1.2	31.8	66.3	4.63	0.57	5 (4 – 5)	1	
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?	0.4	4.3	7.1	42.0	46.3	4.30	0.81	4 (4 – 5)	3	

SD* (Strongly Disagree), D (Disagree), N (Neutral), A (Agree), SA (Strongly Agree), SD** (Standard Deviation).

Breaking the data down by group, Table 6-2 shows that auditors expressed the highest level of agreement with sub-question 1, with a mean score of 4.59, followed by financial analysts (4.55), accountants (4.47) and lastly academics (4.45). With regards to the second sub-question, the highest mean score came from accountants in the banking sector (4.68), followed by auditors (4.67), financial analysts (4.61) and lastly academics (4.48). In terms of the third sub-question, the overall mean scores were: financial analysts (4.56), accountants (4.47), external auditors (4.37) and academics (3.43). The fact that the academics expressed the lowest level of agreement for all three sub-questions indicates that they were generally less satisfied with the adoption decision by SAMA and SOCPA. This may suggest that academics are more conservative than practitioners and prefer to wait and observe rather than take risks and make statements or decisions.

The Kruskal-Wallis test found no significant difference between the groups in terms of their attitudes towards the SAMA and SOCPA decisions (see Table 6-2 and Table 6-3). There was, however, a significant difference ($p = 0.001$) on the sub-question of whether they agreed that financial reports prepared in accordance with IFRS meet the requirements of the government and other stakeholders. This means that Mann-Whitney test confirmed that the academics were significantly different from the other three groups on this sub-question, producing a lower group mean of 3.43, compared to financial analysts (4.56), accountants (4.47) and auditors (4.37). This variation could be the result of indigenous internal factors such as the regulatory framework. The difficulties faced by academics have also been noted by Alsalman (2003) and Al-Sehali and Spear (2004), who state that accounting needs in developing countries vary from those in developed countries. Alsaqqa (2012) adds that accounting needs are influenced by various issues, particularly culture and society.

Table 6-2: Descriptive Statistics for Group Means and Multiple Comparison Tests: Respondents' Perceptions Surrounding IFRS Adoption Decision

Statement	**Profession* (Mean)**				**Kruskal-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 differences between 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 differences between 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

*BA (Accountants in the Banking Sector), EA (External Auditor), FA (Financial Analyst), AC (Academic), Sig**(Significant).

Table 6-3: Non-Parametric Test (Kruskal-Wallis) versus Parametric Test (One-Way ANOVA)

Statement	Kruskal-Wallis	One-Way ANOVA
	Non-Parametric Test P-Value Sig Less than 0.05	**Parametric Test P-Value Sig Less than 0.05**
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?	--	--
Banks are required by SAMA to prepare their financial statements in accordance with IFRS. To what extent do you agree with SAMA's decision?	--	--
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?	0.001***	0.001***
$*p < 0.05$ $**p < 0.01$ $***$ $p < 0.001$ -- $p > 0.05$		
Note: One-way ANOVA used as an additional test to verify the results		

Respondents were also asked about the timing of IFRS adoption (see Table 6-4). Again, they were asked to indicate the extent to which they agreed with the given statements. Across the four groups, 61.4% felt that IFRS should have been implemented in Saudi Arabia earlier than they were, while 30.4% agreed that this is a suitable time to adopt IFRS. Only 2% felt that it will be difficult to adopt IFRS in Saudi Arabia (see Table 6-4).

Table 6-4:Descriptive Statistics for the Timing of IFRS Adoption, by Group

Which of the following explains your answer to question 6b?	**Profession***								**Overall Response**	
	BA		EA		FA		AC			
	N	%	N	%	N	%	N	%	N	%
IFRS should have been implemented earlier	64	64.0	45	55	25	73.5	22	59.5	160	61.4
It is too early to implement IFRS	2	2.0	3	3.7	0		2	5.4	7	2.8
This is a suitable time to adopt IFRS	31	31.0	27	33.3	8	23.5	11	29.7	77	30.4
It is difficult to adopt IFRS in Saudi Arabia	2	2.0	2	2.4	0		1	2.7	5	2.0
I am not sure	2	2.0	4	4.9	1	3	1	2.7	8	3.1
Total	101	100	82	100	34	100	36	100	254	100

*BA (Accountants in the Banking Sector), EA (External Auditor), FA (Financial Analyst), AC (Academic)

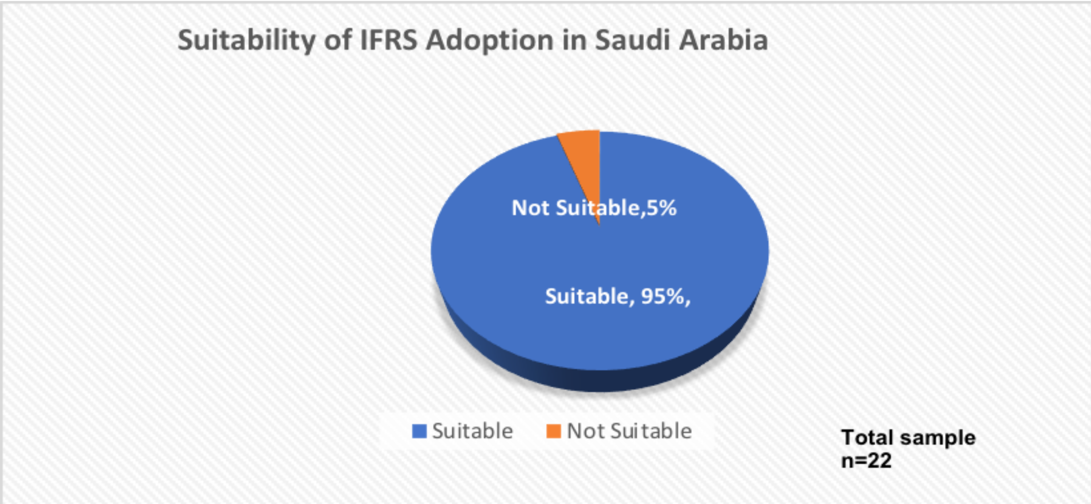
The above indicates that the majority of preparers saw IFRS adoption as a win-win policy, because shifting to IFRS increases the quality of financial reporting. Indeed, the majority felt that the adoption should have come earlier.

In summary, the objective of these survey questions was to gain insight into the respondents' views regarding SAMA and SOCPA's decision to adopt IFRS. Table 6-4 indicates that not only did the majority of survey respondents see IFRS adoption as a positive policy, they would have liked to see the decision made earlier. The next section explores these perceptions in more depth, drawing on the findings from the semi-structured interviews.

6.2.2 Interview Analysis

In order to assess the perception of key stakeholders towards IFRS adoption in Saudi Arabia, the researcher asked an open question regarding whether they (interviewees) thought that IFRS are suitable for adoption in Saudi Arabia. The overwhelming majority of interviewees (95%, 21Nr[8]) were supportive (see Figure 6-2). Only one external auditor demurred, arguing that the country is not yet ready for the transition. IFRS were generally seen as having the potential to improve business activities across Saudi Arabia and in particular the knowledge and expertise of accounting professionals in the country. However, this will only be achieved by rolling out education programmes and raising awareness about IFRS.

Figure 6-2: Suitability of IFRS Adoption in Saudi Arabia



Most interviewees saw SOCPA's decision to implement IFRS as beneficial for Saudi Arabia. The majority saw them as an appropriate framework because their ability to provide transparency and reliable, high-quality information makes them useful when dealing with investors. These benefits are discussed under the theme opportunities of IFRS adoption in Saudi Arabia. (See 7.2.4). This led some to suggest that IFRS adoption would primarily increase investment opportunities in the private sector, rather than assist the government in planning and meeting local public needs. The fact that IFRS are recognised worldwide led others (such as Interviewees RE1-5 and

[8] Nr: Number of interviewees

RE2-1) to argue that organisations with an international outlook and foreign partnerships would benefit most from the adoption of international standards. However, organisations operating according to Islamic principles were also seen as likely to benefit from IFRS adoption on the grounds that it will raise disclosure levels and increase the use of fair value in these organisations, thereby enhancing their transparency (see Section 7.2.4.4).

To conclude, the questionnaire survey and interview results show that the overwhelming majority of participants supported the decision by SAMA and SOCPA to adopt IFRS. However, there was less support (particularly among academics) for the view that financial reports prepared in accordance with the international standards meet the needs of the government and other stakeholders. This apparent inconsistency was explored in the semi-structured interviews, which identified some of the reasons why Saudi Arabia has not implemented IFRS across all economic sectors.

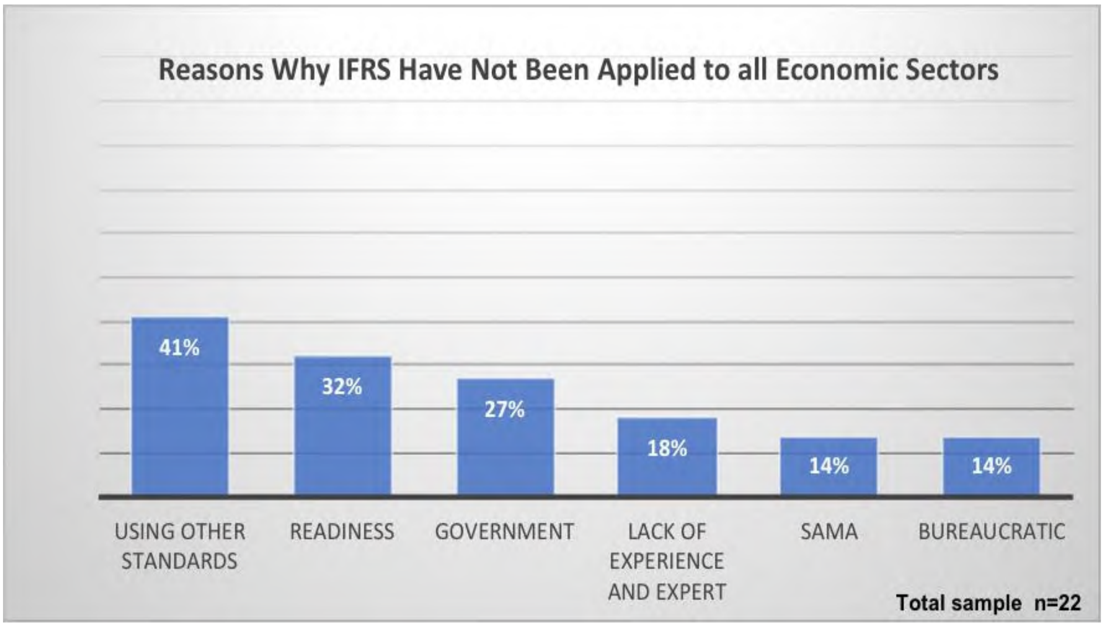
6.3 Reasons for not Implementing IFRS in all Economic Sectors

SAMA has required all banks and insurance companies in Saudi Arabia to use IFRS since 2008. In February 2012, SOCPA formally approved the transition to IFRS through its *Project for the Transition to International Accounting and Auditing Standards*, to be completed by 2017 (IFRS, 2017). However, despite the SOCPA project, all entities outside the finance sector, irrespective of their size, are still required to use the local GAAP as issued by SOCPA (IFRS, 2017). This partial application of IFRS raises questions about the comparability of financial statements produced by companies in the banking and insurance sector and those in other sectors, which are still using the Saudi GAAP. The question of why IFRS implementation has focused solely on the banking sector was explored further in the interviews with representatives from SOCPA and SAMA (i.e. the groups responsible for setting standards and regulating the sector), bank CFOs and external and local auditors. As can be seen in Figure 6-3, interviewees listed a number of reasons why they believed IFRS have not been applied to all economic sectors. The most popular answer was that companies in Saudi Arabia are already using national standards (41%, 9Nr[9]). The next most popular reason was lack of readiness (32%, 7Nr), while others said that limiting implementation was the government’s decision (27%, 6Nr).

[9] Nr: Number of interviewees

The remaining reasons offered by interviewees were a general lack of accounting experience and expertise across all economic sectors (18%, 4Nr), the influence of SAMA (14%, 3Nr), and bureaucratic difficulties (14%, 3Nr). The next sub-sections discuss these claims further.

Figure 6-3: Reasons Why IFRS Have Not Been Applied to all Economic Sectors



6.3.1 Using Saudi Standards

The most popular reason interviewees offered for the limited rollout of IFRS (41%, 9Nr[10]) was the fact that companies across Saudi Arabia are already using the country's own national accounting standards. These were adapted from the US GAAP and modified to suit Saudi needs. Interviewee AD4-5 explained why Saudi Arabia uses American standards as the basis of its own standards:

> *"We are used to American standards because they help us in our decision making, unlike international standards, which are variable or unstable".*

The same interviewee went on to say that

> *"SOCPA has been trying to convince others about IFRS, but why have the Americans not applied the standards? And why do they keep postponing them every year? It is better that we keep to the American standards because there is no checklist in the use of standards".*

[10] Nr: Number of interviewees

Interviewee CFO3-8H was similarly cautious about the wisdom of shifting from SOCPA's standards to IFRS:

> *"Saudi Arabia has its own SOCPA standards, which have been there since 1999 and are based on the US GAAP…The shift from SOCPA's standards to international accounting standards is very complex and will take a long time".*

As one standard setter from SOCPA (Interviewee RE1-1) explained, the international standards have only seen this much recognition and prevalence since 2001 in Saudi Arabia. The government depends on US-based standards which have been modified to suit Saudi requirements. However, some people believe Saudi accounting standards setting bodies as inadequate in the light of the development of other standards. Interviewee RE1-4 pointed out that the country was

> *"the first country in the region to adopt national standards in keeping with the American standard and suitable for the Saudi context".*

Although Saudi Arabia have been pushing for the adoption of IFRS ever since the international community started using them, outside the banking sector, SOCPA has insisted on the continuing use of the country's own standards, even though these have not been updated and they are known only inside the kingdom (CF03-5E). This is the main reason why IFRS adoption has been delayed in other sectors.

The interviewees' answers suggest that part of the reason why Saudi Arabia has so far rejected full implementation of IFRS is because it does not like being put under international pressure and takes pride in using its own national GAAP (Interviewee CF03-5E). This corroborates the findings of Almotairy and Alsalman (2012) and Alzeban and Gwilliam (2014), who found that SOCPA has no plans to relinquish its own accounting standards. The fact that it has taken this long for SOCPA even to partially implement IFRS was explained by Interviewee RE1-2 as proof that the organisation is keen to follow best practice. This interviewee was not the only regulator to argue that delaying implementation was necessary to give standard setters the opportunity to study the suitability of IFRS to the Saudi environment; according to SOCPA members (Interviewee RE1-4),

> "*We set a plan to study each standard and translate it, and we worked alongside local auditors and the Big Four to ensure better practice …*

> *This work has been done with contributions from all sectors and accountants in the country, but it has caused a delay".*

The above responses offer a mixed picture; while some interviewees believed that Saudi Arabia takes pride in its national standards (SAS) and does not want to be subject to international pressure to adopt IFRS, others felt that full IFRS adoption is inevitable, though more consideration needs to be taken of the local environment.

6.3.2 Readiness

Readiness – or rather, the lack of readiness – was identified by (32%, 7Nr[11]) of the interviewees as one of the most important reasons why IFRS have not been applied to all economic sectors. Interviewee RE1-1 explained that not all sectors are currently capable of meeting the requirements associated with the international standards:

> *"I think that the disparity between the economic sectors is linked to their ability to meet the requirements of these standards and the provision of professional competencies capable of applying the requirements of those standards and ensuring their application ... For example, financial institutions may have the potential to apply international standards at the present time, while others may require technical and professional preparation for their staff before committing to the requirements of international standards. So, it is not right to make other sectors bear the burden of transitioning to international standards without giving them the opportunity to prepare adequately".*

According to Interviewee RE2-1, Saudi Arabia's regulatory and professional bodies are now working to help listed companies in all sectors with this preparation:

> *"It should be pointed out that in their keenness to protect investors and ensure adequate disclosure and transparency, the Capital Market Authority, the Monetary Institute and the Institute of Accountants have already formed a supreme steering committee to oversee the transformation of listed companies in terms of their application of international accounting standards to ascertain their readiness to shift to*

[11]Nr: Number of interviewees

these standards and to address the challenges and difficulties that may be faced before application".

Interviewee RE1-3, meanwhile, noted that it is not only companies who need more time to prepare for the shift to IFRS; regulators themselves also need time to evaluate whether all the IFRS are suitable for use in the Saudi context:

> *"I have to say that the Commission is keen to give sufficient time to study international standards in all aspects related to the local environment, including the legal and regulatory aspects of the requirements of the standards ... The transition plan took some executive procedures that focused on the examination of each international standard. It involved groups with an interest in accounting and auditing, such as preparers, auditors, users, academics and supervisory bodies, to discuss the requirements of the standards extensively to ensure that their implementation is achieved, and this is what has delayed the adoption in Saudi Arabia's case".*

Similarly, one SOCPA representative RE1-2 explained that the partial application was necessary to allow time for the establishment of a proper framework for adoption:

> *"There must be topics that require Saudi Arabia to take part in the framework ... The solution was to opt for the international standards until the finalisation of a set of modified international standards and the establishment of an integrated framework for adoption".*

Interviewees CFO3-7G and CFO3-8H also expressed the view that the application of international standards in measurement, presentation and disclosure requires the provision of an appropriate local environment. However, Interviewee AD4-4 saw the lack of readiness for IFRS as extending beyond regulators and companies to Saudi society in general:

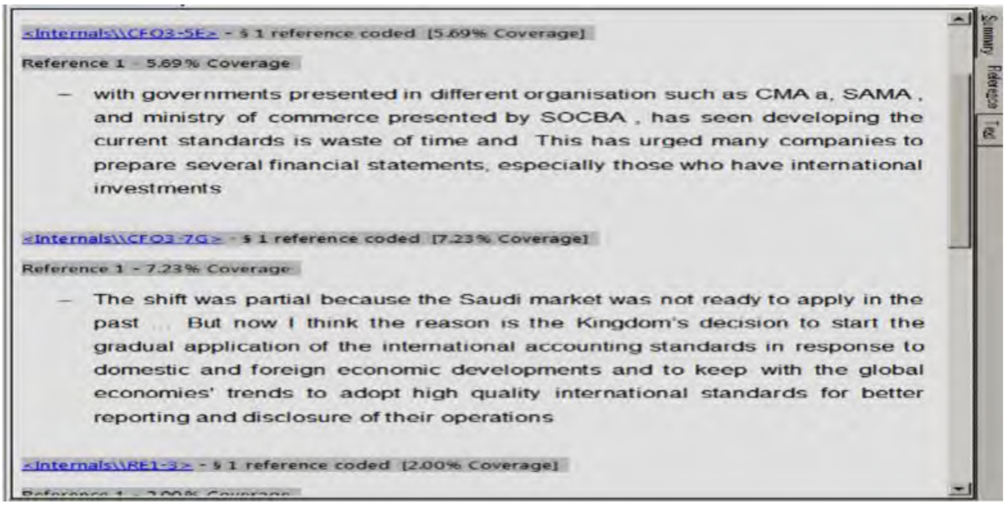
> *"I am more inclined to think that the delay was due to the unpreparedness of the Saudi system and companies to embrace the application; it is fair to say that the society itself was not ready".*

This interviewee saw this historic unpreparedness as the reason why Saudi Arabia lacks the infrastructure it needs to facilitate the broader adoption of international standards. On the whole, however, the interviewees' comments suggest that while Saudi Arabia is not yet ready to adopt IFRS in every economic sector, the standards are being studied carefully, and that there is a general and formal willingness to move towards complete adoption.

6.3.3 Government Decision

Six interviewees (27%, 6Nr[12]) suggested that the decision not to apply IFRS to all economic sectors was down to the government. Figure 6-4 shows sample answers on this theme.

Figure 6-4 Sample of Transcript


<Internals\\CFO3-5E> - § 1 reference coded [5.69% Coverage]

Reference 1 - 5.69% Coverage

– with governments presented in different organisation such as CMA a, SAMA , and ministry of commerce presented by SOCBA , has seen developing the current standards is waste of time and This has urged many companies to prepare several financial statements, especially those who have international investments

<Internals\\CFO3-7G> - § 1 reference coded [7.23% Coverage]

Reference 1 - 7.23% Coverage

– The shift was partial because the Saudi market was not ready to apply in the past ... But now I think the reason is the Kingdom's decision to start the gradual application of the international accounting standards in response to domestic and foreign economic developments and to keep with the global economies' trends to adopt high quality international standards for better reporting and disclosure of their operations

<Internals\\RE1-3> - § 1 reference coded [2.00% Coverage]

As one standard setter (Interviewee RE1-1) explained, the government recognises that the application of IFRS in all economic sectors can only be accomplished with a comprehensive transition plan.

> *"The Commission chose to implement transition slowly because it saw that the [business] environment needs to prepare adequately for the implementation of international standards ... The plan adopted for the transition to international standards recognises that success depends on the readiness of the environment in which it will be applied. That's why IFRS were only partially applied".*

Explaining SOCPA's decision to delay full adoption, this interviewee went on to say that

[12] Nr: Number of interviewees

"The Commission is keen to devote sufficient time to studying how international standards relate to the local environment, including the legal and regulatory aspects of the requirements of the standards ... The transition plan sets out procedures for examining each international standard and encourages the involvement of all those with an interest in accounting and auditing like preparers, auditors, users, academics and supervisory bodies to extensively discuss the requirements of the standards to ensure that their implementation is achieved".

Given all the effort that is going into preparations for full IFRS adoption, government bodies such as the CMA, SAMA and the MCI see developing the current national standards as a waste of time. Consequently, these bodies have been urging companies, especially those with international investments, to prepare different sets of financial statements for different stakeholders. According to RE1-5,

"The international standards will eliminate the previous manipulation by companies issuing three financial statements: one for the owner, which is the right one ... The other one is for the Zakat Department, showing less profit to reduce the proportion of Zakat ... The other list would show inflated profits so they could apply to banks for funding ... This will end with the production of correct, consolidated financial statements for those entities".

RE1-5 went on to explain that

"The government sees joining the G20 as a chance to develop the accounting system for better corporate governance and to follow developed countries rather than keeping with the previous standards".

A representative from SAMA (RE2-1) expressed the view that

"The decision makers in the board graduated in the United States of America, and of course there was pressure to apply our standards according to the US ones because of the strong trade exchange between Saudi Arabia and America ... Saudi standards are fairly homogeneous with American standards, but they remain unchanged".

The government understands that it has no choice but to adopt standards that can facilitate the development of Saudi Arabia's accounting system.

> *"As a result of the development in the region and also the crisis of the Saudi stocks, the Authority was forced to regulate the Saudi market and had no option but to develop the profession by adopting the international standards IFRS"* (RE1-4).

However, it has decided to carry out the implementation process gradually, starting with banks and insurance companies. Interviewee CFO3-7G explained that

> *"The shift was partial because the Saudi market was not ready to apply in the past … But now I think the kingdom's decision to start the gradual application of the international accounting standards is in response to domestic and foreign economic developments and to keep up with the trend among global economies to adopt high quality international standards for better reporting and disclosure of their operations".*

The comment is a further indication that the government has previously blocked the implementation of IFRS due to lack of readiness. The partial application of IFRS within the banking sector was initiated by the sector's controlling body, SAMA. This is discussed in the following section.

6.3.4 SAMA

SAMA's central role in IFRS implementation across the banking sector was emphasised by three interviewees (CFO3-10J, CFO3-4D and CFO3-9I; 14%). All explained that the adoption of IFRS was a regulatory requirement by the Authority; as Interviewee CFO3-10J put it:

> "*The adoption of IFRS was a requirement from SAMA and the Saudi Arabian Central Bank when we joined the G20".*

These interviewees explained that SAMA, as an independent regulator, sees adoption of IFRS to be of core importance to the banking sector.

> *"Yes, the standards are applied in banks and insurance companies, but Saudi Arabia has delayed the process of implementation, which was supposed to have been applied five years ago in listed companies .... So, the Commission started examining the subject in 2008, but SAMA had already done this given the small sector of banks and insurance and also because of the availability of expertise ... It was a compulsory decision, so we cannot compare banks to the other companies*". CFO3-10J

The findings indicate that the application of IFRS in the financial sector was driven by the requirements of the Central Bank, acting through SAMA, because of the nature of the relationship between banks and their transactions world-wide.

6.3.5 Lack of Experience and Expertise

The partial application was attributed by four (18%, 4Nr[13]) CFOs to the limited availability of relevant expertise and experience among accounting and auditing staff. Interviewee CFO3-2B described this as one of the main reasons why IFRS have not been applied to all economic sectors in Saudi Arabia.

> *"The main reason for partial application in the past is limited expertise and knowledge ... there is a lack of experienced accountants in Saudi Arabia".*

Interviewee CFO3-3C claimed that SOCPA had initially wanted to start the adoption process across all sectors in 2008, while Interviewees AD4-4 and CFO3-7G also said that the government wanted all sectors to be using the same approach. However, the government has been forced to modify its plans because of the lack of qualified professionals able to oversee the application and its associated difficulties.

> *"I think lack of expertise and experience has delayed the process of implementation in general in Saudi Arabia"* (Interviewee RE1-1).

This particular challenge is discussed at greater length in Section 8.2.2.4.

6.3.6 Bureaucracy

The final limiting factor, according to the interviewees, was bureaucracy. This factor was mentioned by three interviewees (14%,3Nr), who explained that Saudi Arabia's complex bureaucratic system and outdated laws and legislation, which are designed to serve central government, can make accessing information difficult. Interviewee CFO3-3C argued that

> *"...if it weren't for the elements of Sharia and bureaucracy that are still existent, we would not have been lagging far behind other countries similar to us".*

However, hope was expressed that the IFRS application process might be accelerated

[13] Nr: Number of interviewees

under the influence of Saudi Vision 2030. This was highlighted by Interviewee CFO3-1A, who stated:

> *"Saudi Arabia was very late because of the bureaucracy in all the committees that are involved … The application decision has been postponed about four times … I was involved as a financial adviser in some of the committees responsible for the transition … But I think that Vision 2030 is one of the reasons why we can expect the transition to happen".*

In summary, the interviewees attributed the partial application of IFRS in Saudi Arabia mainly to the fact that Saudi standards are already well established and SOCPA have seen the adoption is reluctant to abandon them simply to comply with international pressure. However, there was also a perceived lack of readiness, on the part of companies and regulators alike, to meet the requirements in the international standards. This was recognised in the government's decision to limit adoption to the banking sector. A lack of expertise and experience in regard to IFRS and a complex bureaucracy were also cited as reasons for the delayed adoption of IFRS to all sectors. The delay has been justified as the bureaucracy involved in the country which has keep Saudi Arabia accounting system un-updated. Therefore, it is important to gain further understanding what motivated Saudi Arabia towards IFRS adoption which will be illustrated in the next section.

6.4 Factors Influencing Saudi Arabia to Adopt IFRS

Several studies (Madawaki, 2012; Zehri and Chouaibi, 2013; Alnodel, 2015) have evaluated the role that pressure from the World Bank, economic growth and capital investment play in influencing countries to adopt IFRS. Capital market rules require unity of accounting practices in order to facilitate comparison, but as Alnodel (2017) points out, whatever the external and internal factors driving IFRS adoption in developing countries, accounting professionals in these countries are likely to find the transition difficult.

6.4.1 Descriptive Analysis of Questionnaire Results

The third section in the survey was directed at identifying factors that influenced Saudi Arabia to adopt IFRS. Participants were given five statements (generated from the previous literature) and asked to indicate the extent to which they agreed that these various external and environmental factors had an impact on the country's decision to move towards adoption. These were: Statement 1: "Economic growth in KSA greatly influenced the adoption of IFRS"; Statement 2: "The legal system greatly influenced the adoption of IFRS"; Statement 3: "The external environment (e.g World Bank, IMF) greatly influenced the adoption of IFRS"; Statement 4: "The existence of a capital market greatly influenced the adoption of IFRS"; and Statement 5: "The previous accountancy standards were ineffective". The results are shown in Figure 6-5 and Table 6-5.

Figure 6-5: Perceived Factors that Led to IFRS Adoption

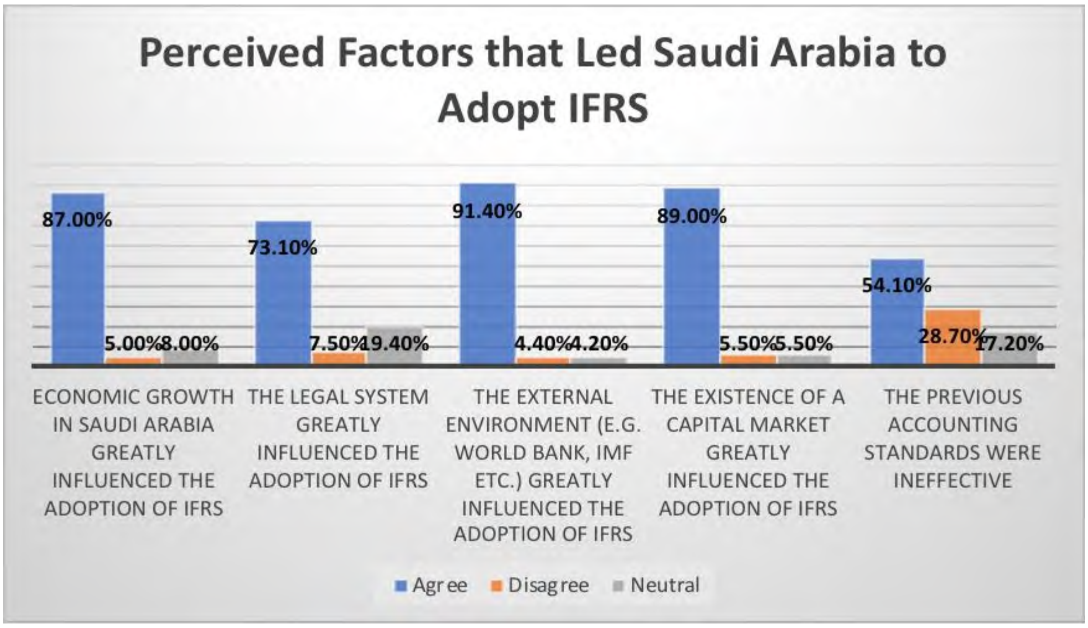


Table 6-5: Descriptive Statistics for Perceived Factors that Led to IFRS Adoption

Statement	Level of Agreement* (%)					Total Mean Score	SD	Median (25-75)	Rank	Cronbach's α
	SD	D	N	A	SA					
Economic growth in Saudi Arabia greatly influenced the adoption of IFRS	2.8	2.0	8.3	50	37.0	4.16	0.87	4 (4 - 5)	3	0.730
The legal system greatly influenced the adoption of IFRS	1.6	5.9	19.3	46.9	26.4	3.90	0.91	4 (3 -5)	4	
The external environment (e.g. World Bank, IMF etc.) greatly influenced the adoption of IFRS	2.0	2.4	4.3	46.5	44.9	4.30	0.82	4 (4 -5)	1	
The existence of a capital market greatly influenced the adoption of IFRS	0.8	4.7	5.5	48.8	40.2	4.22	0.82	4 (4 - 5)	2	
The previous accounting standards were ineffective	6.3	22.4	16.9	35.4	18.9	3.38	1.20	4 (2 - 4)	5	

SD (Strongly Disagree), D (Disagree), N (Neutral), A (Agree), SA (Strongly Agree), SD** (Standard Deviation).

In terms of the mean scores, it is evident that Statement 3: "The external environment (e.g. World Bank, IMF etc.) greatly influenced the adoption of IFRS" generated a total mean of 4.30. The next highest level of agreement was with the fourth statement: "The existence of a capital market greatly influenced the adoption of IFRS" with a total mean of 4.22. This was followed by the first statement:

"Economic growth in Saudi Arabia greatly influenced the adoption of IFRS", which had a total mean of 4.16. Statement 2: "The legal system greatly influenced the adoption of IFRS" had a total mean of 3.90. Last was Statement 5: "The previous accounting standards were ineffective" with a total mean of 3.38. Table 6-6 breaks the responses down into groups. It shows that the group that agreed most strongly that the listed factors influenced Saudi Arabia to adopt IFRS were the financial analysts (overall group mean 4.27), followed by accountants (3.99), auditors (3.96) and lastly academics (3.88). The lower mean score from academics may suggest that this group was less convinced by the significance of the listed factors. Alternatively, it may simply confirm Alkhtani's (2012) view that university academics in Saudi Arabia pay little attention to the international standards.

Table 6-6: Descriptive Statistics for Group Means and Multiple Comparison Tests: Perceived Factors that Led to IFRS Adoption

Statement	**Profession* (Mean)**				**Kruskal-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
Economic growth in Saudi Arabia greatly influenced the adoption of IFRS	4.19	3.98	4.55	4.16	0.007	FA	FA	AC/ EA/ BA	FA
The legal system greatly influenced the adoption of IFRS	3.93	3.85	3.94	3.91	0.950	**No significant differences between groups**			
The external environment (e.g. World Bank, IMF etc.) greatly influenced the adoption of IFRS	4.36	4.28	4.58	3.94	0.001	AC	AC	AC	BA/EA /FA
The existence of a capital market greatly influenced the adoption of IFRS	4.28	4.19	4.50	3.94	0.001	AC	FA	AC/E A	FA/BA
The previous accounting standards were ineffective	3.15	3.46	3.76	3.43	0.065	**No significant differences between groups**			
Overall group mean	3.99	3.96	4.27	3.88					

*BA (Accountant in the Banking Sector), EA (External Auditor), FA (Financial Analyst), AC (Academic), Sig** (Significant).

The Kruskal-Wallis test (see Table 6-6 and Table 6-7) indicated statistically significant differences among all four groups regarding Statement 1 (p-value = 0.007), Statement 3 and Statement 4 (both with a p-value of 0.001). When the results for these three statements were explored further using the Mann-Whitney test, the results revealed a significant difference between the financial analysts and the other three groups on Statement 1, with the financial analysts generating a group mean of 4.55 for this statement (94% of this group agreed or strongly agreed), compared to the more moderate levels of agreement expressed by accountants (4.19), academics (4.16) and external auditors (3.98). More than 90% of the accountants, auditors and financial analysts either agreed or strongly agreed with Statement 3 that "The external environment (e.g. World Bank, IMF etc.) greatly influenced the adoption of IFRS". Lower agreement was shown by the academics, which was reflected in their group mean of 3.94. Finally, Table 6-6 shows that for Statement 4, financial analysts (4.50), accountants (4.28) and external auditors (4.19) all generated higher group means than the academics (3.94).

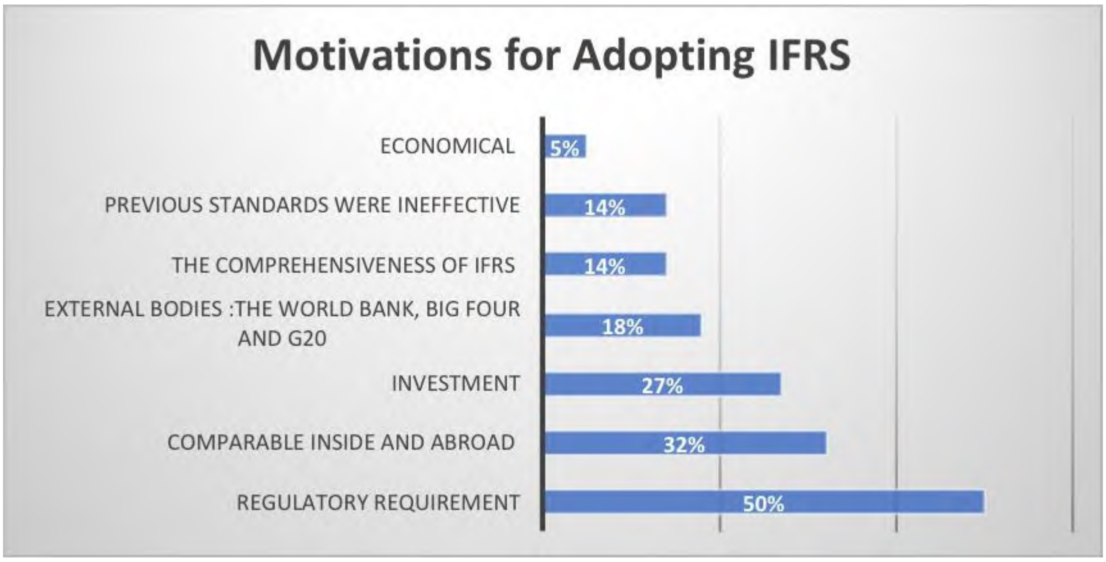
Table 6-7:Non-Parametric Test (Kruskal-Wallis) versus Parametric Test (One-Way ANOVA)

Statement	**Kruskal-Wallis**	**One-Way ANOVA**
	Non-Parametric Test P-Value Sig Less than 0.05	**Parametric Test P-Value Sig Less than 0.05**
Economic growth in Saudi Arabia greatly influenced the adoption of IFRS	0.007*	0.007*
The legal system greatly influenced the adoption of IFRS	--	--
The external environment (e.g. World Bank, IMF etc.) greatly influenced the adoption of IFRS	0.001**	0.001**
The existence of a capital market greatly influenced the adoption of IFRS	0.001*	0.001*
The previous accounting standards were ineffective	--	--
***p < 0.05 **p < 0.01 *** p < 0.001-- p > 0.05 Note: One-way ANOVA used as an additional test to verify the results**		

6.4.2 Interview Analysis

When the interviewees were asked an open question regarding the reasons that motivated Saudi Arabia to adopt IFRS, they produced a list of motives (see Figure 6-6). First and foremost, the most popular reason was the fact that IFRS adoption is now a regulatory requirement in the banking and finance sector (50%, 11Nr) and is mandatory by the government since 2017. This was followed by the perceived ability of IFRS to enhance comparability between companies within and beyond Saudi Arabia (32%, 7Nr) and to boost investment (27%, 6Nr). Some interviewees cited the influence of external bodies such as the World Bank, Big Four and G20 (18%, 4Nr), while others mentioned the comprehensiveness of IFRS (14%, 3Nr), the ineffectiveness of the previous standards (14%, 3Nr). The least popular reason was the suggestion that Saudi companies have adopted IFRS in order to keep up with local and global economic trends (5%, 1Nr). These results reveal the richness of benefits that come with adopting IFRS. These factors are discussed next in some details.

Figure 6-6: Motivations for Adopting IFRS



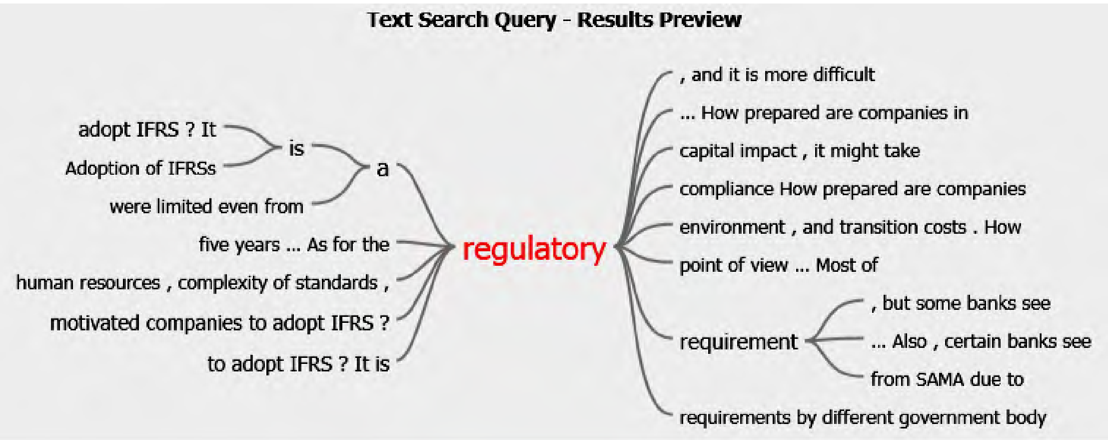
6.4.2.1 Regulatory Requirement

Half of the interviewees saw regulatory requirements as one of the most important reasons why companies in the banking sector have adopted IFRS. Figure 6-7 presents the NVivo analysis of interviewees' answers regarding the regulatory code. Interviewees CFO3-10J and CFO3-4D saw the adoption of IFRS as simply a matter of complying with the instructions of the governmental bodies (i.e. SAMA, SOCPA and the CMA) that control the sector. However, Interviewee CFO3-4D also acknowledged the potential benefits of adoption, observing that

> *"It is a standardised approach and regulatory requirement. More reliable for stakeholders, including potential shareholders, and from a regulatory point of view, it is an efficient way of presentation for all users of financial statements".*

The idea that companies are simply complying with regulatory requirements was echoed by Interviewee RE1-2 and Interviewee RE2-1.

Figure 6-7: NVivo Text Search Query on Interviewees' Answers (Regulatory Code)



The fact that the regulatory bodies are playing an important role in facilitating the adoption of IFRS was confirmed by the NVivo analysis, with 61 text units (65% coverage) being captured from the interview transcripts. In fact, standard setters in the interview sample explained that regulators are now pushing to extend the adoption process and standardise financial reporting across Saudi Arabia, as partial application has had an adverse effect on the country's accounting system. This is in line with the questionnaire finding that the regulatory/legal system is one of the factors leading Saudi Arabia towards harmonisation.

6.4.2.2 Internal and External Comparability

Internal and external comparability is considered as one of reasons that motivated Saudi Arabia to adopt IFRS. In this regard, seven of the interviewees consider that Saudi Arabia motivation to adopt IFRS is to help companies to be comparable and usable with companies inside and outside the country.

As Interviewee CFO3-10J put it:

> *"Also, to unify the presentation of financial statements between companies inside and outside the kingdom, thus enabling comparison with various international companies".*

Interviewee from the banking sector CFO3-11K talked about stakeholders wanting financial standards to reflect the performance of their companies accurately:

> *"Stakeholders want financial standards that reflect the current position of the performance of their companies in order to manage risk and be able to give more disclosure. ... they are aware of the importance of harmonisation and the element of comparison and homogeneity in terms of their companies abroad".* (CFO3-11K)

The ability of IFRS to facilitate international comparison is particularly attractive to those companies that want to align themselves with subsidiaries outside Saudi Arabia.

6.4.2.3 Investment

Another motive (identified by six interviewees) for adopting IFRS is the expectation that it will boost investment. According to Interviewee CFO3-2B,

> *"The government turned to the application of accounting standards in order to attract investment and control the Saudi market, as well as [producing] reliable financial statements".*

Investors want high-quality information in their financial reports, and for many, this means using international rather than Saudi accounting standards. The assumption is that by applying international accounting standards, companies will earn the trust of domestic and foreign investors (Interviewee RE1-3) and increase support for Saudi Arabia's financial market, in line with the aims of Vision 2030. This is particularly important both for attracting FDI and for attracting foreign investors to invest in companies listed in the Saudi stock market.

Interviewee CFO3-3C raised an interesting point that it is the big international companies in Saudi Arabia, rather than the smaller, local companies or even the CMA, who are most enthusiastic about the transition to IFRS, firstly, because they see it as supporting their investment in the kingdom and secondly, because it will help in aligning the reporting systems of these companies.

6.4.2.4 External Factors

Another motivation mentioned by four (18%, 4Nr[14]) participants (Interviewees CFO3-1A, AD4-2, RE1-2 and RE1-5) was the influence of external bodies like the World Bank, IMF, Big Four and G20. This was reiterated by Interviewee AD4-2, who explained:

> "*From experience, the partial application carried out in the financial and insurance sectors made companies commit fully to the standards due to pressure from the World Bank and IMF".*

Interviewees RE1-2 and CFO3-1A explained that Saudi Arabia already had its own standard criteria when it secured entry into the G20[15]. However, this massively boosted its international relationships and gave it access to high-quality international standards. According to Interviewee RE1-5,

> *"The government sees joining the G20 as a big opportunity to develop its accounting system to give better reporting quality and unified practice, and to follow developed countries rather than keeping with the previous standards".*

However, some interviewees were concerned that local accounting professionals are not being given sufficient opportunity to engage with the international standards and develop their skills. One external auditor (AD4-5) mentioned that

[14] Nr: Number of interviewees

[15] The G20 is an annual meeting of leaders from the countries with the largest and fastest-growing economies. Its members account for 85% of the world's GDP and two-thirds of its population. It includes Argentina, Brazil, China, Germany, Indonesia, Japan, Republic of Korea, Russia, Turkey, United States of America, Australia, Canada, France, India, Italy, Mexico, South Africa, Saudi Arabia, United Kingdom, European Union (EU).

> *"The Big Four have been the dominant firms in the Saudi market because today we have handed the transition procedures to foreign companies".*

According to this interviewee, the Big Four firms have offered no help to Saudi accounting professionals, even differentiating between Saudi and non-Saudi employees:

> *"In the meantime, Saudis are still stuck at a specific level when they are employed in a Big Four auditing firm, which is quite a challenge for a Saudi employee ... After that, when a Saudi gets the fellowship in the fifth year, then they start attacking them because they have won the fellowship ... They may not receive anything or any support because most of the Saudi partners are reluctant because most of them sign on paper and start giving excuses ... Many concessions are being made in the meantime, and this is really very dangerous. Further, the amount of control yielded by the Big Four accounting offices ... This poses a challenge for Saudis as accountants in terms of understanding and engaging in the transition phase and the full adoption of international accounting standards".*

To sum up, it is clear that the adoption of IFRS has been driven by external pressure from bodies such as the World Bank, IMF and Big Four. Saudi Arabia's accession to the G20 has also led regulators in the country to seek improvements in reporting quality in order to boost investment into the country.

6.4.2.5 Comprehensiveness

Regulators in the sample praised the comprehensiveness of IFRS, saying that it helps stakeholders to better assess both a company's performance and its compliance with the changes now underway in Saudi Arabia. Interviewee RE1-5 argued that

> *"As opposed to Saudi standards, international financial standards (IFRS) are known for their comprehensiveness, and for being more integrated and developed. Particularly, they are more detailed in how they deal with transactions and events that have an impact on the financial status of the company and the outcomes of its actions, such as*

including coverage of subjects not subject to Saudi standards (e.g. employee benefits and financial statements)".

Interviewee AD4-1 explained that companies with subsidiaries outside Saudi Arabia are particularly enthusiastic about the transition to IFRS because they are more comprehensive than SOCPA standards; the international standards allow these companies to consolidate their financial statements at home and abroad and facilitating the comparison process.

6.4.2.6 Ineffective Previous Accounting Standards (SASs)

Three (14%) interviewees (RE1-1, RE2-1 and CFO3-10J) identified this factor as one of the key motivations for the country to adopt IFRS. Interviewees CFO3-10J and RE1-1 both saw IFRS as the necessary corrective to a dysfunctional system; as Interviewee RE1-1 put it:

"Temporary measures such as the ones adopted in the past are no longer adequate. The accounting practice in many companies is more like a copycat (copy n' paste) or, let us be honest, the auditing offices dominating the market are very poor quality. So, in turn, our financial statements have been standardised to avoid fraud".

The view among these participants was that IFRS meet the needs of users more effectively than Saudi standards. Interviewee RE2-1 explained:

"International standards are viewed as a unified system of standards. In this way, they can describe each other and are transferable, which minimises any clashes between standards conditions. Additionally, international standards can better reflect the financial statement users' interests and needs. They are regularly reviewed to make sure that they can capture the expectations of the users of financial statements. Also, they include disclosure conditions that far surpass those usually expected by Saudi standards (SAS). In comparison to the SAS, the characteristics of comprehensiveness, integration and modernity can be seen as some of the key factors underlying the demand for the transition to international standards".

6.4.2.7 Economic Development

With regards to economic development, three (14%) interviewees stated that the reason underpinning the kingdom's decision to start the gradual adoption and application of the international accounting standards was

> *"…to keep up with the trend among global economies to adopt high-quality international standards for better reporting and disclosure of their operations"* (Interviewee CFO3-7G).

Among the remaining interviewees, one representative from SAMA (Interviewee RE2-1) explained that a key incentive for the government to move towards the full adoption of IFRS across all sectors is the potential this would have to help Saudi Arabia's economy

> *"...keep up with world economic developments and to help make decisions that ensure good performance on a sustainable basis and promote growth opportunities for the country".*

Finally, Interviewee RE1-2, a standard setter from SOCPA, explained that

> "*The decision to switch to international standards did not come from a vacuum, but after several years of study and discussion with specialists and beneficiaries of accounting standards, and this approach serves to unite the reading of the lists prepared and approved in Saudi Arabia for international purposes, and this corresponds in my view with the conditions and requirements of the current phase and the rapid economic growth witnessed by the kingdom".*

The findings confirm that the Saudi government sees the adoption of IFRS as key to attracting FDI and achieving the aims of the Saudi Vision 2030; that is, to diversify the economy and make it less dependent on oil exports.

In summary, the findings illustrate that the key drivers of IFRS adoption are the internal push from regulators (SOCPA and SAMA) and the external push from bodies like the G20, Big Four and World Bank. However, the adoption has also been driven by a general recognition of the potential benefits of IFRS; that is, their greater comprehensiveness and improved reporting quality compared to SAS and their ability to better meet the needs of stakeholders. Most importantly, the interviewees saw the adoption process as offering an opportunity to align their own accounting practice with international best practice, and thence to promote comparability and boost investment. There are already 166 countries around the world that have adopted IFRS. Saudi Arabia needs to join this club and allow its businesses to use the same accounting language that is being used in these 166 countries.

6.5 Discussion of Results

The aim of this section is to draw together the findings from the quantitative and qualitative analysis in respect of Research Questions 1 and 2: that is, 1- how do users of accounting information in Saudi Arabia perceive the convergence to IFRS?, 2- why has the country not applied IFRS to all sectors?, and - what factors led it to adopt IFRS?

6.5.1 Perceptions Surrounding IFRS Adoption

The descriptive analysis of the questionnaire results (see section 6.2.1) shows that 98% of the questionnaire respondents agreed with SAMA's decision to require banks to prepare their financial statements in accordance with IFRS. The inferential analysis (see Table 6-2 and Table 6-3) using Kruskal-Wallis and Mann Whitney tests indicated no significant difference between accountants in the banking sector, external auditors, financial analysts and academics with regard to SAMA and SOCPA's decision to adopt IFRS, but a significant difference between the academics and the other three groups on the question of whether financial statements prepared in accordance with IFRS meet the needs of all stakeholders .

The semi-structured interviews provided further insight with the finding that 95% of the interviewees felt IFRS adoption is suitable in the context of Saudi Arabia (see Figure 6-2, Section 6.2.2). Both the survey questionnaire and interview findings indicate general support for the transition project as having the potential to improve reporting quality in the Saudi context and to benefit all stakeholders by introducing standards that are recognised worldwide. This finding supports those of other studies (Alkhtani, 2010; Alsaqqa, 2012; Alsuhaibani (2012) that have examined the early stages of IFRS adoption in Saudi Arabia and the UAE. These studies all found adoption to be beneficial in terms of saving regulator time and attracting FDI. Their findings suggest that users in Saudi Arabia prefer financial reports produced under IFRS, and that the IASB has a stronger influence and is trusted more than the Saudi standards (Nurrunabi, 2017).

Just one local auditor (Interviewee AD4-5) argued that IFRS are too complex for the Saudi environment, but most of the interviewees felt that this complexity can be tackled by means of education and training programmes (see Section 6.2.2). This finding supports the views of Alsulami et al. (2017), Zakari (2017) and Nurunnabi (2017b), all of whom link the success of IFRS adoption in developing countries to awareness, training and updating the educational system to accommodate the change in accounting system. It is therefore concerning that since the introduction of mandatory IFRS adoption was announced in 2012, most of the listed companies have done very little to prepare for the switch (Alzeban, 2018).

As noted above, the academics in the survey sample differed significantly from the other groups on the question of whether "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". This may raise some doubts about the suitability of IFRS to the Saudi environment. As mentioned earlier (See Section 3.5.2.1), local cultural and societal issues mean that a developing country may have different accounting needs from a developed country (Alsaqqa, 2012). The main aim of the IASB is to ensure financial reports are presented with consistent information that will assist different users in their decision making (IASB, 2017), but according to Hassan, Rankin and Lu (2014), the accounting systems in most Arab countries are designed primarily to achieve the government's needs (because these countries have economically inefficient stock markets). Zeghal and Mhedhbi (2006) state that in a bid to increase stock market efficiency, Libya has started to change the nature of its system, but in GCC countries such as Saudi Arabia, the adoption decision is generally determined by the government's needs rather than those of accounting professionals or accounting information users (Alkhtani, 2012). That said, the government's adoption decision is itself likely to be the result of pressure from international bodies such as the World Bank, the IMF and IASB. This is in line with new institutional theory's assumption that governments are under pressure to establish a reporting system that is seen as legitimate (DiMiggio and Powell, 1983).

6.5.2 Reasons for Partial Application

The interviews revealed six main reasons why IFRS has been only partial: using Saudi Standards (SAS), Readiness, Government decision, the Saudi Arabian Monetary Authority (SAMA), Lack of expertise and experience in IFRS, and Bureaucracy (see Section 6.3).

As one standard setter (Interviewee RE1-5) explained, the government sees joining the G20 as a major opportunity to develop Saudi Arabia's accounting system in line with those of developed countries. Most of the interviewees agreed that it was government bodies (i.e. SAMA, SOCPA and the CMA) that were the main players in the adoption decision (see Section 6.3.3 and6.3.4). However, this seems to contradict Almotairy and Alsalman's (2012) view that SOCPA was not in favour of IFRS adoption; these authors point out that SOCPA has continued to issue Saudi standards in accordance with its 2009-2013 strategic plan. ROSC (2009) annual report from the world bank, also states that progress has been achieved in improving the national accounting and auditing standards and that convergence with IFRS was not planned. The initiative to adopt IFRS was launched in April 2012 by SOCPA's board of directors, which is chaired by the Minister of Commerce and Industry. The subsequent delay in adopting IFRS was due to uncertainty about who has control over reporting and disclosure standards, and due to un-readiness for the adoption down to lack of expertise. Al Motairy and Alsalman (2012) attributes this to the diversity of regulators, which, he argues, has stifled development of the country's accounting system.

The most important reason why IFRS have been applied only in the banking sector, according to the interviewees, is that most companies are accustomed to using the Saudi standards (SAS) (see Section 6.3.1) that have been in place since 1999; in other words, resistance to change is an underlying reason for non-adoption. It has been argued by Alkhtani (2010) that the Saudi Arabian government invested too much in establishing its own standards, which it expected to become popular across the Islamic countries but which, in reality, are used only in Saudi Arabia. Abd-Elsalam and Weetman (2003) point out that other Gulf countries such as the UAE use the US GAAP (though Irvine and Lucas (2006) observe that listed firms in the UAE are required to prepare their financial statements in accordance with IFRS rules). Alsaqqa (2013) notes that as Saudi Arabia is actually the only GCC member that has not adopted IFRS yet, it is logical for the country to accept the standards and unify its practices with other countries so that it can attract investment.

Another reason why the application has been only partial is the complex and dated bureaucratic system in Saudi Arabia (see Section 6.3.6). A similar problem has been reported in other developing countries such as Iraq, where IFRS adoption has been slowed down by a weak and dysfunctional bureaucracy (Ibrahim, Stanton and Rodrigs, 2014; Hassan, Rankin and Lu, 2014; Albu and Gîrbină, 2011, 2012). According to Scott (2008), this supports the theory superimposing a new system onto old legislation is a form of coercive pressure.

The interviewees also cited lack of experience and market readiness as reasons why the Saudi government has chosen to delay full adoption of IFRS (see Sections 6.3.2 and 6.3.5). According to Interviewee CFO3-7G,

> *"Saudi Arabia wanted all sectors to be on a unified approach, but it was difficult at the time, as the Authority took into consideration the lack of experience of accounting firms and practitioners, and of course this necessitates the presence of qualified professionals to deal with them and the various application difficulties and challenges".*

This is in line with the findings of Alkhtani (2012), Almotairy and Alsalman (2012), Alsulami et al. (2017) and Nurunnabi (2018) that lack of experience has affected the level of adoption in Saudi Arabia. In its 2018 Annual Report (SOCPA, 2018), SOCPA highlights the low number of accountants in the country, noting that the 179 CPAs currently registered are less than it needs. The finding underlines the importance of the government's role in providing, through its various regulators, training and support to local accountants to gain the professional qualifications (e.g. CIMA, CIPFA and ACCA).

In summary, Saudi Arabia's partial adoption/application of IFRS is attributable in part to the fact that the country's reporting system is under the control of a range of institutional bodies. It was pressure from SAMA that led to the adoption of IFRS in the banking sector, when SOCPA and the CMA delayed adoption in other sectors because of a perceived lack of readiness. This is in line with new institutional theory's assumption that regulative elements and legal systems act as a coercive mechanism (DiMaggio and Powell, 1983; Scott, 2008; Nurunnabi, 2015). Houqe, Easton and van Zijl (2014) argue that mandatory IFRS adoption can have a positive impact in developing countries, which tend to have poor information quality and low levels of investor protection, because it strengthens the reporting system. However, this depends entirely on the strength of the regulatory body monitoring and enforcing compliance with the standards (Leuz, Nanda and Wysocki, 2003; Chi et al., 2013; Christensen et al., 2015).

6.5.3 Factors Leading to Saudi Arabia's Adoption of IFRS

The second question on the survey (see Section 6.4.1) sought to explore what the respondents perceived as the main factors influencing Saudi Arabia to adopt IFRS. The findings indicate that the majority of the questionnaire respondents saw these factors as being: the external environment (i.e. the influence of institutions such as the World Bank and IMF), the existence of a capital market, economic growth, the legal system and the ineffectiveness of the previous standards. The interview findings broadly supported those of the questionnaire.

6.5.3.1 External Factors

The empirical evidence from the descriptive results of the questionnaire (see Figure 6-5 and Table 6-5) illustrate that an overwhelming 91.4% of the respondents saw the external environment as the most significant factor leading Saudi Arabia to adopt IFRS. Though the results of the inferential analysis showed that academics were less supportive of the statement than accountants in the banking sector, external auditors and financial analysts. The interviewees were less convinced of the importance of this factor, with just four out of the eleven citing the external environment as a driver for adoption. Among the interviewees, regulatory requirements were seen as the main factor driving IFRS adoption in Saudi Arabia (see Figure 6-6).

The interview analysis also revealed another external factor, in addition to the World Bank and IMF identified by the questionnaire respondents: the Big Four accounting firms. This echoes other studies (e.g. Hassan et al., 2014), which have reported the entry of these firms as a powerful factor in developing countries' transition to IFRS. As the dominant force in the auditing market, the Big Four have indeed played a major role in the adoption of IFRS in Saudi Arabia. However, the entry of the Big Four was the cause of concern among some interviewees (see Section 6.4.2.4), with one local auditor complaining that their entry has marginalised local companies:

> *"The Big Four have benefited the most from the adoption in Saudi Arabia, especially as most companies do not trust local licensed auditing firms".*

External agencies such as the World Bank, IMF and the Big Four have been identified as some of the main forces leading developing countries to adopt IFRS; as such, they have a significant effect on the accounting systems of these countries (Wiebe, 2008; Zehri and Abdelbaki, 2013). In Saudi Arabia, gaining the trust of these organisations is seen as key to achieving the country's objectives of gaining legitimacy and diversifying the economy away from oil. The linkage between the Big Four and the multinational companies, as the aides to the IMF and World Bank, can be leveraged to spread the ideology of IFRS adoption, which is key to attracting FDI in developing countries (Alsuhaibani, 2012). Furthermore, the World Bank and IMF insist that would-be finance recipients use IAS/IFRS (Schachler, Al-Abiyad and Al-Hadad, 2012). Al-Basteki (1995), Rahman et al. (2002) and Sucher and Alexander (2004) suggest that the Big Four firms have played an important role in the export of IAS/IFRS to large national companies in developing countries, but Zehri and Abdelbaki (2013) argue that the decision to adopt international standards is in fact more closely related to the institutional environment (above all the legal system) in these countries. This is illustrated in the current study's conceptual framework as one of the institutional isomorphism stance raised due to the external and internal pressure from these organisations (DiMaggio and Powell, 1983).

6.5.3.2 Capital Market

Eighty-nine per cent of the questionnaire respondents agreed that the decision to adopt IFRS in Saudi Arabia was influenced by the capital market (see Figure 6-5), though the Mann-Whitney test revealed significant differences between the groups on this factor, with academics showing less support than the other groups (see Table 6-6 and Table 6-7). The qualitative phase of the study provided further insights into this result. Twenty-seven per cent of the interviewees identified this as one of the important reasons for adoption (see Figure 6-6 and Section 6.4.2.3), with one standard setter explaining that

> "*Moreover, it was noted that all investors want quality information in their financial reports, not reports issued using Saudi standards. … to achieve greater support for the financial markets, in line with the kingdom's Vision 2030, applying international accounting standards will earn the trust of domestic and foreign investors".* (RE1-1)

One of the factors a country should consider when adopting IFRS is the attraction of foreign investment. In this study, both the survey and interview findings indicate that foreign capital investment played a strong role in Saudi Arabia's decision to adopt IFRS. The analysis indicates that IFRS adoption is a central plank of the Saudi Vision 2030 plan, a key aim of which is to project a global image of Saudi Arabia as an attractive investment destination. IFRS adoption is expected to increase the flow of capital into the country and reassure investors. This finding corroborates those of Irvine and Lucas (2006), Judge, Li and Pinsker (2010) and Schachler, Al-Abiyad and Al-Hadad (2012), who show that developing countries attract foreign capital investment by adopting IAS/IFRS. Zehri and Chouaibi (2013) report that countries with an under-developed stock market in search of investors are more likely to adopt IFRS as a way of improving reporting quality and comparability, and thereby increasing capital movement trust. However, Masoud (2014a) argues that even if the financial reporting in a developing country does follow an acceptable accounting framework, like IFRS, this will not necessarily improve trust among investors if the country's regulatory bodies and investor protection regime are seen as weak.

6.5.3.3 Economic Growth

The quantitative analysis illustrated that 87% of the survey respondents agreed that economic growth was a major factor in the decision to adopt IFRS in Saudi Arabia. The inferential analysis using the Mann-Whitney test again indicated a difference between the groups, with financial analysts expressing significantly stronger support than the other groups. The semi-structured interviews provided further support for economic growth as a reason for adoption (see Section 6.4.2.7).

Saudi Arabia currently depends on oil and gas exports as its main source of income, but as the 2030 Vision plan points out, if it is to ensure continuing economic growth, it needs to diversify its income streams and economic activities and open up to international investment. To do this, it must join the IFRS club. The findings of the study are in line with Zeghal and Mhedhbi (2006), Kolsi and Zehri (2013), Alzeban (2018) and Nurunnabi (2017ab), who argue that developing countries generally adopt IFRS in order to promote economic growth and development. However, Alzeban (2018) argues that in the case of Saudi Arabia, which sits on the fifth largest oil reserves in the world, the decision to adopt IFRS was motivated more by a desire to gain legitimacy than the pursuit of economic growth.

6.5.3.4 Legal System

A significant number of the survey respondents (73.10%) saw the legal system as one of the factors that influenced the adoption decision, and the inferential analysis showed no difference between the groups (see 6.4.1). The interviewees also perceived this factor as important, with half of them identifying the legal system, as expressed in the regulatory requirements, as the main reason why banking and finance companies in Saudi Arabia adopted IFRS. Most of the interviewees recognised that the government has played a major role in controlling the accounting system in Saudi Arabia through the various regulatory bodies (see Section 6.4.2.1). Interviewee CFO 3-5 stated that

> *"It is a standardised approach and regulatory requirement. More reliable for stakeholders, including potential shareholders, and from a regulatory point of view, it is an efficient way of presentation for all users of financial statements".*

However, Sharia law also has a major influence on all aspects of life in the country, and this requires listed and non-listed companies to follow the regulatory requirements issued by SOCPA in 1991 (see Section 4.8.3). Problems arise where IFRS are not Sharia-compliant. The findings agree with those of Cai and Wong (2010), Madawaki (2012), Zehri and Chouaibi (2013), Alnodel (2015) and Nurunnabi (2018), who argue that in developing countries like Saudi Arabia, the government is the only authority to stipulate how accounting systems are used. Alkhtani (2012) suggests that in Saudi Arabia's case, the government is so keen to attract FDI that it is willing to implement an accounting system that meets the financial reporting requirements of foreign investors, regardless of whether it meets the needs of local users or follows the Sharia requirements. The government does not see IFRS as incompatible with the Sharia requirements, but it has advised that where there are contradictions, SOCPA should adapt the standards to follow the local Saudi law.

6.5.3.5 Ineffectiveness of Previous Accounting Standards (SAS)

The bottom-ranked statement in the questionnaire survey was: "The previous accounting standards were ineffective". The descriptive analysis showed that 54.10% of the respondents (see Figure 6-5) agreed with this statement, and there was no significant difference between the groups (see Table 6-6). Dissatisfaction with the previous standards was expressed more strongly in the interviews, with one standard setter (Interviewee RE1-1) pointing out:

> *"Temporary measures such as the ones adopted in the past are no longer adequate. The accounting practice in many companies is more like a copycat (copy n' paste) or, let us be honest, the auditing offices dominating the market are very poor quality. So, in turn, our financial statements have to be standardised to avoid fraud"* (see Section 6.4.2.6).

The previous standards were seen as not meeting the country's needs; while accounting standards around the world have developed, Saudi Arabia's local standards have fallen out of date, with adverse consequences for the country's reporting system and progress. The finding is in line with Alkhtani (2012), Alsuhaibani (2012) and Alzeban and Gwilliam (2014), who all report that while Saudi Arabia leads Arab nations in terms of having its own standards, these have not been updated. It has been argued that the committee responsible for improving the standards lacks the resources and expertise it needs, partly because its members are only part-time (Alkhtani, 2012).

The above discussion of the factors that led Saudi Arabia to adopt IFRS in the banking sector aligns with new institutional theory in that it shows the external pressure Saudi Arabia faces from international organisations to give up its local standards and adopt IFRS. The legal system has played a major role in the adoption, while internal pressure from the Big Four, SAMA and SOCPA has created normative pressure to adopt IFRS as a way of achieving best practice comparable with that in developed countries. Adoption is seen as a route to FDI, which requires a high level of disclosure, transparency and reliability (Irvine, 2008; Jamali, 2010; Graafland and Zhang, 2014; Nurunnabi, 2015), but it is also seen as a way of gaining legitimacy. As DiMaggio and Powell (1983, p. 150) point out, "Organizations compete not just for resources and customers, but for political power and institutional legitimacy, for social as well as economic fitness".

6.6 Summary

This chapter presents and discusses the findings for Research Question 1 (how participants perceived the decision to adopt IFRS in Saudi Arabia) and the two parts of Research Question 2 (why IFRS have not been applied to all economic sectors in Saudi Arabia, as in other Gulf countries, and what factors led the country to adopt IFRS). The questions were addressed using survey questionnaires and semi-structured interviews. The survey targeted four key groups involved in the adoption process: accountants in the banking sector, external auditors, financial analysts and academics. The interviews, which were conducted with executives from the banking sector (CFOs), standard setters from SOCPA and SAMA, and external auditors from the Big Four and local accounting firms, were used to gain an in-depth understanding of IFRS adoption in Saudi Arabia beyond the data collected via the questionnaire.

The findings from the survey show that respondents supported the government's decision to adopt IFRS, and that most (with the exception of the academics) believed that the standards will meet the needs of Saudi Arabia's various user groups. The doubts expressed by academics in the survey sample may be attributable to a lack of understanding of IFRS on their part; this lack of understanding, and consequently ability to teach students about the standards, may be making them more conservative in their judgement. The interviewees, on the other hand, overwhelmingly supported the adoption decision and saw IFRS as potentially beneficial, so long as those responsible for preparing financial statements are given the right level of training.

The semi-structured interviews revealed some insights into the reasons why IFRS adoption/application has been only partial in Saudi Arabia. In the view of interviewees, the main reason is that companies are accustomed to using Saudi standards, but they also suggested that the government decided to delay wider adoption because of the lack of relevant expertise and experience among accounting professionals, and a general lack of readiness within the market. The delay has been justified as the bureaucracy involved in the country which has kept Saudi Arabia accounting system updated.

Finally, the vast majority of the survey respondents agreed that Saudi Arabia adopted IFRS in response to pressure from the external environment (e.g. World Bank, IMF etc.), and to support the existence of a capital market and economic growth. The legal system and the ineffectiveness of the previous accounting standards were cited as less important reasons by the survey respondents. The interviewees also cited external pressure and ineffective previous standards, but they gave greater emphasis to the impact of the legal system, as represented by SAMA and SOCPA. They also spoke of the greater comprehensiveness of the international standards, and their potential ability to facilitate comparability and boost investment. A clear driver of the adoption decision was the Vision 2030 plan, which sees the adoption of IFRS as central to achieving worldwide recognition of the Saudi economy and building investor trust. This is expected to increase the flow of capital into the country and boost economic growth in the long run. Findings in this chapter align with new institutional theory particularly, by showing the external pressure Saudi Arabia faced from international organisations to give up its local standards and adopt IFRS. The legal system also played a major role in the adoption, while internal pressure from the Big Four, SAMA and SOCPA created normative pressure to adopt IFRS as a way of achieving best practice comparable to what is obtainable in developed countries. However, it is key to highlight that the NIT is used in this study to explain the result. To conclude, the purpose of this chapter is to contribute to the literature by identifying the perception, reason behind partial application and factors leading the country to abandon its previous standards and move towards IFRS. The findings of the study contribute to the institutional theory-based literature by exploring the external and internal pressures operating on and within Saudi Arabia as it adopts IFRS.

CHAPTER 7: ANALYSIS OF THE OPPORTUNITIES ASSOCIATED WITH IFRS ADOPTION IN SAUDI ARABIA

7.1 Introduction

The conceptual framework of this research (see Section 3.7) indicates the opportunities that IFRS adoption offers Saudi Arabia, drawing on the experience of the banking sector – the first sector to implement IFRS in the country. A limited number of studies have investigated the perceived benefits of IFRS adoption in developing countries; Alsuhaibani (2012), Elhouderi (2014) and Al-Mannai and Hindi (2015) all conclude that the main goal of these countries in adopting IFRS is to improve the transparency, accountability and efficiency of their financial reporting in the hope of attracting investment. This chapter discusses the findings from the survey and interviews relating to the first part of Research Question 3 (the second part of this question is addressed in Chapter 8): that is, what the preparers of financial information in Saudi Arabia's banking sector perceive as the benefits of, or opportunities associated with, replacing the national standards with IFRS. The chapter presents the descriptive and inferential analyses of the survey questionnaire results regarding the perceived opportunities for investors and managers, followed by the analysis of the interview results. The quantitative and qualitative results are then combined in a discussion of the findings, which is organised thematically.

7.2 Analysis of Questionnaire and Semi-Structured Interview Results

7.2.1 Descriptive Analysis of the Questionnaire Survey

The fourth section (4.1) in the survey elicited respondents' views on what they saw as the main benefits of IFRS adoption in Saudi Arabia. The respondents were given 10 statements and asked to indicate on a five-point Likert scale the extent to which they agreed or disagreed that these represented ways in which Saudi Arabia's economic sectors might benefit from adopting IFRS. Figure 7-1 and Table 7-1present the results for the sample as a whole (for ease of discussion, strongly disagree and disagree responses were combined, as were strongly agree and agree. The answers from the mid-point of the Likert scale were placed in the neutral category). Overall, Figure 7-1 shows a strong level of support for the statements, with six of the 10 statements garnering agreement from more than 90% of the respondents.

Figure 7-1: Overall Results for Perceived Benefits of IFRS Adoption

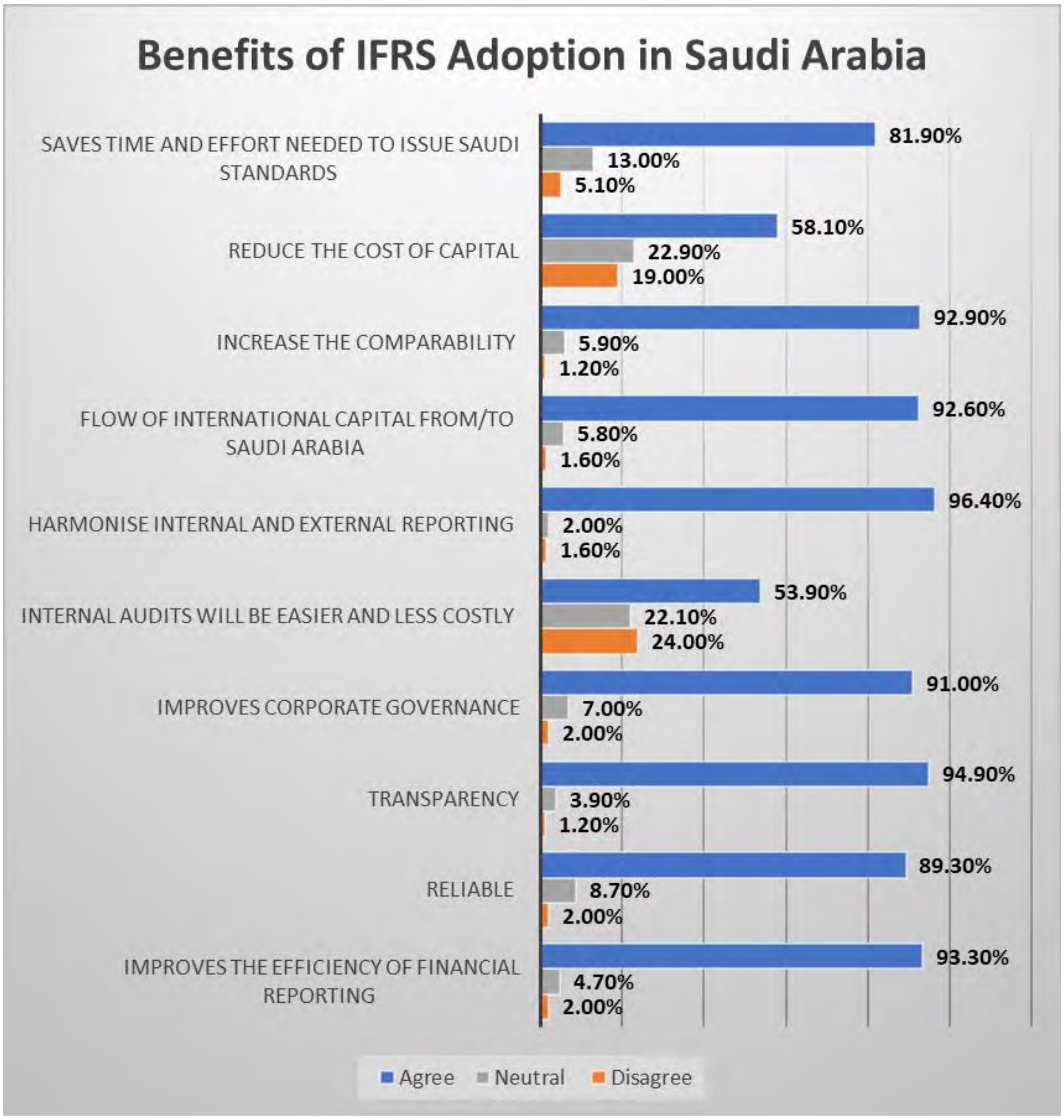


Table 7-1 indicates that the highest agreement score across the sample as a whole was generated for Statement 6: “Creating a single accounting language helps to harmonise internal and external reporting” (overall mean score 4.50). The importance attributed to being able to offer accounts prepared under one set of standards was echoed in the response to Statement 8, “Adoption of IFRS increases the comparability of financial information for stakeholders with that of similar organisations nationally and internationally”, which was the second most strongly supported statement with an overall mean score of 4.46. These were followed by

Statement 3: "Adoption of IFRS provides greater reporting transparency" (mean score of 4.45), Statement 1: "Adoption of IFRS improves the efficiency of financial reporting" (4.41), Statement 7: "IFRS adoption helps remove barriers previously encountered to the flow of international capital from/to Saudi Arabia" (4.37), Statement 2: "Financial statements based on IFRS are reliable" (4.29), Statement 4: "Adoption of IFRS improves corporate governance" (4.28), Statement 10: "Adoption of IFRS saves the time and effort needed to issue Saudi standards" (4.23), Statement 9: "Adoption of IFRS reduces the cost of capital" (3.53) and finally, Statement 5: "Internal audits are easier and less costly" (3.45). The low score on Statement 5 suggests that some respondents disagreed that internal audits are made less costly by adopting IFRS. Indeed, the results show that between 13% and 20.6% of respondents were not sure of some of the listed benefits. It should be noted that some of the respondents might have been reluctant to give their opinion regarding the benefits of IFRS adoption, hence, the low score. Table 7-1 illustrates that the Cronbach's alpha test produced an outcome of 0.87 for this question, indicating data reliability.

Table 7-1: Descriptive Statistics for Perceived Benefits of IFRS Adoption

Statement	Level of Agreement* (%)					Total Mean Score	SD	Median (25-75)	Rank	Cronbach's α
	SD	D	N	A	SA					
Adoption of IFRS improves the efficiency of financial reporting	0.8	1.2	4.7	42.5	50.8	4.41	0.71	5 (4 - 5)	4	0.873
Financial statements based on IFRS are reliable	0.4	1.6	8.7	47.2	42.1	4.29	0.72	4 (4 - 5)	6	
Adoption of IFRS provides greater reporting transparency	0.4	0.8	3.9	43.3	51.6	4.45	0.65	5 (4 - 5)	3	
Adoption of IFRS improves corporate governance	0.4	1.6	7.1	51.2	39.8	4.28	0.70	4 (4 –5)	7	
Internal audits are easier and less costly	3.1	20.9	22.0	37.0	16.9	3.45	1.1	4 (3 – 4)	10	
Creating a single accounting language helps to harmonise internal and external reporting	0.8	0.8	2	39.9	56.5	4.50	0.66	5 (4 - 5)	1	
IFRS adoption helps remove barriers previously encountered to the flow of international capital from/to Saudi Arabia	0.4	1.2	5.9	45.7	46.9	4.37	0.68	4 (4 – 5)	5	
Adoption of IFRS increases the comparability of financial information for stakeholders with that of similar organisations nationally and internationally	0.8	0.4	5.9	37.4	55.5	4.46	0.70	5 (4 – 5)	2	
Adoption of IFRS reduces the cost of capital	2.4	16.6	22.9	41.5	16.6	3.53	1.03	4 (3 - 4)	9	
Adoption of IFRS saves the time and effort needed to issue Saudi standards	1.2	3.9	13	48.4	33.5	4.23	0.85	4 (4 – 5)	8	

SD (Strongly Disagree), D (Disagree), N (Neutral), A (Agree), SA (Strongly Agree), SD** (Standard Deviation).

When the mean scores were aggregated across the 10 statements (see Table 7-2), this yielded overall group means of 4.39 (FA group), 4.23 (BA and AC groups) and 4.18 (EA group)[16]. The fact that external auditors recorded the lowest score suggests that they were less convinced of the potential benefits of IFRS adoption than the other groups, possibly because they saw it as still being in its early stages. The lack of knowledge about IFRS among accounting professionals in developing countries has been critically discussed in the previous literature, which attributes it to lack of awareness and workshops on the use of IFRS (Daske et al., 2008; Alkhtani, 2010; Li, 2010; Alsaqqa, 2012; Mbawuni, 2017).

The Kruskal-Wallis tests indicated significant differences between the groups on Statement 1 (p-value = 0.012), Statement 5 (p-value = 0.001) and Statement 9 (p-value = 0.001) (see Table 7-2 and Table 7-3). For Statement 1, the Mann-Whitney test highlighted that academics were much less convinced (4.18) than the other three groups that IFRS improves the efficiency of financial reporting. Figure *7-1* shows that more than 53% of the sample identified IFRS as making internal audits easier and less costly (Statement 5), but Table 7-2 and Table 7-3 show that accountants in the banking sector were significantly less likely to agree with this statement. The highest group mean for this statement came from academics (3.95), followed by financial analysts (3.85) and external auditors (3.64); accountants in the banking sector were some way behind with a group mean of 3.00. The final statement upon which there was significant divergence was the suggestion that IFRS adoption reduces the cost of capital (Statement 9). Again, accountants in the banking sector recorded a significantly lower mean score (3.21) than the other three groups (financial analysts, 4.03; academics, 3.81; and external auditors, 3.63). The low mean scores given to Statements 5 and 9 by accountants in the banking sector may simply reflect the fact that this group now has some practical experience of the consequences of IFRS adoption. This finding was supported by the participants in the interviews (see Section 7.2.4.2).

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[16] BA: Accountant in the banking sector, EA: External Auditor, FA: Financial Analyst, AC: Academic.

Table 7-2:Descriptive Statistics for Group Means and Multiple Comparison Tests: Perceived Benefits of IFRS Adoption

Statement	Profession* (Mean)				Kruskal-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
Adoption of IFRS improves the efficiency of financial reporting	4.47	4.38	4.60	4.18	0.012	AC	AC	AC	BA/EA/FA
Financial statements based on IFRS are reliable	4.28	4.29	4.41	4.24	0.673	**No significant differences between groups**			
Adoption of IFRS provides greater reporting transparency	4.49	4.38	4.61	4.37	0.263	**No significant differences between groups**			
Adoption of IFRS improves corporate governance	4.36	4.21	4.38	4.22	0.527	**No significant differences between groups**			
Internal audits are easier and less costly	3.00	3.64	3.85	3.95	0.001	EA/ FA/ AC	BA	BA	BA
Creating a single accounting language helps to harmonise internal and external reporting	4.51	4.43	4.70	4.51	0.213	**No significant differences between groups**			
IFRS adoption helps remove barriers previously encountered to the flow of international capital from/to Saudi Arabia	4.38	4.34	4.41	4.43	0.905	**No significant differences between groups**			
Adoption of IFRS increases the comparability of financial information for stakeholders with that of similar organisations nationally and internationally	4.44	4.45	4.61	4.45	0.583	**No significant differences between groups**			
Adoption of IFRS reduces the cost of capital	3.21	3.63	4.03	3.81	0.001	EA/ FA/ AC	BA	BA	BA
Adoption of IFRS saves the time and effort needed to issue Saudi standards	4.12	3.94	4.26	4.24	0.367	**No significant differences between groups**			
Overall group mean	4.23	4.18	4.39	4.23					

BA: Accountants in the Banking Sector, EA: External Auditors, FA: Financial Analysts, AC: Academics

Table 7-3: Non-Parametric Test (Kruskal-Wallis) versus Parametric Test (One-Way ANOVA)

Statement	**Kruskal-Wallis**	**One-Way ANOVA**
	Non-Parametric Test P- Value Sig Less than 0.05	**Parametric Test P-Value Sig Less than 0.05**
Adoption of IFRS improves the efficiency of financial reporting	0.012*	0.012
Financial statements based on IFRS are reliable	--	--
Adoption of IFRS provides greater reporting transparency	--	--
Adoption of IFRS improves corporate governance	--	--
Internal audits are easier and less costly	0.001***	0.001***
Creating a single accounting language helps to harmonise internal and external reporting	--	--
IFRS adoption helps remove barriers previously encountered to the flow of international capital from/to Saudi Arabia	--	--
Adoption of IFRS increases the comparability of financial information for stakeholders with that of similar organisations nationally and internationally	--	--
Adoption of IFRS reduces the cost of capital	0.001***	0.001***
Adoption of IFRS saves the time and effort needed to issue Saudi standards	--	--
$*p < 0.05$ $**p < 0.01$ $***$ $p < 0.001$-- $p > 0.05$ Note: One-way ANOVA used as an additional test to verify the results		

7.2.2 Descriptive Analysis of Questionnaire Results: Opportunities for Investors

From the investor's perspective, the higher quality information provided under IFRS renders decision making easier (Barth, Landsman and Lang, 2008). Investors can have greater confidence in the information they are given, and a better understanding of the risk and returns they might expect (Florou and Pope, 2012). Finally, financial reports are likely to be timelier and more accessible, making it easier for the investor to compare a company's performance with that of its peers (Ball, 2006; Ahmed and Duellman, 2011). In order to investigate what benefits the survey respondents felt IFRS offers investors, question 4-2 of the survey asked them to indicate to what extent they agreed or disagreed with three statements. These statements focused specifically on IFRS's impact on information quality and reliability and on risk management. They were: Statement 1: "IFRS provide better information for investors' decision making"; Statement 2: "Investors will have more confidence in the information presented using IFRS"; and Statement 3: "Adoption of IFRS enables better risk management".

The overall responses to the statements are presented in Figure 7-2. It is clear from Figure 7-2 and Table 7-4 that there were high levels of agreement for all the statements, especially Statement 1 ("IFRS provide better information for investors' decision making), which scored 95% agreement. Table 7-4 illustrates that the Cronbach's alpha test yielded a result of 0.90 for this question, indicating data reliability.

Figure 7-2: Overall Results for Perceived Benefits for Investors

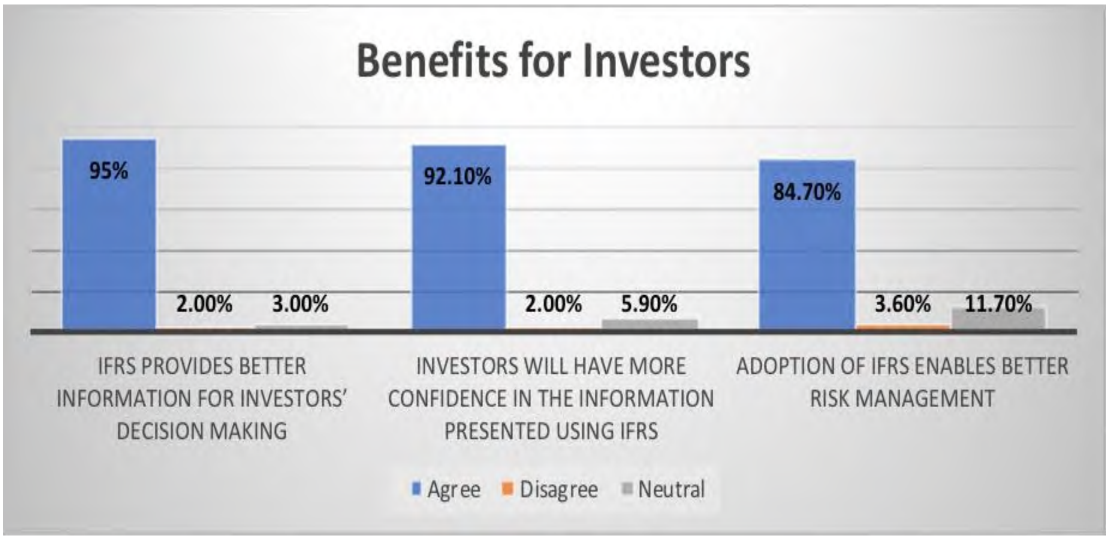


Table 7-4: Descriptive Statistics for Perceived Benefits for Investors

Statement	Level of Agreement* (%)					Total Mean Score	SD	Median (25-75)	Rank	Cronbach's α
	SD	D	N	A	SA					
IFRS provide better information for investors' decision making	1.2	0.8	3.1	44.9	50	4.41	0.71	4.5(4 - 5)	1	0.90
Investors will have more confidence in the information presented using IFRS	0.8	1.2	5.9	42.9	49.2	4.39	0.72	4 (4 - 5)	2	
Adoption of IFRS enables better risk management	1.2	2.4	11.8	45.3	39.4	4.19	0.82	4 (4 - 5)	3	

SD (Strongly Disagree), D (Disagree), N (Neutral), A (Agree), SA (Strongly Agree), SD** (Standard Deviation).

Looking at each group's total mean score in Table 7-5, it is apparent that the financial analysts generated the highest total mean score for the three statements (4.58), followed by the accountants with 4.38, the external auditors with 4.32, and the academics with 4.31. Table 7-5 and Table 7-6 show that the Kruskal-Wallis test demonstrated no significant differences between the groups regarding the three statements (p-values were 0.21, 0.42 and 0.15 respectively). The Mann-Whitney test (see Table 7-6) confirmed that there were no statistically significant differences between the groups.

Table 7-5:Descriptive Statistics for Group Means and Multiple Comparison Tests: Perceived Benefits for Investors

Statement	Profession* (Mean)	Kruskal-Wallis	Mann-Whitney Test – Post Hoc Test

	BA	EA	FA	AC	**P-Value**	BA (Sig) with	EA (Sig) with	FA (Sig) with	AC (Sig) with
IFRS provide better information for investors' decision making	4.38	4.43	4.62	4.41	0.218	**No significant differences between groups**			
Investors will have more confidence in the information presented using IFRS	4.43	4.33	4.56	4.32	0.426	**No significant differences between groups**			
Adoption of IFRS enables better risk management	4.22	4.09	4.53	4.14	0.51	**No significant differences between groups**			
Overall group mean	4.38	4.32	4.58	4.31					

*BA: Accountants in the Banking Sector, EA: External Auditors, FA: Financial Analysts, AC: Academics

Table 7-6: Non-Parametric Test (Kruskal-Wallis) versus Parametric Test (One-Way ANOVA)

Statement	Kruskal-Wallis	One-Way ANOVA
	Non-Parametric Test P-Value Sig Less than 0.05	Parametric Test P-Value Sig Less than 0.05
IFRS provide better information for investors' decision making	--	--
Investors will have more confidence in the information presented using IFRS	--	--
Adoption of IFRS enables better risk management	--	--
***p < 0.05 **p < 0.01 *** p < 0.001-- p > 0.05** **Note: One-way ANOVA used as an additional test to verify the results**		

From the above results it can be concluded that all four groups agreed that IFRS adoption benefits investors – by ensuring that they receive better, more reliable information and making it easier for them to manage risk. This is not a surprising outcome, given that the unified approach to accounting policy and practice and stringent disclosure requirements under IFRS enable the users of financial statements to make sound investment decisions. The next section presents the descriptive results regarding the perceived opportunities that adopting IFRS offers managers.

7.2.3 Descriptive Analysis of Questionnaire Results: Opportunities for Managers

Previous researchers such as Owolabi and Iyoha (2012) and Mbawuni (2017) have argued that through its impact on information quality, the adoption of IFRS can enhance regulatory oversight and enforcement and improve management decision making. Question 4-3 in the survey sought to explore whether the respondents shared this view by asking them to indicate their agreement or disagreement with three statements: Statement 1: "IFRS adoption improves regulation oversight and enforcement", Statement 2: "IFRS adoption provides greater credibility and improves management decision making" and Statement 3: "IFRS adoption provides better reporting and information on new and different aspects of the business".

Figure 7-3 illustrates the overall percentages of respondents agreeing with the three statements. All three statements received a score of higher than 90% with the highest level of agreement being expressed for Statement 2 (93.7%). This was followed by Statement 1 (91%) and Statement 3 (90.1%).

Figure 7-3: Overall Results for Perceived Benefits for Managers

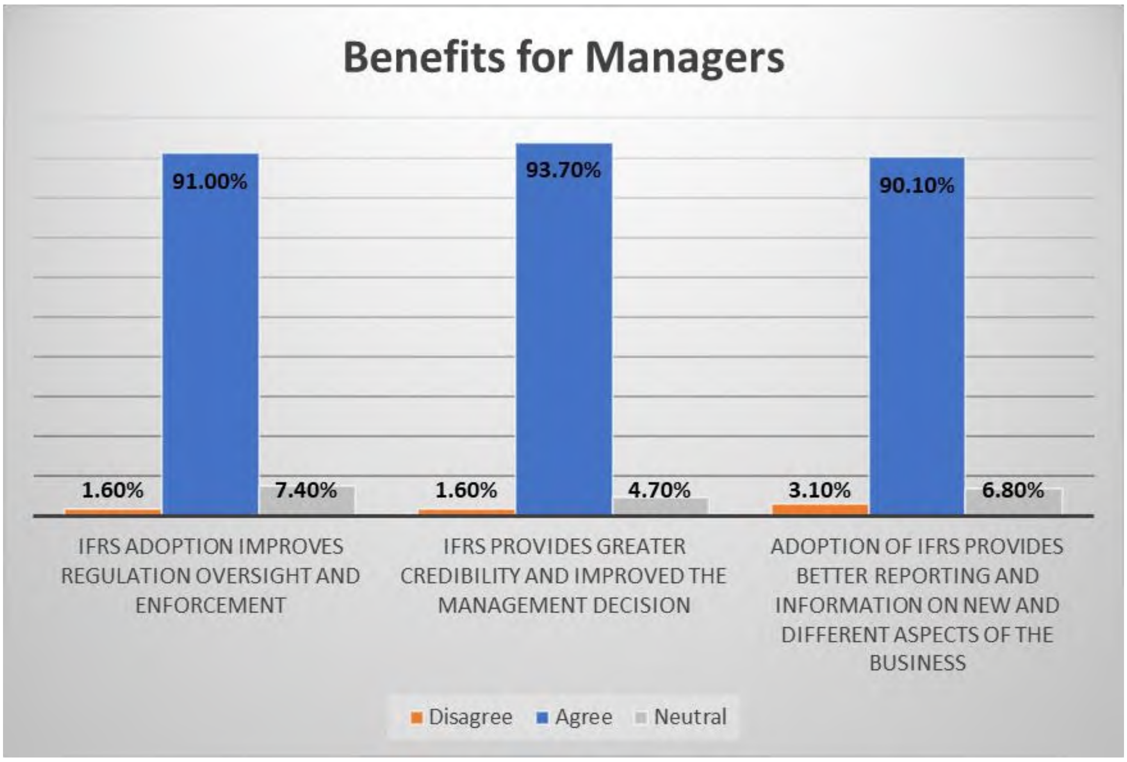


Table 7-7: Descriptive Statistics for Perceived Benefits for Managers

Statement	Level of Agreement* (%)					Total Mean Score	SD	Rank	Cronbach 's α
	SD	D	N	A	SA				
IFRS adoption improves regulation oversight and enforcement	0.8	0.8	7.5	51.2	39.8	4.28	0.70	2	0.90
IFRS adoption provides greater credibility and improves management decision making	0.4	1.2	4.7	48.8	44.9	4.36	0.67	1	
IFRS adoption provides better reporting and information on new and different aspects of the business	0.8	2.4	6.7	48.4	41.7	4.27	0.75	3	

SD (Strongly Disagree), D (Disagree), N (Neutral), A (Agree), SA (Strongly Agree), SD** (Standard Deviation).

Table 7-7 provides the group means, total mean values and standard deviations for the responses. Statement 2 had the most support, with an overall mean of 4.36, followed by Statement 1 (4.28) and Statement 3 (4.27). Looking at the overall group means (see Table 7-8), it is evident that the strongest support came from the financial analyst group (4.44), followed by accountants in the banking sector (4.38), and lastly, the auditors and academics (each with 4.23). Finally, Table 7-8 shows that there were no significant differences between the groups; the Kruskal-Wallis tests produced p-values of 0.102, 0.210 and 0.182 respectively. The Mann-Whitney test (see Table 7-9) confirmed the above results.

Table 7-8: Descriptive Statistics for Group Means and Multiple Comparison Tests: Perceived Benefits for Managers

Statement	Profession* (Mean)				Kruskal -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
IFRS adoption improves regulation oversight and enforcement	4.39	4.15	4.41	4.24	0.102	**No significant differences between groups**			
IFRS adoption provides greater credibility and improves management decision making	4.44	4.28	4.50	4.30	0.210	**No significant differences between groups**			
IFRS adoption provides better reporting and information on new and different aspects of the business	4.32	4.26	4.41	4.16	0.182	**No significant differences between groups**			
Overall group mean	4.38	4.23	4.44	4.23					

*BA: Banking Sector, EA: External Auditor, FA: Financial Analyst, AC: Academic, Sig: Significant.

Table 7-9: Non-Parametric Test (Kruskal-Wallis) versus Parametric Test (One-Way ANOVA)

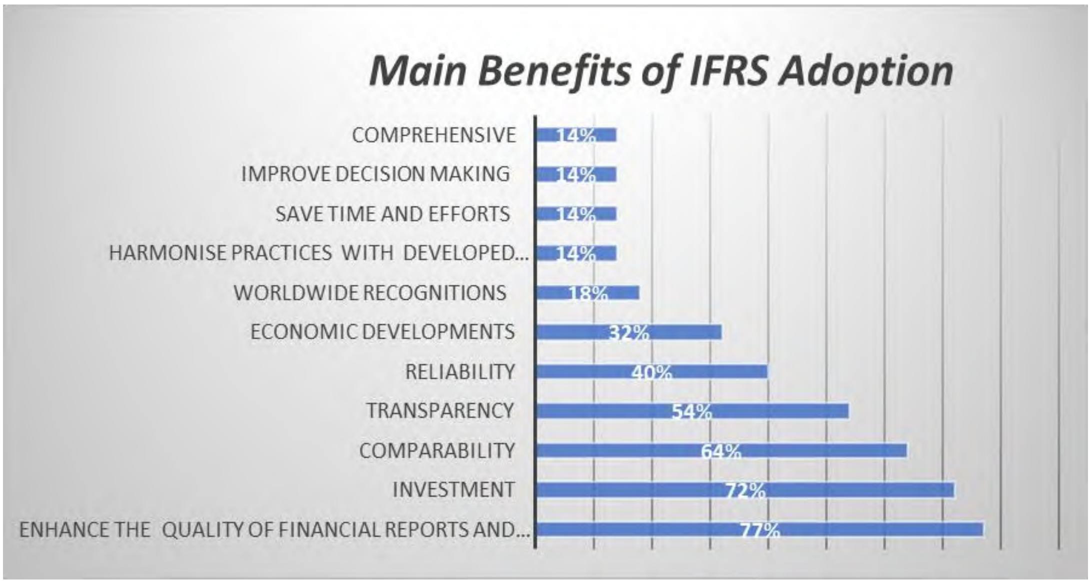
Statement	Kruskal-Wallis	One-Way ANOVA
	Non-Parametric Test P-Value Sig Less than 0.05	**Parametric Test P-Value Sig Less than 0.05**
IFRS adoption improves regulation oversight and enforcement	--	--
IFRS adoption provides greater credibility and improves management decision making	--	--
IFRS adoption provides better reporting and information on new and different aspects of the business	--	--
***p < 0.05 **p < 0.01 *** p < 0.001-- p > 0.05** **Note: One-way ANOVA used as an additional test to verify the results**		

Clearly, the above results show that all four groups agreed that IFRS adoption benefits managers by enhancing credibility, improving management decision making, regulation oversight and enforcement, and providing better information on new and different aspects of the business. Mbawuni (2017) reports similar findings in Ghana, arguing that IFRS adoption has allowed managers and policymakers to access high-quality information and improve their decision making (see Section 7.5).

7.2.4 Analysis of Interview Results: Opportunities Associated With IFRS Adoption

In order to establish to what are the benefits of adoption IFRS in Saudi Arabia, interviewees were requested to offer their opinion on this matter with some justification for their viewpoints. The interviewees were asked the open question: "What are the main benefits of IFRS for Saudi companies?" (see Figure 7-4). As a follow-up, they were asked to say whether they thought IFRS are an appropriate accounting framework for Saudi Arabia (see Figure 7-5). The participants highlighted 11 main benefits, including: enhanced quality of financial reports and statements (77%, 17Nr); increased investment (72%, 16Nr); better transparency (54%, 12Nr), reliability (40%, 9Nr) and comparability (32%, 7Nr); economic development (32%, 7Nr); the standards are recognised worldwide (18%, 4Nr); they save time and effort (14%, 3Nr); they allow companies to harmonise their practice with that in developed countries (14%, 3Nr); improved decision making (14%, 3Nr); and they are comprehensive (13%, 3Nr). These perceived benefits are discussed in the following sub-sections.

Figure 7-4 Main Benefits of IFRS Adoption, as Identified by Interviewees



7.2.4.1 Enhanced Quality of Financial Reports

The importance of improving the quality of financial reporting, and particularly the ability of accounting measures to reflect the economic position and performance of a firm, has been highlighted by a number of studies (e.g. Tyrrall, Woodward and Rakhimbekova, 2007; Barth, Landsman and Lang, 2008). Many developing countries have declared themselves committed to improving the quality of their accounting information, but variations in market structure, weak enforcement of regulation, the prevailing culture and the skill level of the local accounting profession can all impact financial reporting quality (Briston, 1990; Larson, 1993; Askary, 2006; Gordon et al., 2013; Masoud, 2014a).

The majority of interviewees (77%, 17Nr) in this study mentioned the enhanced quality of financial reports and statements as one of the main benefits of adopting IFRS (see Figure 7-4). It was generally argued that IFRS implementation across all economic sectors in Saudi Arabia will improve the quality of financial information being reported by companies, and that this will in turn lead to greater investment opportunities, as it will help increase the confidence of investors in Saudi financial reporting and Saudi markets. The finding supports those from the questionnaire survey, where the respondents ranked more efficient financial reporting as the fourth most popular perceived benefit of IFRS adoption (see Section 7.2.1).

The general belief in the capacity of IFRS to make the financial reporting process more efficient was summed up by Interviewee CFO3-8H, who stated that

> *"The efficiency of financial reporting is improved with the adoption of IFRS…also, the adoption of IFRS means that financial statements will be of high quality and that will help us improve our reporting system".*

The statement echoes the findings from the questionnaire that the adoption of IFRS will improve the quality and efficiency of financial reporting (see Section 7.2.1).

Five (23%) interviewees (Interviewees AD4-2, AD4-3, AD4-4, RE1-1 and RE1-4) saw IFRS as an appropriate framework for Saudi Arabia because of its potential to improve financial reporting quality (see Figure 7-5). These interviewees shared the view expressed by some researchers (e.g. Ball, Li and Shivakumar, 2015) that replacing local standards with international standards is the best way to improve the quality and reliability of the disclosed information. According to Interviewee AD4-4 (a general manager of a local accounting firm),

> *"Accounting standards are simply the right framework if they are applied professionally. In the past, we were dependent on the Authority to develop its own standards, but these did not change much because of the weakness of the standards Board. It is therefore appropriate to adopt international standards that encourage information that is transparent, accurate and rich"*

The same concern with information quality was expressed by Interviewee RE1-1, who emphasised its importance for decision makers and shareholders:

> *"The accounting standards are an appropriate framework if the characteristics of the application are taken advantage of. It depends on how much corporations care about the quality of reports, as well as the comparison of component and complete disclosure, and how these facilitate the decision-making process for decision makers and shareholders".*

This interviewee's suggestion that the potential of the international standards to raise information quality depends on their being properly applied by companies was echoed by Interviewee RE1-4, who acknowledged the responsibility of regulators in this regard:

> "*This represents a challenge to us as regulators because it needs us to exert more effort to monitor the adoption process and ensure that the standards are applied well".*

In essence, the main legitimate benefit of IFRS adoption in Saudi Arabia will be an improvement in the quality and efficiency of financial reporting, as this will enhance comparability and provide more reliable figures than the previous standards. However, this will only be achieved if regulators establish a clear framework and provide sufficient workshops for local accountancy firms.

7.2.4.2 Investment

For developing countries, removing barriers to capital investment is one of the main reasons for adopting IFRS. At the very least, adoption is a signal that the country is reducing information asymmetry and increasing transparency, both of which are likely to attract investors (Humphrey et al., 2009; Shima and Gordon, 2011; Alzeban, 2016; Aghimien, 2016). Investment emerged as a significant theme in the study, with 16 (72%) of the interviewees citing this as a key benefit of IFRS adoption (see Figure 7-4). As one standard setter RE1-1 affirmed:

> "*The adoption of IFRS will increase foreign direct investment (FDI) and remove barriers to attract potential investors into the Saudi stock market".*

Interviewee RE1-2 looked beyond the immediate benefit of improving information quality to explain that regulators want to see the adoption of IFRS across Saudi businesses because they believe this will

> "*... contribute to the preparation of unified financial statements at the level of multinational companies, international companies and banks, and will encourage the opening up of domestic capital markets and investment both at the local and international levels".*

This finding confirms those of the questionnaire, where the statement that IFRS adoption removes barriers to capital flowing into and out of Saudi Arabia was the fifth-ranked benefit (see Section 7.2.1 and Table 7-1).

At the company level, IFRS adoption was seen as offering long-term financial benefits, with Interviewee CFO3-11K (CFO in a bank) arguing that

> *"For companies, it is important to achieve some level of transparency, disclosure and accountability, which can be beneficial in the long run in terms of investments and business operations".*

Interviewee CFO3-4D also saw implementation as likely to improve companies' ability to obtain finance and reduce costs, among other benefits:

> *"Implementing IFRS will contribute to the acceptance of financial statements. It will [allow companies to] get improved interest on financing and to decrease capital costs, which will enhance their prospective cash flows".*

Interviewee CFO3-4D explained that

"The benefits are manifold and wide-ranging ... So, the application of a solid IFRS plan is a significant strategic step for most financial and commercial institutions, who need to accommodate these standards to increase investor trust ... They can also use it as an opportunity to get their employees trained, raise their awareness and enhance their knowledge of the implementation process, which will have a positive impact in the long run".

The majority of participants saw IFRS adoption as likely to increase investors' trust because it will allow them an accurate overview of company performance (Interviewee CFO3-6F). One external auditor (Interviewee AD4-1) went further, suggesting that earning investors' trust is a major factor behind the plans for radical change and the shift towards international standards. Interviewee CFO3-9I highlighted the particular importance of improving trust among foreign investors, given Saudi Arabia's plans to diversify its economy:

"*Another advantage is that foreign investors have trust in the outputs of companies that use IFRS; this will also help lessen our dependence on oil. In this context, the government has sought to implement the accounting standards in order to bring in more investment and projects and to regulate the Saudi market, and to move from total dependence on oil to exploring new ways of pumping money into the economy".*

This is in line with the Saudi Vision 2030 plan to increase direct investment in Saudi Arabia. Achieving the objectives of the plan will require a strong legal and regulatory system; the adoption of IFRS is a major step towards fulfilling these aims.

The kingdom has already made significant investment in its human resources. Industrial investment requires the adoption of a suitable accounting standard.

"Investment and moving from dependence on oil ... The country is looking for investment and ways to improve the reporting system" (Interviewee AD4-5).

Similarly, Interviewee RE2-1 argued that IFRS will help local companies move beyond the local market and provides that the Saudi market is open to investment:

> *“The implementation of the international standards for accountants will help to connect Saudi companies with their global counterparts and to assess Saudi companies according to international standards, as well as entering into partnerships with international companies. International standards are key incentives in order to attract foreign investment”.*

The ability to deal with investors, including those overseas, was mentioned by five interviewees (23%) as a key reason why IFRS is appropriate for Saudi Arabia (see Figure 7-5). These interviewees explained that the SOCPA standards are little known outside Saudi Arabia and that IFRS are more likely to attract international investors (Interviewee CFO3-6F).

Standardising criteria with those outside Saudi Arabia is equally important for those companies that are already dealing with foreign partners. The practical difficulties of auditing a company that operates under local and international standards simultaneously were described by Interviewee AD4-1:

> “*A Chinese company has a branch in Saudi Arabia and the auditing firm is forced to deal with three sets of financial statements; one is focused on Saudi standards, the other is international and the third is for Zakat in Saudi Arabia, which can be a burden for foreign investors and a challenge to easily access the Saudi market. Harmonisation will facilitate the process for investors and provide high-quality information*”.

As mentioned in Section 6.2.1, investment is one of the factors driving the adoption of IFRS in Saudi Arabia; by transitioning to the new standards, the country is sending clear indicators to the rest of the world that it welcomes FDI. The IASB (2019) reports that IFRS build investor trust by raising the quality of reporting in financial markets and enable investors to better evaluate investment opportunities around the world.

7.2.4.3 Comparability

Comparability is one of the key aims of accounting bodies like the Financial Accounting Standards Board (FASB) and the IASB. It is in pursuit of this end that the latter aims to achieve consistency in financial reporting (IFRS, 2019). Comparability was repeatedly mentioned by the interviewees as a significant benefit of IFRS adoption (64%, 14Nr) in a QSR NVivo 12 query search, which is not surprising given that it was one of the drivers of the decision to adopt IFRS (see Section 6.4.2.2 and Figure 6-6).

One of the key benefits of deploying a single set of accounting standards is that it facilitates the comparison of accounting figures of similar companies. As one banker (Interviewee CFO3-8H) explained:

> *"The aim of international accounting standards is to enhance the understanding of the financial statements and the comparability of the financial statements".*

Four interviewees (CFO3-7G, CFO3-9I, RE1-3 and RE1-4) argued that enhancing comparability makes it easier for companies to become international. Among the other advantages mentioned, Interviewee CFO-10J cited the attraction of investment:

> *"The main benefits are comparability and uniformity of practice among all banks, which has helped some Saudi banks to attract investment for their Islamic products, such as Sukuk and other products",*

While Interviewee CF03-9I described how it has enabled banks to compare their own performance with that of their competitors:

> *"As a banker I see that the benefit of adopting IFRS is that we are connected to analysts' reports and rating services. Therefore, our financial statements must follow a standardised approach. The harmonisation helps us in terms of comparing and understanding the language of the figures. With our previous balance sheet, which was based on the Saudi standards, it was hard to compare ourselves with any other banks in the region. The adoption of IFRS has achieved our aims in terms of comparability".*

One of the external auditors (Interviewee AD4-2) also saw IFRS as an improvement on the Saudi standards, explaining that the standardised format allows user groups (not just the banks themselves) to compare banks on their performance across specific items:

> *"IFRS are important for different users, as financial statements are comparable item to item; this is very helpful as the previous Saudi standards were difficult to compare".*

Interviewee RE2-1, a regulator, was optimistic that IFRS adoption will avert the confusion that arises when standards appear to be inconsistent or even contradictory:

> *"In addition, IFRS represent a unified set of standards which refer to each other, eliminating the possibility of conflict between standard requirements".*

Not everyone shared this interviewee's confidence, however; three of the 22 interviewees argued that, while IFRS represent a positive step forward, comparability will be limited in practice because SOCPA has not adopted all the standards (e.g. those relating to fair value).

Nevertheless, the expectation of most participants was that unlike the Saudi standards, which lack the comparability element, the more comprehensive international standards will play a vital role not only in making financial reporting more efficient but also in promoting comparison between companies and over time.

7.2.4.4 Transparency

The mission statement of the IASB specifies transparency as one of the key objectives of the IFRS (IFRS, 2019). Transparency was perceived as a significant benefit by 12 (54%) of the interviewees (see Figure 7-4). Interviewee CFO3-11K stated that

> *"It is important to achieve transparency, disclosure and accountability, which can be beneficial in the long run in terms of investment and business operations, as well as keeping up with international companies"*.

The same view was echoed by Interviewee CF03-5E:

> *"Harmonisation itself is beneficial for us because it provides greater reporting transparency"*,

While Interviewee CFO3-4D argued that

> "*The adoption of IFRS … stems from the need for more disclosure and transparency".*

The Saudi government aims to improve financial transparency for analysts, investors, regulators and other stakeholders by ensuring that information about results, financial position and other key performance indicators is of high quality. As one regulator (Interviewee RE1-5) put it:

> “*Adopting clearer and more transparent standards such as IFRS will ensure that the different users of financial statements are provided with the information they need”.*

The government has put incentives in place to ensure companies achieve transparency. According to Interviewee RE1-2,

> *“Regulators have … provided some insights into the benefits and challenges and how these can be eliminated … This will be largely achieved by having some consultancy work and gaining some expert opinion in terms of the first steps a company should take when considering adoption and that all information must be transparent for all users”.*

Four interviewees (18%) (Interviewees AD4-2, AD4-3, AD4-4 and CFO3-4D) cited the potential of IFRS to enhance transparency and disclosure as a key reason why the standards are appropriate to the Saudi context (see Figure 7-5).

7.2.4.5 Reliability

According to the IASB framework, the reliability of a financial report refers to the extent to which it accurately captures the condition, activities and aspects of an entity. The IASB assesses reliability against five criteria: prudence, completeness, the faithfulness of the representation, neutrality, and substance over form (IFRS, 2019). Reliability was mentioned by nine of the interviewees (40 %) as one of the benefits of IFRS adoption, while four (Interviewees AD4-2, AD4-4, CFO3-10J and CFO3-5E, (18%) described this as one of the qualities that make IFRS appropriate to the Saudi context (see Figure 7-5). According to Interviewee CFO3-5E, IFRS are suitable for Saudi Arabia because

> *“…previous standards are out-dated and have seen no changes. In fact, they were not as good and reliable as IFRS”.*

This reliability was attributed to the fact that IFRS are produced by globally recognised experts and are therefore *“generally accepted…at the international level”* (Interviewee CFO3-8H).

According to Interviewee CFO3-5E,

"The adoption will help in the assessment of banks and companies based on reliable figures; unlike previous [statements], which do not have that much information, IFRS offer much more disclosure".

Several interviewees (CFO3-7G, CFO3-9 and RE1-3) explained that they preferred IFRS to local standards because they produce reliable financial statements for investors' decision making. The standards are an understandable financial language that allows investors to keep abreast of what is happening in the rest of the world.

7.2.4.6 Economic Development

Given the importance assigned to economic growth in the literature, it is not surprising that economic development is cited as one of the main benefits of IFRS (32%, 7Nr[17]). The interviewees saw this economic development as being driven mainly by increased foreign investment; according to Interviewee RE1-4,

"The international standards are the passport of Saudi companies to international markets, particularly in terms of access to international finance, promotion of mergers and acquisitions, as well as facilitating the dual listing process. The list of financial companies will be more transparent and clearer for the foreign investor wishing to buy their shares, which will lead to economic growth in the Saudi context".

RE1-4 was echoed by another regulator, Interviewee RE1-3, who suggested that

"Adoption of IFRS is a positive step for Saudi Arabia's economy. Saudi Arabia is a strong player among the GCC countries, with incredible resources; the adoption of IFRS will improve Saudi Arabia's economy by giving trustworthy results that represent the actual strong and stable economy that Saudi Arabia has enjoyed over the past years. And we are one of the GCC countries; we cannot avoid it as all GCC countries have adopted it".

Most of the interviewees from SOCPA and SAMA saw the adoption of IFRS as key to establishing a reliable regulatory framework able to foster this growth. Others spoke of IFRS as offering an opportunity to develop financial policy, the accounting system and the skills base in Saudi Arabia (Interviewee AD4-3). Interviewee AD4-2

[17] Nr: Number of interviewees

highlighted the importance of IFRS for developing the skills of auditors, while Interviewee CFO3-11K explained that

> *"International standards are characterised by their follow-up, understanding and periodic access to continuous developments, which benefits accountants in terms of refining their talent and also increasing their knowledge in the field of specialisation".*

Interviewee CFO3-10J was optimistic that if IFRS are adopted,

> *"The country's accounting reporting system will be efficient and follow in the footsteps of developed countries, which will lead to an allocation of resources that will result in improvements in the Saudi Arabian economy".*

Consequently, Saudi Arabia sees the diversification of its economy as crucial to achieve economic growth. The effect of IFRS adoption will be indirect as it will promote financial statement consistency, transparency and comparability, attracting more opportunities for the Saudi economy.

7.2.4.7 Standards are Recognised Worldwide

In relation to being 'Recognised worldwide' four respondents (18%) declared that IFRS is an appropriate accounting framework for Saudi Arabia. In this context two of interviewees (CFO3-7G and RE2-1) have the same point of view that IFRS is appropriate for the kingdom and across the world when compared with Saudi Arabia standards which is not well known outside Saudi Arabia and the Gulf region, as well as the private and public companies and institutions want to be recognised worldwide when unified its practises and apply such standard.

In the same manner, CFO3-9I has the same attitude in the same expressions after answering yes that the IFRS is an appropriate accounting framework to all stakeholders, companies, institutions in the country and in the gulf region, as talked from his experiences in this field:

> *"Yes, it is an appropriate framework. Previous standards were only known in Saudi Arabia or the other Gulf region countries. So, potential stakeholders and firms are seeking to be recognised worldwide".*

Adopting IFRS by companies operating in Saudi Arabia and listed in the Saudi stock market will enhance FDI, and therefore allow foreign investors to know more about the Saudi economic environment and businesses. The media picture the Kingdom as being a closed Muslim country which may divert investors' attention due to the Islam phobia. However, adopting IFRS would bring some reasonable opportunities for the real picture of Saudi Arabia as a country and its businesses to the rest of the World which is likely to bring about investment opportunities to the country and enhance its skills, expertise, and competitive advantages.

7.2.4.8 Save Time and Effort

Saving time and effort was mentioned by three interviewees (CFO3-1A, CFO3-5E and RE1-1; 14%) as a key benefit of implementing IFRS (see Figure 7-4). Drawing on his experience as a regulator responsible for producing and enforcing the SAS, Interviewee RE1-1 pointed out that the application of international standards will save Saudi regulators time and effort. The example was provided about SABIC:

> "*For example, let me just mention that the Saudi company SABIC in which it was suffering with its subsidiaries outside the kingdom whose listed were based on the Saudi standards and that save them time and made their financial statements more accurate".*

Interviewee CFO3-5E, meanwhile, claimed that SAMA, the MCI and SOCPA see any further development of the Saudi standards as a waste of time. As Interviewee CFO3-1A explained:

> *"To put it simply, the standards are available, so why lose time, money and effort? We are not going to invent something completely different ... You just need to adapt to the current situation".*

7.2.4.9 Improved Decision Making

Management functions cannot be fulfilled without accurate financial information (IASB, 2018). Interviewee CFO3-8 argued that IFRS boost management performance by giving managers easier access to the information they need to make decisions. Similarly, Interviewee RE1-3 affirmed that

> "*Harmonising all reporting activities will increase the efficiency of the administration's performance by [allowing them to] access the appropriate information when making a decision".*

The interviewees also stressed the usefulness of IFRS to shareholders and potential investors; Interviewee CFO3-6F explained:

> *"These standards will enrich financial statements and clarifications to help in the decision-making process",*

while Interviewee RE1-3 claimed that

> *"The emergence of IFRS in the preparation and presentation of financial reporting has helped to ensure transparency and reassure investors that what appears in these reports properly reflects the financial position of the company, which increases the quality of decision making and investment opportunities in the company*".

These interviewees saw the harmonising of all reporting activities as one of the main benefits of IFRS for decision makers. In essence, the efficient production of transparent information is vital to give a clear view of current performance and assess any potential changes, make appropriate decisions and manage risk.

7.2.4.10 Harmonise Practice With Developed Countries

According to Interviewee CFO3-6F, creating a single accounting language helps to harmonise internal and external reporting practices. As Interviewee CFO3-8H pointed out, this is especially useful for companies with foreign partners and subsidiaries:

> *"Some companies and banks are in favour of harmonisation in order to be in line with subsidiaries outside Saudi Arabia".*

The opportunity to harmonise standards with those in developed countries was highlighted by three interviewees (14%) as a key benefit of IFRS and a reason why the standards are an appropriate accounting framework for Saudi Arabia (See Figure 7-4). Interviewee CFO3-11K argued that:

> "*IFRS is appropriate and suitable in order to keep up with most of the developed countries… [it] is an excellent opportunity to open up to global markets and attract a lot of investment".*

Interviewee CFO3-3C, who had worked in the Saudi branch of a foreign bank, spoke of the practical difficulties of analysing data under the SAS and of the need to harmonise with developed countries:

> *"You need to have one statement language locally and overseas … The National Transition Program 2030 is a current example that aims to unify the country with best practice in terms of regulation and disclosure … As an example, I was working for a foreign bank that has a branch in Saudi Arabia and it was very difficult … The analyses were very difficult, and we need one to be unified with developed countries"*.

Both this interviewee and Interviewee CFO3-8H were confident that IFRS can meet the needs of stakeholders in all economic sectors. According to CFO3-8H,

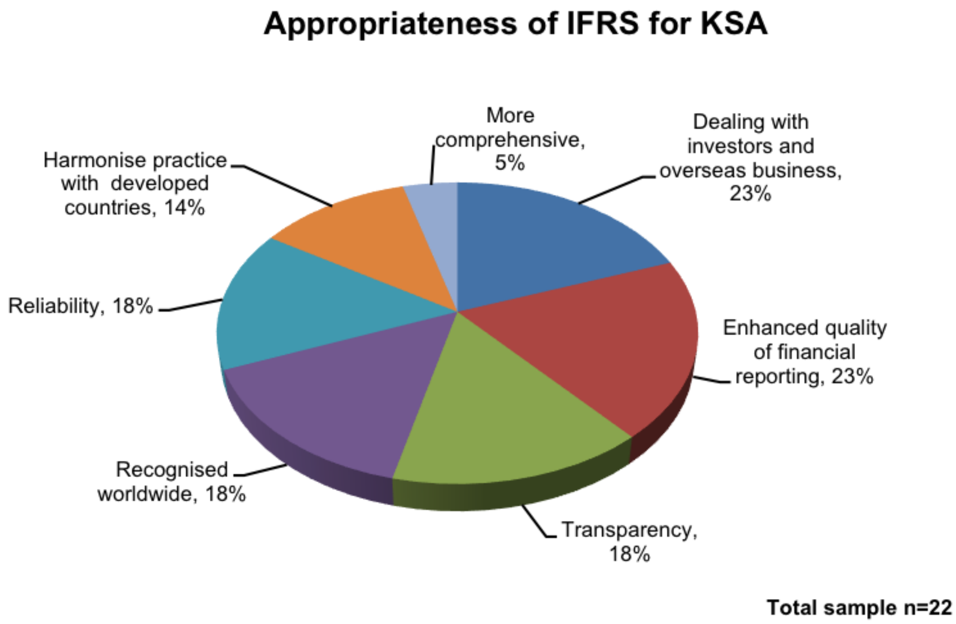
> "*To achieve Vision 2030, Saudi has to have a strong and reliable economy, and that cannot be done by isolating companies and relying on SOCPA standards. If the different sectors of the economy are to get global attention, they definitely need to be at the same level as developed countries".*

As can be seen in Figure 7-5, most interviewees saw IFRS as an appropriate framework for Saudi Arabia for a range of reasons (improved transparency, comprehensiveness and reporting quality compared to the Saudi standards; worldwide recognition; harmonisation with developed countries; and better for investors). Only one interviewee, an external auditor (Interviewee AD4-5), suggested that IFRS are inappropriate for Saudi Arabia and that the country would be better off retaining the American standards. This interviewee was concerned that there is no check list for using the international standards, which he saw as too open to personal and subjective judgement:

> *"We are better off holding on to the American standards because there is no check list in the use of standards. Standards are not to be used according to personal judgement as personal opinions vary depending on the person's point of view".*

This concern is justified where lack of understanding increases the risk that the standards will be misinterpreted. However, as the standards become more familiar and accounting and auditing companies are better able to interpret them, the risk that misinterpretation will undermine the usability and benefits of IFRS reduces.

Figure 7-5: Appropriateness of IFRS for Saudi Arabia, as Identified by Interviewees



In summary, the majority of interviewees saw IFRS as having the potential to improve the accounting system in Saudi Arabia. Adoption was perceived as likely to improve reporting quality, transparency, comparability and reliability, with positive consequences for decision making, investment and economic growth. The general view was that harmonisation will help unify practice and reporting activities and save regulators time and effort, but beyond this, the interviewees considered it appropriate for Saudi Arabia because it will allow the country to bring its practice into line with that in developed countries and facilitate its dealings with overseas businesses and investors. This section has discussed the perceived benefits of IFRS adoption in Saudi Arabia, as described by CFOs, regulators and auditors. The next section offers a discussion of findings from these semi-structured interviews together with those from the questionnaire survey.

7.3 Discussion of the Results

The findings in this research extend those of previous researchers such as Zeghal and Mhedhbi (2006), Hassan et al. (2009), Gyasi (2010), Alkhtani (2010) and Nurunnabi (2017) regarding the opportunities and benefits associated with adopting IFRS. These studies emphasise that IFRS are beneficial to developing countries because they offer a clear framework and principles. Other studies, such as those by Epstein (2009) and Adam (2009), argue that IFRS can improve financial information disclosure and lead to greater transparency. In this research, there is a general agreement across the questionnaire and semi-structured interview findings that implementing IFRS improves information quality. However, findings were more mixed regarding the other benefits. This section draws together the questionnaire and interview findings to discuss what the study participants perceived to be the opportunities offered by IFRS adoption in the Saudi context.

7.3.1 Enhance Quality of Financial Reports

For most adopters of IFRS, the objective is to provide a single set of high-quality accounting standards (Clarkson et al., 2011), but for developing countries, the main objective is to enhance the quality of financial reports (Almotairy and Alsalman, 2012; Faraj and El-Firjani, 2014). This was confirmed by the interview findings (see Section 7.2.4.1), where the majority of participants linked the adoption decision primarily to improving financial reporting quality so that Saudi Arabian businesses can attract investments and grow internationally. This finding accords with those of Alkhtani (2010), Almotairy and Alsalman (2012), Bahadır, Demir and Öncel (2016), Nurunnabi (2017) and Alsulami (2017).

It has been argued that developing countries implementing IFRS will not only see an improvement in the quality of statements but that they will also be cheaper and quicker to prepare (Ashraf and Ghani, 2005; Masoud, 2014a). However, Barth, Landsman and Lang (2008) argue that any improvement in accounting quality among firms applying IAS/IFRS is more likely to be due to changes in incentives rather than changes in the financial reporting system. Others (e.g. Clarkson et al., 2011; Faraj and El-Firjani, 2014) report that the adoption of IFRS has failed to enhance the quality of financial reporting in some countries because of differences in the cultural, legal and educational structure.

7.3.2 Harmonise Internal and External Reporting

The benefit ranked highest by the survey respondents was "Creating a single accounting language helps to harmonise internal and external reporting" (see Figure 7-1 and Table 7-1). Furthermore, the results of the Kruskal-Wallis and Mann-Whitney tests (see Table 7-2 and Table 7-3) indicate that this view was held across the groups in the sample. The semi-structured interviews (see Section 7.2.4.9 and Section 7.2.4.10) gave some insight into why this benefit was seen as so important by highlighting the positive impact that harmonising reporting activities has on decision making both within and outside the company. This improvement in decision making, in turn, has the potential to raise performance among report preparers and to add value to the Saudi accounting system. Researchers have shown that regulators in developing countries have used the harmonisation of internal and external reporting to improve reporting systems (Jermakowicz and Gornik-Tomaszewski, 2006; Ballas, Skoutela and Tzovas, 2010; Ionascu et al., 2011; Clarkson et al., 2011). For example, Ismail, Dunstan and van Zijl (2010) show that when Malaysia (an environment similar in a number of ways to Saudi Arabia) partially harmonised its national standards with IFRS, it reported higher quality earnings. Kadri and Zulkifil (2008) also found that under the revised (harmonised) standards, Malaysian companies enjoyed higher value relevance of accounting numbers. The decision to harmonise with the international standards made internal and external reporting easier for Malaysian firms.

7.3.3 Greater Comparability

The questionnaire survey respondents agreed that the adoption of IFRS supports financial reporting comparability (see Section 7.2.1). Further, the results from the Mann-Whitney test showed no significant difference between the groups (see Table 7-2 and Table 7-3). The interviewees also highlighted (32%, 7Nr) comparability as a key benefit and the main reason to shift from Saudi standards to IFRS (see Section 7.2.4.3). The majority of interviewees, including standard setters, saw Saudi standards as unable to offer the same level of comparability between accounts of similar companies; the CFO of one bank explained that

> "*Our previous balance sheet, which was based on the Saudi standards, was hard to compare with any other banks in the region"* (Interviewee CF03-9I),

while an external auditor also agreed that

> *"This is very helpful as the previous Saudi standards are difficult to compare"* (Interviewee AD4-2).

This finding supports the works of De Fond et al. (2011), Brochet et al. (2013) and Sunder (2011), who suggest that the introduction of mandatory IFRS enhances comparability. Sunder (2011) argues that developing countries in particular may find mandatory adoption beneficial because the resulting increase in comparability, which extends to comparability between companies in different countries, can boost investor confidence. However, if a developing country applies the standards without assessing their appropriateness to its particular environment, this may affect the subsequent comparability of financial reports.

Shima and Gordon (2011) emphasise the importance of having not just the legal standards but also the means of enforcement to ensure that benefits such as comparability are realised. This is echoed by Alkhtani (2012) and Nurunnabi (2018), who argue that in the context of Saudi Arabia, the extent to which the comparability benefit is achieved will depend on SOCPA's enforcement of the standards. This view was shared by some of the interviewees in the current study, who expressed scepticism that comparability can be achieved in Saudi Arabia so long as regulatory bodies such as SOCPA have not fully adopted all the required standards. Daske et al. (2009) also caution that the way standards are implemented and used by firms is crucial if they are to realise the benefits of IFRS. As Zehri and Chouaihi, (2013) and Masoud (2014b) highlight in their Libya-based studies, this can be more difficult in developing countries, where knowledge of and expertise in IFRS implementation may be limited.

7.3.4 Transparency

The results of both the questionnaire survey and interviews support the suggestion that IFRS adoption provides greater transparency. Almost 95% of the survey respondents saw transparency as one of the main benefits (see Figure 7-1), with this view being held equally across the four groups (see Table 7-2 and Table 7-3). The semi-structured interviews gave further insights into this theme (see Section 7.2.4.4), with half of the interviewees agreeing that the adoption of IFRS will improve transparency in Saudi Arabia (see Figure 7-4) and four seeing this as a reason why IFRS is an appropriate framework for the country (see Figure 7-5). The vast majority of participants confirmed the importance of achieving a high level of transparency, disclosure and accountability. These elements enhance trust in, and reduce risks of, reporting entities, and are therefore crucial to securing long-term investment and business opportunities in the banking sector and beyond.

This finding supports the works of De Fond et al. (2011), Daske et al. (2008) and Nurunnabi (2016), who also found that transparency is perceived as a feature of IFRS. A number of authors have argued that the adoption of IFRS, along with strong enforcement, will ensure transparency and encourage investment in developing countries, including Saudi Arabia (Alsaqqa, 2012; Aghimien, 2016; Nurunnabi, 2018).

7.3.5 Efficiency of Financial Reporting

The findings of the questionnaire survey show that the overwhelming majority (almost 94%) of participants thought that financial reporting is made more efficient through the application of IFRS (see Figure 7-1). In this case, however, the respondent groups differed significantly (see Table 7-2 and Table 7-3), with academics being more doubtful about this statement than accountants in the banking sector, financial analysts and external auditors. The academics' response is perhaps surprising, but Jackling, Howieson and Natoli (2012) offer one possible explanation. These authors suggest that, as educators whose job is to teach students to discover solutions on their own, academics tend to be more comfortable with underlying accounting concepts than with specific rules. Whatever the cause, this finding poses a serious challenge for the Saudi accounting profession, which relies on the country's academics being prepared and ready to accept IFRS (Almotairy and Stainbank, 2014). As Faraj and El-Firjani (2014) point out, using Libya as a case, regulators must ensure that there is a correspondence between the accounting profession and accounting education.

The interviewees saw adoption as having a positive impact on the efficiency of financial reporting (see Section 7.2.4.1). The finding corroborates those of Alkhtani (2010), Nurunnabi (2017b), Nobes and Parker (2006) and Khaled (2016), who identify this as a key benefit of IFRS adoption, though these authors acknowledge that it can be difficult to achieve in developing countries, particularly in the initial stages of implementation. Most Arab countries, including Saudi Arabia, have adopted the IFRS in order to make their stock markets more efficient and to boost investor confidence. However, Hail and Leuz (2006) and Hail, Leuz and Wysocki (2010) argue that changing the accounting standards alone cannot improve a firm's reporting practices if the institutional reasons that affect reporting quality are still being ignored. First and foremost, there has to be political support for the full adoption of IFRS. Without such support, the benefits of adoption will be minimal.

7.3.6 Investment

As far as this perceived benefit is concerned, the findings from the questionnaire illustrate that 92% of the survey respondents believed that adopting IFRS will help Saudi Arabia to remove barriers to foreign investment (see Figure 7-1). The inferential analysis using Mann-Whitney tests showed no significant differences between the groups in the survey sample (see Table 7-2 and Table 7-3). The interviewee findings are in line with the questionnaire findings (see Section 7.2.4.2), with the majority (72%) of participants expressing the opinion that the adoption of IFRS will attract more FDI into Saudi Arabia (see Figure 7-4). In fact, some interviewees suggested that removing barriers to investment was one of the main factors leading the country to adopt IFRS. This was highlighted by one standard setter (Interviewee RE1-3):

> "*Also, to achieve greater support for the financial markets in line with the kingdom's Vision 2030 by applying international accounting standards that will earn the trust of domestic and foreign investors*".

The view of the interviewees was that this increase in investment will help the country to reduce its dependence on oil (see Sections 7.2.4.2 and 6.4.2.3), and diversify its income sources.

These findings are in line with those of Alkhtani (2010), Almotairy and Alsalman, (2012), Bahadır, Demir and Öncel (2016) and Nurunnabi (2017a), who argue that for many developing countries, the need for FDI is one of the main drivers behind the adoption of IFRS as local firms strive to win the trust of external, particularly foreign, investors. However, researchers have shown that, in practice, the influence of IFRS adoption on FDI varies from country to country; in their study, covering 92 countries, Efobi et al. (2014) showed that in some countries, there was no relationship between the two variables. Furthermore, their findings indicate that the benefits of IFRS adoption in general vary from one country to another. In Saudi Arabia's case, the World Bank's (2016) ranking of the country as second for ease of doing business in the GCC region (in its *Doing Business 2015*) increased pressure on the country to improve its regime to meet investor expectations and gain their confidence (Nurunnabi, 2017b). Saudi Arabia is already attractive to investors from many other Islamic countries; adopting IFRS would further enhance the appetite of these investors to open subsidiaries in the country, boosting economic development.

7.3.7 Reliability

The findings from the survey questionnaire also support the suggestion that IFRS adoption makes financial statements more reliable, with 89% of the respondents seeing this as a benefit (see Figure 7-1). The inferential analysis showed no difference between the groups (see Table 7-2 and Table 7-3). The interview results confirmed the perceived importance of reliable financial statements, with 40% of the participants stating that as a basis for preparation and consolidation the IFRS are more reliable than the SAS, which they described as outdated (see Figure 7-4 and Section 7.2.4.5). This was highlighted by a standard setter (Interviewee R1-3):

> *"The standards are reliable, and become one understandable financial language, as well as keeping abreast with the rest of the world".*

The qualitative phase yielded insights into how the adoption of IFRS has made it easier to assess companies in the banking sector, compared to the Saudi standards; according to one banking sector CFO,

> *"The adoption will help [users] to assess banks and companies based on reliable figures, unlike the previous ones, which do not have that much information. IFRS offer much more disclosure".* (CFO3-5E)

This finding is in line with those of several other studies (Alkhtani, 2010; Garuba and Donwa, 2011; Iyoha and Faboyede, 2011; Josiah et al., 2013; Akhidime and Ekiomado, 2014) that illustrate how the adoption of IFRS and improving financial information quality lead to more reliable and relevant accounting information. Others sound a note of caution, however, pointing out that the level of personal judgement required by some of the standards may reduce the reliability of some items (Alkhtani, 2010; Nurunnabi, 2017ab).

7.3.8 Improve Corporate Governance

Ninety-one per cent of the survey respondents believed that the adoption of IFRS will improve corporate governance in Saudi Arabia (see Figure 7-1), and the Mann-Whitney test showed no significant differences across the groups in the sample (see Table 7-2 and Table 7-3). In the interviews, however, an external auditor expressed some concern that

> "*Corporate governance is very limited … because most of the existing companies are family-owned*" (Interviewee AD4-1).

One bank CFO3-2B went so far as to claim that

> "*Corporate governance does not exist in listed companies".*

This finding is troubling as Saudi Arabia needs to establish an adequate level of corporate governance if it is to benefit fully from the adoption of international financial accounting standards. Dobroteanu, Dobroteanu and Raileanu (2010) and Ionascu et al. (2011) argue that because of the relationship between financial reporting and corporate governance quality, compliance with IFRS leads to better corporate governance. However, unless the relevant corporate governance mechanisms (e.g. convergence with global corporate governance standards and internal audits) are introduced into the Saudi context, the introduction of IFRS will not automatically trigger an improvement in the quality of financial reporting (Alghamdi, 2012; Madawaki, 2012; Ogbenjuwa, 2016). Improving corporate governance in the country is therefore vital; the more transparent companies are, the better their disclosure and the more closely they follow corporate governance principles, the more accurate analysts' forecasts will be.

7.3.9 Time Saving

The findings of the descriptive analysis show that the majority of the survey respondents agreed that the adoption of IFRS in Saudi Arabia will save time for regulators (see Figure 7-1). Once again, the inferential analysis indicated no significant differences between the groups (see Table 7-2 and Table 7-3). The importance of saving time was reinforced by the interviewees, three (18%) of whom explained that introducing IFRS will save SOCPA time (see Figure 7-4), effort and resources involved in issuing local standards (see section 7.2.4.8). One interviewee (CFO3-1A) summed up the practical advantage of adopting IFRS thus:

> "*To put it simply, the standards are available, so why lose time, money and effort? We are not going to invent something completely different … You just need to adapt to the current situation*".

However, Interviewee RE2-1 took the opposite view, arguing that to adopt IFRS is to waste the time and effort already spent on developing SAS. It should be noted that this interviewee may have been biased because s/he was involved in setting SAS. The general view that adopting IFRS saves time is echoed by Ashraf and Ghani (2005), Frey and Chandler (2007), Alkhtani (2010) and Nurunnabi (2017a), who all state that when developing countries adopt and modify IFRS, they save the time and effort required to set their own standards. These authors found that the adoption of IFRS reduces the cost and time associated with issuing new standards, increases stock market efficiency, and makes financial statements more understandable for users.

7.3.10 Reduce the Cost of Capital

The findings from the questionnaire survey show just over 58% of the respondents agreed or strongly agreed that IFRS adoption reduces the cost of capital. However, just under 23% of respondents disagreed or strongly disagreed, while 19% were uncertain (see Figure *7-1* and Table 7-1). The Mann-Whitney test indicated a significant difference between the groups (see Table 7-2 and Table 7-3), with accountants in the banking sector being less likely to see this as a benefit of IFRS adoption than financial analysts, academics and external auditors.

The interviewees generally agreed that the adoption of IFRS reduces the cost of capital (see Section 7.2.4.2). Interviewee CFO3-4D stated that

> "*The adoption of IFRS will improve the acceptance of financial statements and [allow companies to] obtain much better interest on financing and to reduce the costs of capital. This will improve future cash flows"*.

This finding supports that of Daske et al. (2008), although the authors note that this particular benefit of IFRS adoption will only be realised where there are strong enforcement mechanisms. Similarly, Li (2010) argues that the cost of capital will only be reduced where reporting quality improves and where enhanced information comparability across firms is consistent with reporting incentives and enforcement mechanisms. Kim et al. (2013) also found that IFRS adoption lowers the cost of capital in countries with strong institutional structures and legal enforcement. Many emerging economies embracing globalisation and IFRS adoption have to overcome cultural issues relating to secrecy and fraud. For this, they need to develop an appropriate regulatory system (Irvine and Lucas, 2006), but many face challenges in adapting their indigenous regulatory infrastructure and culture to Western-oriented accounting standards. Saudi Arabia's transition plan takes into account some of the cultural factors that might affect IFRS adoption in the country, but greater consideration needs to be given to developing a strong and effective framework and the infrastructure to make the most of the new standards.

7.4 Opportunities for Investors

There was a general consensus among the questionnaire respondents that most of the identified benefits of IFRS adoption help investors (see Section 7.2.2); an overwhelming 95% of the survey respondents were of the opinion that IFRS give investors better information for decision making, 92% said that investors can have more confidence in this information, and 84% believed that the adoption of IFRS enables better risk management (see Figure 7-2). The semi-structured interviews provided an in-depth explanation of how these benefits promote investment (see Section 7.2.4.2).

Three of the interviewees (14%) argued that relevant and reliable information helps investors make better decisions; according to Interviewee RE1-3, a standard setter,

> "*The emergence of IFRS in the preparation and presentation of financial reporting has helped ensure transparency and reassure investors that what appears in these reports properly reflects the financial position of the company, which increases the quality of decision making and investment opportunities in the company".*

This finding echoes those of Gordon (2008) and Owolabi and Iyoha (2012), who found the benefits of IFRS adoption around the world to include comparability between peer companies, improved decision making, and confidence when presenting information. Interviewee CF03-6F pointed out that

"The SOCPA is known in Saudi Arabia but not to potential international investors ... [IFRS] will contribute to attracting investments into Saudi Arabia".

Foreign investors prefer to use a uniform set of accounting standards such as IFRS because the process of comparing financial reports that are prepared under different accounting standards is expensive, time consuming and prone to errors. As a result, argues Ole-Kristian (2006), foreign investors are more likely to evaluate domestic firms against their foreign peers using domestic financial reports and ratios. Ding et al. (2005) and Horton et al. (2013) warn that, although IFRS adoption is meant to achieve uniformity worldwide, a lack of simultaneous change in the relevant institutions, particularly in developing countries, may mean that this supposed uniformity is actually a mirage.

In terms of the second-ranked benefit – increased investor confidence – Interviewee RE2-1 expressed the view that IFRS will

"*...help increase investors' confidence in Saudi financial reporting".*

The idea that investors are able to have greater confidence in the information presented, along with a better understanding of risk and return, has been advanced by numerous authors (e.g. Ball, 2016; Barth, Landsman and Lang, 2008; Ahmed and Duellman, 2011; Alkhtani, 2010; Florou and Pope, 2012; Apergis, 2015; Booloaky et al., 2018).

Lastly, the view that adoption of IFRS enables better risk management was also supported by the interviewees, with Interviewee CFO3-11K explaining that

"Stakeholders want financial standards that reflect the current position of the performance of their companies in order to manage risk .... For example, they are aware of the importance of harmonising [to ensure] the element of comparison and homogeneity in terms of their companies abroad".

This is in line with the findings of Alkhtani (2010), Alsuhaibani (2012) and Mbawuni (2017). Around the world, IFRS have been adopted in order to improve the quality of information available to investors for decision making. It is assumed that investors can have confidence in this information as an accurate reflection of financial performance, and that it will enable them to judge any risk (Barth, Landsman and Lang, 2008).

An issue that neither the literature no our interviewees paid attention to is that unless companies prepare their accounts in a foreign language, such as English, international investors may not understand these accounts. Therefore, adopting IFRS without undertaking other measures such as corporate governance, enforcement of application, suitable and unifying interpretation of the standard and a suitable awareness mechanism would not allow the country to harvest the perceived benefits.

7.5 Opportunities for Managers

The overwhelming majority of the questionnaire survey respondents agreed that the adoption of IFRS in Saudi Arabia will boost management performance, with just under 94% of the sample agreeing that it provides greater credibility and improves decision making, 91% agreeing that it improves regulatory oversight and enforcement, and 90% agreeing that it produces better reporting about new and different aspects of the business (see Figure 7-3 and Table 7-4)

The qualitative phase offered further evidence that IFRS adoption was perceived as having a beneficial effect on decision making (see Section 7.2.4.9). This was reiterated by Interviewee R1-3:

> "*This, in turn, will increase the efficiency of the administration's performance by [allowing them to] access the appropriate information when making a decision".*

Interviewee CFO3-6F (a CFO in a bank) also stated that adoption will lead to greater levels of information disclosure.

> *"These standards will enrich the financial statements and clarifications to help in the decision-making process".*

These findings reflect those of Daske et al. (2008), Alkhtani (2010), Li (2010), Alsaqqa (2012), Mbawuni (2017) and Nurunnabi (2018), whose studies explore the benefits and challenges developing countries face when adopting IFRS. These authors argue that adoption makes it easier for managers to access reliable information and improves credibility, decision making, transparency, regulatory oversight and enforcement. However, while Mbawuni (2017) claims that the accounting information required under international standards improves management and control activities, Nobes and Parker (2000) argue that the main reason for developing countries to adopt IAS/IFRS is not to raise management performance but because the standards are required by multinational firms. Madawaki (2012) also cautions that reporting quality (and thus decision making) will not improve without a strong enforcement regime.

The participants in both the survey questionnaire and semi-structured interviews believed that the adoption of IFRS benefits managers, whatever their organisation, and accounting professionals. The findings underline that the adoption of IFRS is perceived as a route to better regulated business, more informed decision making, greater credibility and improved economic prospects, especially in developing nations.

The discussion in Section 7.3 highlights the benefits of IFRS adoption in the Saudi context, as perceived by key stakeholders in the banking and finance sector. The findings show the influence of institutional isomorphism on the sector and on the country at large. This is most obvious in the coercive pressure being exerted by external bodies such as the G20 and World Bank, who are pushing Saudi Arabia to replace its outdated national standards with IFRS. However, practice in Saudi Arabia is also being shaped by normative pressure from within as the Big Four firms operating in the country push to raise standards across the accounting profession. Organisations see the introduction of globalised standards as a way of maintaining legitimacy among investors at home and abroad, but while some researchers argue that these standards lead to genuine improvements in reporting quality, comparability and reliability (Albu et al., 2011; Ibrahim, Stanton and Rodrigs, 2014), others (e.g. DiMaggio and Powell, 1983; Mir and Rahaman, 2005; Irvine, 2008; Nurunnabi, 2015) argue that most developing countries are more interested in attracting FDI from the World Bank, IMF and IASB than in achieving substantive improvements to transparency or reporting quality.

7.6 Summary

The purpose of this chapter is to contribute to the literature by investigating the different benefit associated with IFRS adoption in the case of Saudi Arabia including benefits to managers and investors , as identified in the conceptual framework. The survey participants saw IFRS as beneficial for Saudi Arabia and were therefore mostly supportive of the adoption. They agreed that the creation of a single accounting language helps to harmonise internal and external reporting, comparability, reliability and transparency; that it improves efficiency and corporate governance; that it removes barriers to investment; and saves time and effort for regulators and analysts. However, they were less convinced that it reduces the cost of capital or makes auditing less costly. The harmonisation of accounting standards was considered the most important benefit that banks and companies in Saudi Arabia can leverage to improve their internal and external reporting. Most participants saw the implementation of IFRS as reshaping the Saudi accounting system, since most banks are now using IFRS not just to address their stakeholders' needs but also to improve their internal reporting to subsidiaries and parent companies. As the need for interpretation associated with using local accounting standards disappears, investors will find it easier to trust that they are being given comparable and reliable financial information, and FDI should increase. The analysis findings are in line with the adopted new institutional theories where the findings demonstrate the introduction of globalised standards as a way of maintaining legitimacy and improve the reporting quality and other benefits to achieve the best practise. Finally, this chapter contributes to the literature by demonstrating the different opportunities associated with IFRS adoption in a country which has a different structure than those are backup the IFRS standards.

CHAPTER 8: ANALYSIS OF THE CHALLENGES ASSOCIATED WITH IFRS ADOPTION IN SAUDI ARABIA

8.1 Introduction

In line with the study's conceptual framework, the objective of this chapter is to elucidate the challenges associated with IFRS adoption in the context of the Saudi banking sector (thus answering the second part of Research Question 3). Section 8.2.1 presents the results of the questionnaire survey, which investigated what the respondents perceived to be the main challenges associated with IFRS adoption in Saudi Arabia. This is followed by Section 8.2.2, which identifies the challenges that banks actually experienced during the transition process, as described by the interviewees. Section 8.3 then presents analyses of the survey and interview results focusing specifically on those perceived challenges that have their origins in cultural factors. In Sections 8.4 and 8.5, the findings from the quantitative survey and semi-structured interviews are combined to enable a discussion of the key themes that emerged in the study. Throughout the discussion, the findings are compared with those identified in the literature review.

8.2 Challenges of Adoption in Saudi Arabia

8.2.1 Analysis of Questionnaire Results: Challenges of IFRS Adoption

Despite the perceived benefits discussed in Chapter 7, the adoption of IFRS in Saudi Arabia will inevitably present challenges because of the cost and complexity of implementation and because companies (and accounting professionals) in the country generally lack experience with the international standards (Alkhtani, 2010; Nurunnabi, 2017a). The questionnaire survey sought to investigate these challenges by asking respondents to select which of nine statements they believed best reflect the challenges of adopting IFRS in Saudi Arabia.

Figure 8-1 and Table 8-1 show that the respondents generally agreed that all of the suggested challenges are indeed barriers to those tasked with preparing financial statements in Saudi Arabia. The strongest agreement (94.5%) was given to Statement 5: "There is a need for training". This was followed by Statement 9: "There is a lack of IFRS knowledge in the KSA" (75.1%), Statement 4: "There are insufficient competent specialists available (73.1%), Statement 1: "Adoption of IFRS is costly"

(70.3%), Statement 7: "There is a problem with the IT system in handling the transition to IFRS" (64.2%), Statement 3: "There is a lack of IFRS implementation guidance" (62.8%), Statement 8: "There is a lack of legal enforcement" (60.6%), Statement 2: "IFRS increases the complexity of financial reporting" (55.7%) and finally, Statement 6: "There is a lack of proper instructions from regulatory bodies" (46.5%). The Cronbach's alpha for this question was 0.84, which signifies a high level of reliability.

Figure 8-1: Overall Results for Perceived Challenges of IFRS Adoption

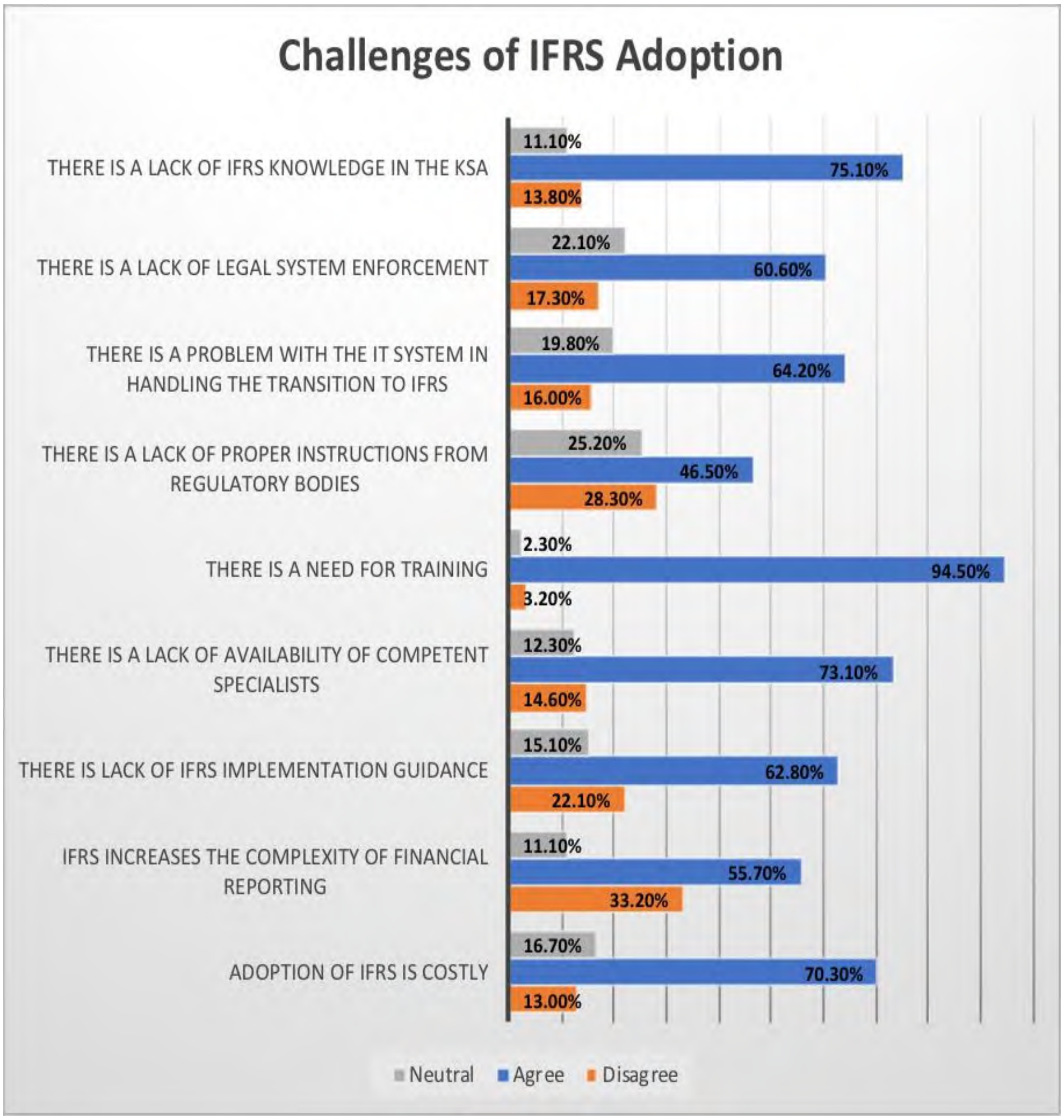


Table 8-1:Descriptive Statistics for Perceived Challenges of IFRS Adoption

Statement	Level of Agreement* (%)					Total Mean Score	SD	Median (25-75)	Rank	Cronbach's α
	SD	D	N	A	SA					
Adoption of IFRS is costly	1.6	11.5	16.6	48.2	22.1	3.78	0.97	4 (3 - 4)	4	0.839
IFRS increases the complexity of financial reporting	6.7	26.5	11.1	40.3	15.4	3.31	1.2	4 (2 - 4)	8	
There is a lack of IFRS implementation guidance	5.1	17	15	41.5	21.3	3.57	1.15	4 (3 - 4)	7	
There are insufficient competent specialists available	5.1	9.5	12.3	46.2	26.9	3.80	1.1	4 (3 - 5)	3	
There is a need for training	0.8	2.4	2.4	43.1	51.4	4.42	0.73	5 (4 - 5)	1	
There is a lack of proper instructions from regulatory bodies	3.5	24.8	25.2	31.9	14.6	3.29	1.10	3 (2 - 3)	9	
There is a problem with the IT system in handling the transition to IFRS	2.4	13.4	20.1	40.2	24	3.70	1.05	4 (3 - 4)	5	
There is a lack of legal enforcement	3.5	13.8	22.0	44.1	16.5	3.65	1.03	4 (3 - 4)	6	
There is a lack of IFRS knowledge in the KSA	2	12.3	11.1	46.6	28.1	3.87	1.02	4 (3 - 5)	2	

SD (Strongly Disagree), D (Disagree), N (Neutral), A (Agree), SA (Strongly Agree), SD** (Standard Deviation).

Table 8-2 shows the scores by group. The table indicates that financial analysts expressed the strongest level of agreement with the challenges, producing a total mean score of 3.89. This was followed by external auditors (3.71), academics (3.69) and accountants in the banking sector (3.60). The fact that the total group means are close together indicates the generally strong belief across the sample that adopting IFRS is a challenging process. However, the Kruskal-Wallis test (see Table 8-2 and Table 8-3) indicated significant differences between the groups on statements 3, 6 and 8, producing p-values of 0.015, 0.014 and 0.002 respectively.

On Statement 3, the financial analysts produced the highest group mean (4.00), with more than 71% of this group (along with 70% of external auditors) agreeing that companies are being given insufficient guidance on how to implement IFRS. In contrast, the majority of academics and accountants in the banking sector felt that the current level of guidance is adequate. A possible explanation for this high percentage from the financial analysts and external auditors could be that these groups engage directly with listed companies that are struggling to get understandable guidance from the regulator or even the IASB. Accountants in the banking sector may have been less concerned about this issue because the banks have been able to turn to consultancy firms for guidance.

Table 8-2: Descriptive Statistics for Group Means and Multiple Comparison Tests: Perceived Challenges of IFRS Adoption

Statement	**Profession* (Mean)**				**Kruskal-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
Adoption of IFRS is costly	3.73	3.83	4.00	3.62	0.341	**No significant differences between groups**			
IFRS increases the complexity of financial reporting	3.08	3.50	3.50	3.37	0.103	**No significant differences between groups**			
There is a lack of IFRS implementation guidance	3.41	3.70	4.00	3.35	0.015	FA	None	BA/AC	FA
There are insufficient competent specialists available	3.25	3.37	3.61	3.51	0.224	**No significant differences between groups**			
There is a need for training	4.42	4.41	4.67	4.24	0.055	**No significant differences between groups**			
There is a lack of proper instructions from regulatory bodies	3.51	3.67	3.61	3.83	0.014	EA	BA	**No significant differences between groups**	
There is a problem with the IT system in handling the transition to IFRS	3.72	3.70	3.73	3.64	0.980	**No significant differences between groups**			
There is a lack of legal enforcement	3.28	3.84	3.53	3.81	0.002	EA	FA/ BA	EA	None
There is a lack of IFRS knowledge in the KSA	3.82	3.85	4.10	3.86	0.533	**No significant differences between groups**			
Overall group mean	3.60	3.71	3.89	3.69					

* BA (Banking Sector), EA (External Auditor), FA (Financial Analyst), AC (Academic), Sig (Significant).

Table 8-3: Non-Parametric Test (Kruskal-Wallis) versus Parametric Test (One-Way ANOVA)

Statement	**Kruskal-Wallis Non-Parametric Test P-Value Sig Less than 0.05**	**One-Way ANOVA Parametric Test P-Value Sig Less than 0.05**
Adoption of IFRS is costly	--	--
IFRS increases the complexity of financial reporting	--	--
There is a lack of IFRS implementation guidance	0.015*	0.029*
There are insufficient competent specialists available	--	--
There is a need for training	--	--
There is a lack of proper instructions from regulatory bodies	0.014*	0.014*
There is a problem with the IT system in handling the transition to IFRS	--	--
There is a lack of legal enforcement	0.002**	0.001***
There is a lack of IFRS knowledge in the KSA	--	--
***p < 0.05 **p < 0.01 *** p < 0.001-- p > 0.05 Note: One-way ANOVA used as an additional test to verify the results**		

On Statement 6: “There is a lack of proper instructions from regulatory bodies”, the financial analysts and accountants scored lower (3.61 and 3.51 respectively) than the academics and external auditors (3.83 and 3.67 respectively), suggesting that the latter two groups felt that regulatory bodies need to give clearer instructions to companies. As the chief regulator for listed and unlisted companies, SOCPA has provided firms with the necessary translation of and guide to the IFRS, but some of the external auditors and academics struggled to comprehend the interpretations.

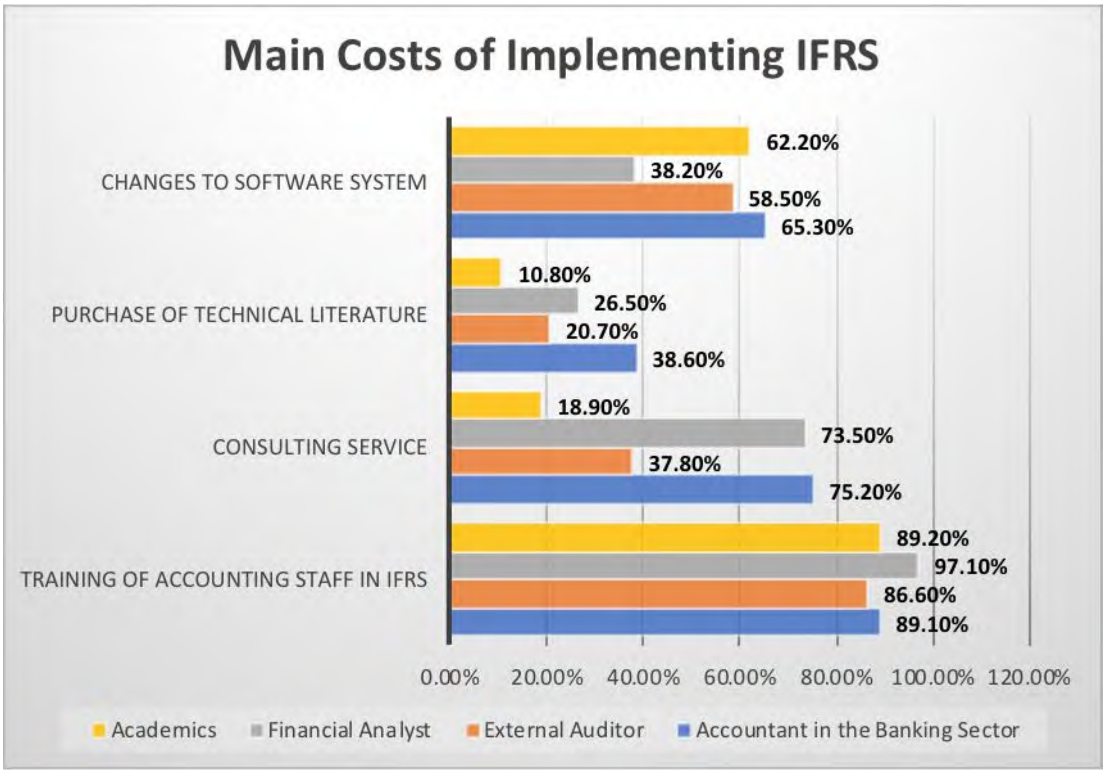
Finally, 75% of the academics and 74% of the auditors supported Statement 8: “There is a lack of legal enforcement”, compared to 46.6% of the accountants in the banking sector and 55.9% of the financial analysts. Legal enforcement is the responsibility of SAMA and SOCPA, who are the regulators of the banking and finance sector.

The questionnaire contained an extra, open-ended question asking the respondents to indicate whether they agreed that the listed items (drawn from the literature) are costs that other countries may face, or which Saudi banks faced during their transition to IFRS. It is clear from Figure 8-2 and Table 8-4 that the training of accounting staff on IFRS was the dominant concern of all the groups, with group percentages ranging from 86.6% to 97.1% and an overall percentage of 89.4%. This was followed by the “Transition to new software systems” item, which produced an overall percentage of 59.1%. Next, with 54.7% was the cost of consultancy services, while the purchase of technical literature (27.2%) and the lack of legal enforcement (26.8%) were deemed the least costly aspects of IFRS implementation.

Table 8-4: Frequencies for the Main Costs of Implementing IFRS, by Group

What are the main costs of adoption? (Please choose as many answers as you think are relevant.)	**Profession***								**Overall Response**	
	Banking Sector		**External Auditor**		**Financial Analyst**		**Academic**			
	N	%	N	%	N	%	N	%	N	%
Training for accountants on IFRS	90	89.1	71	86.6	33	97.1	33	89.2	227	89.4
Fees for consultancy services	76	75.2	31	37.8	25	73.5	7	18.9	139	54.7
Cost of technical literature	39	38.6	17	20.7	9	26.5	4	10.8	69	27.2
Transition to a new software system	66	65.3	48	58.5	13	38.2	23	62.2	150	59.1

Figure 8-2: Perceived Main Costs of Implementing IFRS, by Group

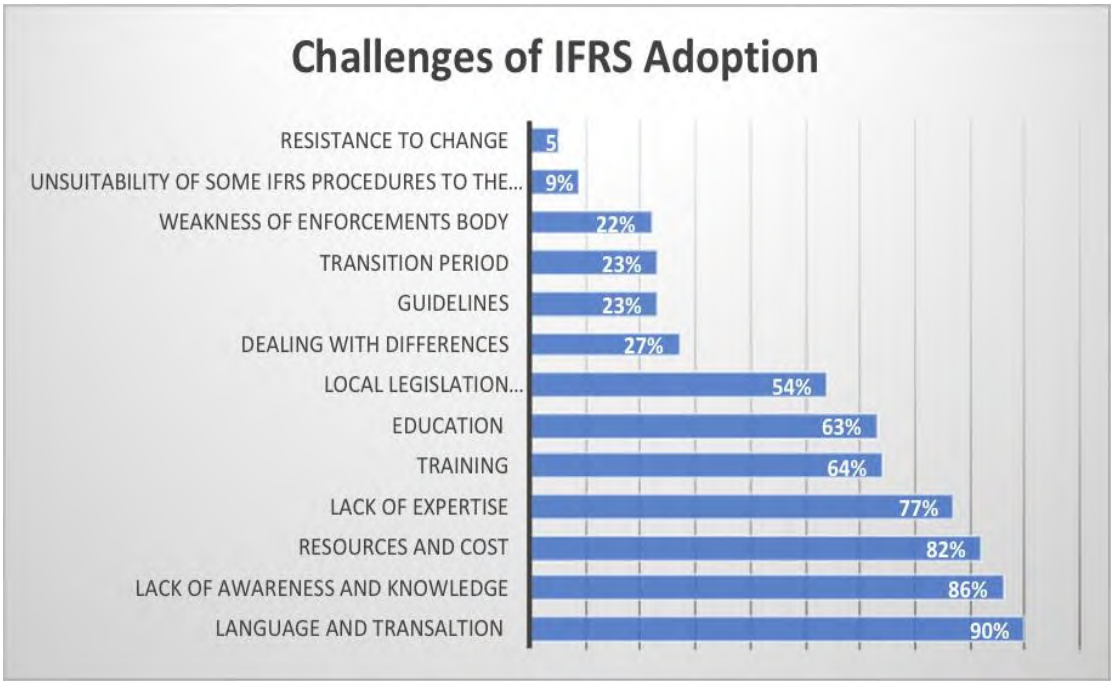


8.2.2 Analysis of Interview Results Regarding Challenges of IFRS Adoption

In order to explore the perceived challenges associated with IFRS adoption in Saudi Arabia, standard setters from SOCPA and SAMA, accountants in the banking sector and external auditors were all asked the main question: “What were the main challenges of the transition to IFRS?” In an attempt to understand what preparations were made for the adoption, the interviewees were also asked to give their own account of the transition period.

The interviewees referred to a number of challenges that arose during the transition: language and translation difficulties (90%, 20Nr), lack of awareness and knowledge (86%, 19Nr), financial resources and the cost of adoption (82%, 18Nr), lack of expertise (77%, 16Nr), lack of training (64%, 14Nr), the education system (63%, 14Nr), local legislation (i.e. Sharia law and Zakat) (54%, 12Nr), dealing with differences (27%, 6Nr), unhelpful guidelines (23%, 5Nr), the transition period (23%, 5Nr), the weakness of the enforcement body (22%, 5Nr), the unsuitability of some IFRS measures to the Saudi context (9%, 2Nr) and resistance to change (5%, 1Nr). Some of these challenges are discussed in the following sub-sections; those related to cultural factors are examined in Section 8.3.

Figure 8-3: Perceived Challenges of IFRS Adoption, as Identified by Interviewees



8.2.2.1 Transition Period

There was agreement from all interview participants that the transition to international standards was a difficult and lengthy process, particularly for accountants in listed companies and the banking sector. Bankers in the interview sample, most of whom were highly experienced, confirmed that transition continues to be a major task fraught with challenges, but most felt that implementation is possible as long as more is done to raise understanding and awareness of the application.

Explaining why they thought the transition was challenging, the interviewees mentioned the big gap between Saudi GAAP and IAS, and the cost and time involved in implementing the international standards (Interviewee CFO3-9I). For example, in the absence of detailed guidance, many companies were forced to hire consultants to help them with the implementation process, which proved very expensive. For the majority of respondents, the main challenge was finding staff able to take responsibility for the change process.

Despite these concerns, most of the bankers in the interview sample argued that banks were well prepared for the transition, thanks to the rigorous approach adopted by SAMA. As Interviewee RE1-1 pointed out, SOCPA had also put five years of planning into the transition:

> *"The plan for the transition to international standards provided for a number of executive procedures which were carried out by the relevant technical committees, respectively, by their respective executive committees ... To be more specific, the committees carried out the following ... First, they prepared technical, legal and systematic studies for each standard ... Then, Arabic translations of the standards were prepared ... Another thing was to hold several meetings for the technical committees, which included discussions of the consultation studies that were carried out on the standards, both in terms of legislation, regulation, and technicality ... This was followed by the presentation of the standards in several roundtable meetings, which included a group of professionals and practitioners from the supervisory, academic, professional and business sectors to exchange views on the international standards over a period of two full days for each set of interrelated standards".*

In addition to the preparation by regulators, transition in the banking sector was also made easier by the authorities making expertise and other resources available to the companies that needed them. As Interviewee AD4-1 observed, SOCPA needs to follow the same approach with listed companies as they undertake the implementation process.

8.2.2.2 Lack of Awareness and Knowledge

Lack of awareness and knowledge was cited by 19 (86%) of the interviewees as one of the main barriers to implementation. It was mentioned that although training has been provided through numerous workshops, many Saudi accounting professionals remain confused by the international standards and the transition process (Interviewee CFO3-5E). Consequently, the major challenge facing IFRS application in Saudi Arabia is the quality of local auditing firm knowledge; Interviewee AD4-4 explained that

"The majority of companies recruited external consultants from non-Saudi auditing firms, who made them pay a lot of money, to transition to the accounting standards because there is a lack of expertise and knowledge in the Saudi Arabian market".

The danger this lack of knowledge poses was pointed out by Interviewee RE1-4, who explained that companies have been forced to consider the difficulties that they might face, including failure to understand the application process and to carry out the guidelines issued by SOCPA and the CMA.

The problem is compounded by the fact that many have found the international standards, and the IFRS committee's translation of them, difficult to understand (Interviewee RE1-5). According to Interviewee CFO3-10J,

"In regard to the banks, there are data issues which are the main factor because they have, for example, problems understanding the legal requirement in IFRS 9".

Interviewee CFO3-6F was also of the opinion that the requirements are difficult to understand, explaining:

"I must admit though that the translation helped, but more workshops and training courses are required. A lot of people are asking for increased training and awareness for full adoption to take place".

Six interviewees (27%) saw lack of understanding of the guidelines as a key challenge during the transition process; Interviewee AD4-1 spoke of the need to understand and apply the standards correctly, while Interviewee AD4-3 argued that lack of understanding and knowledge among accounting practitioners is one of many reasons why transition has happened very slowly in Saudi Arabia. In this context, Interviewee CFO3-9I observed that

"There is a lack of knowledge and understanding of the different requirements in the implementation of standards as it is a very difficult process, in addition to the lack of knowledge about the process at the time of the adoption… I have to say that the explanations and guidance

> *were limited even from a regulatory point of view".*

However, another banker (Interviewee CFO3-10J) saw this as only a temporary problem:

> *"It is usually the case; statements under IFRS can be seen as difficult, especially for users in Saudi Arabia, who do not have that level of knowledge and understanding of these standards. Having said that, the difficulty of understanding statements under IFRS will be temporary".*

Interviewee CFO3-8H also saw lack of knowledge as a key challenge, arguing that people have to be educated about the benefits of IFRS and shown how the process of integration will help the accounting environment in Saudi Arabia and in the region as a whole. Training and lack of knowledge were seen as key challenges to adopting IFRS, leading a number of interviewees to argue that it is the duty of SOCPA to train staff to understand the new system and to clarify the terminology and definitions. Interviewee RE1-4 acknowledged that

> "*The translation was a solution, but understanding the criteria is the most difficult element. The Saudi Organisation for Certified Public Accountants has responsibility for training [people] to understand the system. It must also be noted that all partners need to have full awareness if they are to contribute to the development and training of information preparers and help them understand the standards".*

This implies that there is a national need for knowledge about IFRS to be disseminated in educational and professional institutions across Saudi Arabia. It should not be left to individual companies to educate themselves, as this may lead to variation in implementation and a lack of comparability and consistency. Finally, several interviewees (AD4-3, RE1-5, CFO3-10J, CFO3-6F, CFO3-8H and RE1-4) saw the lack of information technology skills among older (senior) professionals in the field as a factor that could influence the adoption of IFRS in Saudi Arabia in the long term. According to interviewee AD4-3,

> "*The technological ability and lack of familiarity with technology and software on the part of older staff is a main issue affecting*

implementation in the KSA".

To sum up, the transition process in Saudi Arabia has encountered several barriers which need to be addressed by SOCPA and SAMA. More training and workshops are needed to overcome the widespread lack of knowledge, and more local auditors should be attached to or offered more responsibility within the Big Four companies that dominate the Saudi auditing market. The Saudi Organisation for Chartered Public Accountants (SOCPA) can also facilitate the implementation process by providing listed companies with comprehensive implementation guidelines.

8.2.2.3 Financial Resources and Cost of Adoption

The availability of resources and the cost of adoption have been reported as major challenges of IFRS adoption in both developed and developing countries. Eighteen (82%) of the interviewees felt that not having the financial resources to cover the cost of adoption was a significant challenge during the transition period. The interviews confirmed the importance of resources by highlighting the difference between the banking sector, which was given the resources it needed for adoption, and other listed companies, many of which struggled to meet the additional costs incurred. These included the cost of changing manual records, computer systems and software, as well as prohibitively high consultancy fees. Access to resources was seen as a key indicator of whether a company is ready for adoption, with four interviewees arguing that big companies and banks were more able than smaller companies to prepare for the adoption of IFRS because they had these resources. Interviewee AD4-2 judged the combination of resources and experience to be the main advantage enjoyed by the banks during the transition process:

> *"I think it is only big companies because they have resources or foreign investment companies. We have 12 banks that are among the strongest banks in the Gulf with their resources and experience. This helped them to go through a smoother transition process, as well as strengthening their relationship with experienced external auditors, such as the Big Four".*

One CFO (Interviewee CFO3-1A) noted that for companies relying on local auditors, the transition was made more difficult because these auditors generally lack the resources to become more skilled with IFRS. Interviewee AD4-2 also highlighted the need for resources to be spent on training and guidance, explaining that

> "*Changing the previous accounting system requires some radical investments in terms of retraining staff*".

Similarly, Interviewee AD4-5 pointed out that the transition to international standards was a complicated, experimental process in which companies had few guidelines. Thisled many banks and companies to hire consultants, massively increasing the cost of adoption. Interviewee AD4-4 stated that

> "*Most of the companies used external consultants to facilitate the process of transition, but they did this at a very high cost, which made it very difficult for these companies".*

However, Interviewee RE1-3 explained the willingness of companies to incur these costs thus:

> *"Companies and banks think that implementing the standards is not limited to following regulatory requirements. In their view, adoption may be costly and time-consuming, but it is appropriate for the country".*

To conclude, the cost of transition has had an impact. The banking sector had access to the resources it needed, but a few interviewees still blamed regulators for not supporting local auditing firms to take the lead in the implementation process. This resulted in the majority of banks hiring offshore auditing firms to manage the implementation, at higher cost. Local policymakers must take steps to address this issue and facilitate the implementation process as the accounting profession has significant influence on reporting quality.

8.2.2.4 Lack of Expertise

Lack of expertise in IFRS (77%, 16Nr) was classified as another major challenge during the transition period and one of the reasons why Saudi Arabia is not yet ready for full IFRS adoption. Speaking about his bank, Interviewee CFO3-1A admitted that:

> *"In order for this unit to achieve its objectives properly, it needs to be*

> *provided with professional accounting staff that have the capacity to organise and monitor corporate compliance with accounting disclosure requirements"*.

However, Interviewee CFO3-11K took a broader view, citing the limited expertise of IFRS in banks and other sectors as being likely to affect IFRS adoption across Saudi Arabia as a whole. Interviewee CFO3-10 also argued that limited expertise may impact adoption, particularly in the first year, though he suggested that this will be manageable if regulators are fully aware of the barriers companies face and how these might lead to misinterpretations in some companies' financial statements. In this regard, interviewee CFO3-8H described lack of relevant experience as one of the main challenges facing Saudi Arabia in its efforts to transition to IFRS:

> *"The main challenges in Saudi lie in the lack of easy and understandable guidelines, the shortage in experienced people, as well as the culture of the auditor"*.

A number of interviewees linked lack of expertise with lack of preparedness on the part of Saudi companies for IFRS adoption. Interviewees CFO3-4D and CFO3-2B blamed this on a lack of preparedness on the part of regulators, but Interviewee AD4-5 attributed the problem to a shortage of suitably experienced accountants:

> *"Saudi companies are not ready, and even among the listed ones, only a few are ready. Adoption relies on the accountant assigned to the company or bank, and that puts high pressure [on them] and there is a shortage of expertise in the market"*.

Interviewee AD4-4 stressed that

> *"The availability of qualified personnel to deal with the transition project is an important factor in adopting these standards"*.

But the respondents' answers revealed that it is very difficult to find accountants with IFRS experience in Saudi Arabia, despite the fact that thousands of scholarships have been awarded to students to study abroad (see Section 4.8.2.3). One solution might be to stipulate that some of these scholarships must be given to students undertaking accounting degrees in countries using IFRS.

Interviewee CFO3-5E, meanwhile, noted the lack of relevant expertise among local auditors. This was echoed by Interviewee CFO3-3C, who explained that

> *"Banks wanted to rely on the most efficient auditors from Saudi Arabia …, but the ones they met did not have the technical expertise".*

Others focused on the qualifications and professional experience of financial managers; Interviewee AD4-4 suggested that

> *"The availability of qualified financial managers is essential, and companies and banks must appoint a financial manager who has professional and academic qualifications, in addition to a good deal of experience".*

However, this interviewee went on to say that although

> *"…financial managers in fact should have the relevant experience and competence, which is an important element in the correct transition process, … there is limited expertise".*

Six (27%) of the interviewees highlighted the importance of building a team of experts with the required experience, and several said that their company had employed external specialists in IFRS transition as consultants, though interviewees AD4-1 and CFO3-91 remarked that seeking help from these experts can be a costly matter. The interviewees expressed the view that companies with the resources to engage external consultants with the relevant expertise and strong connections with the Big Four were the most likely to have a smooth transition. Not all banks fell into this category.

8.2.2.5 Lack of Training

Given that the local standards are well established and most accountants lack experience of IFRS, comprehensive training on the new standards is crucial. The fact that this training has not been available was perceived by interviewees as one of the key barriers to adoption. Fourteen (64%) interviewees believed that lack of training has affected the adoption of IFRS in Saudi Arabia. Nine interviewees (41%) spoke of the need to train staff in IFRS and IAS, but according to one regulator (Interviewee RE1-1), some employees have been employed for 10 years without attending any training or professional courses. This may simply be due to lack of opportunity; however, if it is also indicative of a reluctance among some employees to develop their professional skills, this poses a further challenge to successful adoption of the new standards. The importance of training was stressed by Interviewee CFO3-6F, who asserted that in terms of preparation to adopt,

> "*…there is a huge need to change the systems. This will only be done by intensive training of existing employees or attracting qualified personnel to perform this role, and what makes training even more important is that the application of international standards is not a mechanical process, but rather depends on understanding the requirements of standards and their interrelationship with one another in a corporate and business environment often characterised by its dynamism".*

Interviewee RE1-3 also urged that companies should re-evaluate the training they provide to identify international standards, ensure that they are properly adapted and familiarise employees with the international standards:

> *"Here comes the role of companies as they are responsible for attracting national expertise, developing and training employees and managers, as well as raising their professional competence, especially in the IFRS standards".*

Speaking from the perspective of companies, however, Interviewee CFO3-3C described the challenges his bank faced, despite SAMA's seminars and workshops for accountants:

> *"I remember during the early days of adoption in the banks, there were no Saudis who were able to understand the standards and we did not either ... We used very expensive consultancy companies, but with time we have learnt. Also, the Authority translated the standards and we adopted the translation, but we found it very difficult to make it*

understandable. IRFS 9 was very difficult and when we got to the time of implementation, it was difficult on the programming level".

This interviewee explained that nobody seemed to understand the standard until it was fully applied, but that the staff benefited from this learning phase. Perhaps because of this experience, he was optimistic that although IFRS adoption poses many challenges, these may disappear with time.

Understanding the standards was seen as the most difficult part of the transition process. For this reason, SOCPA's Commission for Professional Training and Development decided to introduce IFRS gradually, giving accounting professionals and other stakeholders time to share their understanding of the standards and to study them further. The Commission has run numerous training courses to prepare companies for the changes (Interviewee CFO3-10J). However, one external auditor (AD4-4) wondered:

"How will the training and retraining equip human beings to deal with the transition to international standards? And who is responsible for the human development process?".

This interviewee argued that the responsibility for providing staff with practical and theoretical follow-up, including a framework and methodology for the transition process, lies with both government institutions like SOCPA and non-governmental organisations. However, his comment reflects the confusion and misunderstanding that still surrounds the whole process. SOCPA has received much of the blame for the current lack of understanding, but companies and individuals must also take responsibility for educating themselves.

Four interviewees (18%) considered training to be one of the most important ways Saudi companies can show they are ready for adoption. Describing the banks' preparation for IFRS, the interviewees commented positively on their provision of workshops, training courses and guidelines. Interviewee CFO3-11K observed that

"Another positive aspect is staff training and the banks' sense of the need for a whole strategy for transition to IFRS, both from the human and

financial, as well as the system, which will help the process of transition".

SAMA organised training and ran numerous workshops to help banking sector staff deal with any difficulties during the transition period. This was confirmed by most of the interviewees (e.g. Interviewee CFO3-6F). However, opinions were more mixed on the role played by SOCPA. One external auditor (Interviewee AD4-1) praised the organisation for its

> *"…great effort in preparing and coordinating to arrive at this level, to provide and coordinate workshops and specialised panel discussions in order to prepare for the adoption".*

However, most of the interviewees felt that SOCPA provided insufficient training or workshops, depending instead on the Big Four to train external auditors on its behalf. This was refuted by one SOCPA representative (Interviewee RE2-1), who argued that SOCPA provided what was necessary for the initial adoption, and that it is up to the company or institution to invest in its human resources to ensure that they are equipped to do the rest.

> *"If necessary, they must consult with experts to measure this effect and work to correct their paths gradually and smoothly until the date of transition, in addition to participating in workshops, seminars and specialised educational courses on the importance and usefulness of this change in general and methods of optimal application. Some may say that the transition may not be appropriate at the moment or that the speed [of the change] does not allow us to prepare adequately to make the necessary change. But I sincerely believe that we will not be fully prepared, no matter how long the transition period is. Delay and dependence are not the solution. We must persevere in the transformation and raise awareness among companies and institutions".*

According to Interviewee RE1-1, the application of international standards does not require costly changes to current accounting systems, but it does require investment in the human capital in order to optimise the application of the standards. The training of this human capital cannot be the responsibility of individual companies but needs to be a shared effort at individual, company and regulator levels. Awareness of the importance and benefits of the IFRS needs to be spread around accountants, managers and educators, and organised training programmes need to be in place. Where employees are unwilling to undertake training, companies may link it to promotion, thereby incentivising these individuals to be more serious about learning about the IFRS.

8.2.2.6 Education System

At the time of writing, most of Saudi Arabia's 34 universities have not updated their curricula to meet the International Education Standards (IES). Fourteen (63%) of the interviewees identified the current state of accounting education in Saudi Arabia as a barrier to the implementation of IFRS. Three main problems were highlighted: these were: improve the accounting and finance curriculum in universities; bridge a linkage between universities and the private sector; barriers of language. The first two of these are discussed in this section, while the language barrier is discussed in Section 8.3.2.1 under cultural factors.

Improve the Accounting and Finance curriculum

The majority of interviewees (50%, 11Nr) spoke of the need to update and modernise the existing curricula in higher education institutions (HEIs) and instructional programmes to respond to developments in the accounting profession. The view expressed by interviewee CFO3-1A that the education system is not compatible with the changes that have taken place was echoed by Interviewee CFO3-3C, who argued that current educational materials are not consistent with the requirements of the market because practice is completely different from the theory being taught at universities. The result, according to Interviewee AD4-1, is that

> *"due to the poor of the existing curricula in the university, we tend to prefer employing foreign specialists who appear to have an understanding of the fundamentals of international standards".*

Interviewee CFO3-5E concluded that

> *"Saudi Arabia has to align its educational system with the scientific progress in the field of finance and accounting in order to change the accounting environment, which will result in sorting the shortage of*

accountants in the KSA who can understand the IFRS".

The deficiencies in accounting education were attributed by Interviewee AD4-5 to the fact that academics are not yet fully conversant with the new standards, despite SOCPA translating materials and making them available to universities. This interviewee explained that SOCPA

> *"…expected that universities would update their materials, but there was no sign of it. The solution is to involve the Authority in educational policy".*

The findings suggest that bureaucracy poses a major challenge to the application of IFRS, given that curriculum development and authorisation are in the hands of various committees and councils that may oppose adoption. Developing an appropriate accounting system requires the relevant departments to make extra effort to formulate changes and to push for their submission to the Committee of Academic Curricula and Planning for assessment. This must be followed by ratification by the college council and then final authorisation by the university council. The whole process is time-consuming and may prevent the development of practical responses to environmental changes. As the above interviewee suggests, therefore, it is perhaps time for the Ministry of Higher Education, as the sector's supreme supervisory body, to take the lead and force all HEIs in the country to update their accounting and finance degree courses.

Interviewee AD4-4 blamed the lack of progress thus far on general inertia within the tertiary sector, claiming that there are many barriers for academics who update their skills and try to update the current curriculum. Interviewee CFO3-7G wanted universities to ensure that their staff are familiar with international standards by encouraging self-learning and running appropriate training, but Interviewee CFO3-1A summed up the current state of affairs with the observation that universities are still in a state of hibernation. This raises some serious concerns about the role of universities in delivering the knowledge and skills required by businesses. There are currently, for example, no opportunities for students to advance their theoretical knowledge by gaining practical experience on work placements. Such links between HEIs and companies, organisations and other institutions are urgently needed to enhance the understanding and thence the adoption of IFRS across Saudi Arabia.

More encouragingly, Interviewee CFO3-2B pointed out that some of the top universities in Saudi Arabia have shown an interest in changing their curricula to suit the changes. This interviewee explained that most of the accounting textbooks relating to the international standards have been translated into Arabic by the SOCPA sold into these universities for nominal prices to motivate them to keep pace with the change.

> *"Some universities made some individual efforts through heads of department agreeing to include these books in their academic plans ... There are about 5,500 books like The Principles of Accounting, The Methods of Intermediate Accounting and Auditing Principles".*

However, this participant went on to concede that

> *"There is a flawed approach to implementation on the part of universities and it must be corrected in the preparation of graduates, especially now".*

Similarly, Interviewee RE1-5 also insisted that graduates from Saudi universities will not really be properly qualified until they are equipped to meet the new requirements. Interviewee AD4-3 highlighted another potential problem with his observation that most graduates, whatever their specialty, are only interested in a government job, and that this culture will not be easy to change in the short term.

Ultimately, universities can do only so much to prepare students; most will require additional professional training. Offering scholarships to accounting graduates to undertake professional certification such as ACCA, CIMA and CIPFA is one way to maximise the chances of successful IFRS adoption and implementation in Saudi Arabia.

Collaboration between universities and private sector

The findings indicate no evidence of collaboration between universities and listed companies, including banks (14%, 3Nr). Interviewee CFO3-2B explained that

> *"The Authority sought to collaborate with several universities, but they are unfortunately still following the old curriculum, which made it very difficult to change".*

This led Interviewee CFO3-10J to call for greater input from academic institutions, and there has indeed been a lot of pressure on universities to engage with the private sector. The lack of collaboration means that universities are unable to assess the extent to which their outputs match the evolving needs of Saudi Arabia's labour market. The fact is that most companies in the private sector prefer to hire accountants (whether Saudi or non-Saudi) who were educated in foreign universities. It is up to universities to engage with these companies and to take steps to ensure that the graduates they turn out have skills that are in line with the development of the country's accounting system.

8.2.2.7 Dealing with Differences

Dealing with differences in accounting policies emerged as a theme with six (27%, 6Nr) of the interviewees cited the difficulty of dealing with the differences between the provisions of the SAS and those of the IFRS as a major challenge to the adoption process. Interviewee CFO3-11K, gave one example:

> *"The Saudi regulators represented in SOCPA and CMA have postponed the property, plants, equipment, investment property, and intangible assets fair value revaluation standards and continue to use the cost model. As there is no clear reason for this decision, there has been some speculation that it is due to the lack of liquid markets and specialist revaluation bodies in the country. So, how will we deal with such cases?"*

This was confirmed by one of the regulators (Interviewee RE1-1), who explained that some of the new standards cannot be implemented at the current time as SOCPA and the CMA want to avoid over-revaluation. RE1-1 states:

> "*Guidance from SOCPA and the CMA has been made to listed companies as regards the fair value issue. We recommend that when assessing the value of an asset, the valuation is based on the historical cost of fixed assets. The objective of this is to reduce corporate asset inflation".*

Interviewee RE1-5, another regulator, also highlighted the differences between local and international standards:

> *"Of course, there are certain difficulties with the implementation … First, SOCPA and GAAP are principle-based, not role-based as IFRS. These could be challenges as some standards are in need for ground foundation to adopt, and require fundamental changes before we can adopt them, such as disclosure, which is a significant challenge. Any requirements which need judgement will vary from one company to another. In other standards, we had difficulties in lease and revenue standards. This is why Saudi Arabia's SOCPA has worked with many consultancy firms to regulate and spread awareness among all preparers of financial statements".*

A number of interviewees explained that IFRS has different treatments, which can lead to negative interpretation of the reported information; according to Interviewee CFO3-3C:

> *"The flexibility offered by IFRS [means] there are a variety of interpretation options, which can lead to subjectivity".*

The differences have made some standards difficult to interpret, especially in areas such as disclosure; Interviewee CFO3-1A spoke of the *"…difficulty in understanding and interpreting disclosure requirements",*

While Interviewee CFO3-1A described the banking sector's concern about IFRS 9:

> ***"**For example, most of the banks are concerned about the application of IFRS 9. They are not very comfortable with it because it is going to be on 'Retractive' on the previous years … Standard 9 is based on 'Maturity' … The majority of banks are concerned about the quality of information".*

Interviewees CFO3-1A and RE1-5 both described the interpretation of the new standards as a long and difficult process and the biggest challenge to adoption. They were echoed by Interviewee CFO3-9I, who was critical of SAMA's attempts at guidance:

> *"In practice, interpretation was very difficult … SAMA put us under extra pressure as their circular was not clear, so banks tended to use consultants as guides. This increased the cost … Also, some of the standards have not added any value to the banking sector … As I mentioned, some of the standards are costly and consume a great deal of time … So, they need more understanding to report them … Interpretation is very difficult, and it is our biggest challenge".*

In contrast, a standard setter from SAMA (Interviewee RE2-1) was confident that the organisation did enough to help banks prepare for the changes:

> *"The interpretation problem is new and, in practical terms, difficult, but SAMA has provided all the necessary circulars and explanation to overcome these difficulties".*

Even so, this interviewee warned that

> "*Difficulties in interpreting these standards will be there for three to four years".*

In summary, the interviewees saw the differences between local and international standards as a barrier to the adoption of IFRS in Saudi Arabia. Some saw some of the standards as having the potential to negatively impact on the country's reporting system, while others saw interpretation as the main challenge. The interviewees described the impact of the differences on the transition thus far, but without proper guidelines and training, these differences are likely to remain significant barriers. Some of standards are really difficult to interpret, which may affect reporting quality.

8.2.2.8 Lack of Clear Guidance

Poor guidance and instruction were mentioned by five (23%) of the interviewees (CFO3-1A, CFO3-4D, CFO3-6F, CFO3-7G and RE1-2) as one of the main challenges during the transition period. Interviewee CFO3-1A explained that it is SOCPA's job to regulate the accounting and auditing profession:

> *"One of the tasks of the Authority is to establish the appropriate regulation of field control to ensure that accountants apply the accounting and auditing standards"*.

However, Interviewees CFO3-4D and CFO3-7G described the regulatory guidelines issued by SOCPA as unclear and not very helpful. They were echoed by Interviewee AD-4, who complained that listed companies were given

> *"… few guidelines from SOCPA as a regulator and the regulatory guidelines are not very helpful".*

In fact, more than half (55%) of the interviewees said that the guidance provided by SOCPA was inadequate and that it offered listed companies little help with the implementation of IFRS. Interviewees from the banking sector were, however, generally more complimentary about SAMA's efforts to give guidance to companies in this sector; according to Interviewee CFO3-5E,

> *"External push factors such as the rigorous approach from the Monetary Authority were crucial as they put pressure on the banks, who were well-prepared for the transition. This was the approach adopted by the party in charge of the transition, which was the Financial Authority represented by SAMA with the help of the external consultants".*

However, not everyone from the banking sector agreed that SAMA did enough to prepare banks, with some complaining that they were given only limited guidance. Interviewee CFO3-8H, for example, expressed the view that

> *"It is all about the knowledge and strategy to adopt, and I think the main challenges in Saudi lie in the lack of easy and understandable guidelines".*

This interviewee went on to say that

> "*It is true SAMA as a regulator provides some workshops and circulars for the requirements, but this is not enough to deal with some of the difficulties".*

This perceived limitation led Interviewee CF03-5E to argue that banks should provide their own guidance alongside that from SAMA.

The mixed views expressed by the interviewees reflect the variation in knowledge levels among accounting professionals. More knowledgeable accountants found the instructions and guidance offered by the regulators sufficient to implement IFRS, while those who were less knowledgeable felt they needed more support. This variation in knowledge may be attributable to the amount of effort different companies put into preparing their staff for the transition.

8.2.2.9 Weakness of Enforcement Body

The weakness of the regulator as an enforcement body was identified by five (22%) interviewees as a barrier to the adoption of IFRS in Saudi Arabia. Interviewee AD4-1 argued that reporting quality will improve if there is a strong body to enforce the implementation of the standards, but this is unlikely as long as SOCPA has only limited powers. His view was echoed by Interviewee CFO3-1A, who noted that SOCPA is weak compared to SAMA and needs major improvement. He suggested establishing a special surveillance unit:

> *"I believe in the need to establish a special surveillance unit either under the supervision of the Saudi Organisation of Certified Public Accountants or within the Department of Companies in the Ministry of Commerce ... Its mission should be to ensure the application of accounting standards. It should be given clear and explicit responsibility and sufficient enforcement [powers] to compel all companies to fully implement the guidelines, including the appropriate disciplinary actions*".

The question of who should assume overall responsibility for the change to IFRS is a big issue in Saudi Arabia; indeed, two of the interviewees from the banking sector saw this as the main challenge to the change process. Interviewee AD4-1 saw the main problem as being that the responsibility for implementing IFRS correctly is being left to companies. This suggests that there is no clear framework for the transition, but these findings prove that robust enforcement is perceived as vital if the full benefits of adoption are to be realised. At the moment, the banking sector has a strong regulator – SAMA – but SOCPA is struggling to regulate or to produce a clear framework for IFRS adoption across the Saudi economy as a whole. To resolve this weakness, the Saudi government should align the different bodies involved in the adoption process, give SOCPA greater enforcement powers and funds, and set up a strong regulatory framework for reporting systems.

To sum up, the interview analysis reveals a number of challenges to transition, including lack of awareness, knowledge, expertise, training and financial resources; uncertainty about who is ultimately responsible for the change process; inadequate guidelines from regulators; and problems dealing with the differences between the old and new standards. The results also highlight problems with the accounting and finance education being offered in Saudi universities, particularly the out-of-date curricula and the lack of cooperation with the private sector.

8.3 Cultural Factors

This section presents the findings from the survey questionnaires and semi-structured interviews to identify those cultural factors that participants perceived as potential barriers to IFRS adoption in Saudi Arabia

8.3.1 Analysis of Questionnaire Results Regarding Cultural Factors Affecting IFRS Adoption

The questionnaire survey included a question in which the respondents were asked to indicate the extent to which they agreed that the listed cultural factors are impacting the adoption of IFRS in Saudi Arabia. The overall results for the question (see Figure 8-4) show that 72.7% of the respondents agreed that Sharia requirements are affecting IFRS adoption, 54.6% cited language issues and 49% cited the unsuitability of some IFRS procedures to the Saudi environment.

Figure 8-4: Overall Results for Perceived Cultural Factors Affecting IFRS Adoption

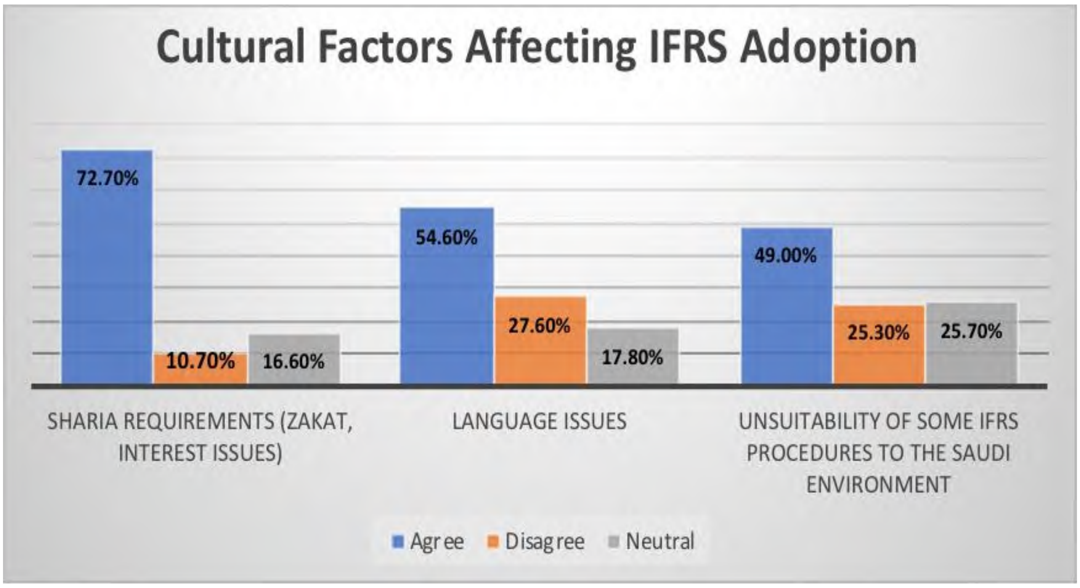


Table 8-5: Descriptive Statistics for Perceived Cultural Factors Affecting IFRS Adoption

Statement	Level of Agreement* (%)					Total Mean Score	SD**	Median (25-75)	Rank	Cronbach's α
	SD	D	N	A	SA					
Sharia requirements (Zakat)	3.6	7.1	16.6	42.3	30.4	3.89	1.03	4 (3 - 5)	1	0.645
Language issues	6.3	21.3	17.8	37.2	17.4	3.38	1.2	4 (2 - 4)	2	
Unsuitability of some IFRS procedures to the Saudi environment	7.1	18.2	25.7	32.0	17.0	3.34	1.17	4 (2 - 4)	3	

SD (Strongly Disagree), D (Disagree), N (Neutral), A (Agree), SA (Strongly Agree), SD** (Standard Deviation).

Table 8-5 shows the overall mean scores for each of these cultural factors. Sharia requirements produced an overall mean score of 3.89, while language issues produced a score of 3.38 and unsuitability of procedures a score of 3.34. The first of these scores indicates the strong impact of Sharia on the adoption of IFRS; that the survey respondents saw it as the most influential cultural factor was arguably predictable, given the central role that Sharia law plays in all aspects of Saudi Arabia's social and economic life. However, the Kruskal-Wallis test (see Table 8-6 and Table 8-7) revealed the presence of significant difference between the groups on this statement (p-value = 0.036). The Mann-Whitney test found that this difference was between the auditors (mean score of 4.16) and the other three groups (academics, 3.94; financial analysts, 3.88; accountants in the banking sector, 3.68). One possible explanation for the low score from accountants is that this group may perceive the Zakat and interest issues as simply a familiar aspect of the local rules. On the other hand, the other groups (external auditors, academics and financial analysts) may perceive Zakat as an obstacle because it is not governed by a set of generally agreed standards, but tends to vary in its interpretation.

The Kruskal-Wallis test also revealed a significant difference in regard to Item 3: the unsuitability of some IFRS procedures to the Saudi environment (p-value = 0.001). This time, the auditors produced a significantly lower mean score (2.85) than the other three groups. The highest level of agreement came from the financial analysts with a mean score of 3.76, followed by academics (3.59) and accountants in the banking sector (3.50). This is another indication that the external auditors perceived the IFRS as a suitable framework with needed review of the specific country legislations such as the Zakat.

The adoption of IFRS has clearly been impacted by the local legislation, which is guided by Islam (see Section 3.5.2.1). The majority of survey respondents saw Sharia as having an influence on IFRS adoption in Islamic countries such as Saudi Arabia, further it can lead to yield their accounting regulations different than those in developed countries. Other cultural factors that can hinder IFRS adoption are the incompatibility of some IFRS procedures with the cultural background of the country and difficulties in understanding the language of the standards. These are discussed in the following sections.

Table 8-6: Descriptive Statistics for Group Means and Multiple Comparison Tests: Perceived Cultural Factors Affecting IFRS Adoption

Statement	Profession* (Mean)				Kruskal-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
Sharia requirements (Zakat)	3.68	4.16	3.88	3.94	0.036	EA	BA/FA/AC	EA	EA
Language issues	3.42	3.37	3.38	3.32	0.962	**No significant differences between groups**			
Unsuitability of some IFRS procedures to the Saudi environment	3.50	2.85	3.76	3.59	0.001	EA	BA/ FA/ AC	EA	EA

* BA (Banking Sector), EA (External Auditor), FA (Financial Analyst), AC (Academic), Sig (Significant).

Table 8-7: Non-Parametric Test (Kruskal-Wallis) versus Parametric Test (One-Way ANOVA)

Statement	Kruskal-Wallis	One-Way ANOVA
	Non-Parametric Test P-Value Sig Less than 0.05	**Parametric Test P-Value Sig Less than 0.05**
Sharia requirements (Zakat)	0.036*	0.018*
Language issues	--	--
Unsuitability of some IFRS procedures to the Saudi environment	0.001***	0.001***
***p < 0.05 **p < 0.01 *** p < 0.001-- p > 0.05** **Note: One-way ANOVA used as an additional test to verify the results**		

8.3.2 Analysis of Interview Results Regarding Cultural Factors Affecting IFRS Adoption

The interviewees identified a number of cultural factors as posing a significant challenge to the successful adoption of IFRS in Saudi Arabia. These included language barriers (90%, 20Nr), local legislation (54%, 12Nr), resistance to change (5%, 1Nr), and the unsuitability of some IFRS procedures to the Saudi environment (9%, 2Nr) (see Figure 8-3). These themes are discussed below.

8.3.2.1 Language Barriers

Understanding the meaning and essence of the IFRS standards is a significant challenge for those accountants in Saudi Arabia who lack basic proficiency in English because the standards are issued in English. The language factor was identified by almost all the interviewees (90%, 20Nr) as one of the main factors influencing IFRS adoption in Saudi Arabia and one of the main challenges during the transition period (see Figure 8-3). Interviewee AD4-5 argued that as this is the primary challenge for Saudi employees, improving the English language skills of accountants in Saudi Arabia must be at the heart of any future training programme.

> *"The first immediate challenge for us Saudis is the language, while it would not be an issue for a non-Saudi worker".*

Interviewee AD4-3 also stressed the importance of intensive language training:

> "*Because international standards are not written in Arabic, but rather translated from English into Arabic, it is crucial to attract the right people and train them in English language. In so doing, employees from Saudi Arabia will be able to understand and interpret the standards accurately and clearly".*

This interviewee was echoed by interviewee CFO3-6F, who pointed out that the guidelines can be difficult to understand even for native speakers, never mind those whose first language is not English. Interviewee CFO3-4D declared that SOCPA has tried to address the language barrier, and Interviewee RE1-5 agreed, explaining that

> *"SOCPA, with the agreement of the leadership, tried to translate the standards into the Arabic language to make it easier for Saudi preparers to interpret*".

Indeed, another standard setter (Interviewee RE1-1) pointed out that

> "*We [SOCPA] have been recognised by the IASB as the main Arabic translator for the Middle East region, and we have a Saudi representative on the IASB committee".*

However, Interviewee AD4-4 insisted that SOCPA's Arabic translation of the standards has not been accredited by the standards issuing authority, and that without an accredited translation, a large proportion of accounting standards users in Saudi Arabia, who do not speak English, are unable to benefit from the IFRS. This was echoed by Interviewee CFO3-1A, who stated that

> *"The major element that represented a barrier in the transition stage was the language used in the interpretation or translation of some of the criteria ... It is very difficult, and even the translation provided by the Authority is not really appropriate because of its ambiguity".*

As a result, he added, his bank had to use the manuals issued by the Big Four. The problems with the SOCPA translation were also mentioned by another external auditor (Interviewee AD4-2):

> *"Interpretation and translation were not simple to follow, I can assure you that the translation by Saudi SOCPA was not easy, but problematic. However, the new version of the translation, as I heard, is easy to follow".*

Most of the report preparers saw SOCPA's translation of the standards as problematic and felt that SOCPA itself had not offered them any help. In contrast, the attitude towards SAMA was more positive; Interviewee CFO3-6F described how the Authority

> *"…has followed best practice, providing a translation with easy*

instructions to follow and to understand".

This led another banker (Interviewee CFO3-8H) to call on SOCPA to improve its own performance to match:

> *"SOCPA has to put in more effort and make the implementation guidance and instructors easier if it wants to achieve good results from the adoption".*

Two interviewees (9%) linked the problem of language to the education system, arguing that it has a direct influence on the ability of HEIs to keep up to date with global developments and modernise the curriculum. Interviewee AD4-2 observed that language is a very big barrier to spreading understanding of the standards, especially as there are so few academics with the relevant expertise, while Interviewee CFO3-7G mentioned the difficulties of finding suitable textbooks that will help universities develop their academic curricula and conform to the international standards. Those universities offering Arabic programmes face unique problems obtaining high-quality textbooks written in good Arabic that use terms familiar to local practitioners.

The findings highlight the language difficulties faced by different stakeholders during the transition to IFRS. SAMA has produced its own translation of the standards for the financial sector, but the version produced by SOCPA was judged inadequate by many of the interviewees. To resolve this problem, SOCPA needs to engage more closely with preparers and help them become familiar with the new terminology and with explanations that can be hard to understand even for English speakers.

8.3.2.2 Local Legislation: Sharia Law and Zakat

Most of the interviewees (54%, 12Nr) agreed that the local legislation, which in Saudi Arabia means Sharia law and Zakat[18], has an impact on IFRS adoption.

[18] Zakat is a form of tax. Under Islamic law, it is ranked second in importance after prayer and regarded as a religious obligation for all Muslims who meet the wealth criteria. Zakat is charged at 2.5% of net worth.

Interviewee CFO3-3C argued that the laws of Sharia are difficult and incompatible with IFRS principles. The issue of Zakat must also be addressed if the standards are to be fully applied.

Interviewee RE1-4 pointed out that the transition plan stipulates that the methodology for studying the international standards with a view to applying them in Saudi Arabia should ensure that the local environment is taken into consideration, whether in terms of the Sharia provisions, existing regulation or the legislative and technical readiness of the involved parties. Similarly, Interviewee RE1-1 argued that

> *"The adoption of the International Financial Reporting Standards should be preceded by an extensive study of the legal requirements, regulatory and technical aspects of these standards".*

The same interviewee pointed out that the transition plan gives SOCPA a central role in providing accounting standards and guidelines for Sharia-compliant transactions. He added:

> *"The board is currently examining the international accounting standards. The main objectives of this group include identifying and analysing issues related to the concepts and principles that have been set up for Muslims, as well as clarifying the challenges facing the application of international standards, which are ensuring Sharia-compliant transactions and tools and developing solutions".*

Interviewee RE1-1 asserted that SOCPA is working with the IASB to develop a solution for countries that report Zakat because as Interviewee AD1-5 (an external auditor) pointed out, there are no specific standards relating to the tax.

> *"There is no standard in international standards that fits the Zakat standard in Saudi Arabia. This leads to uncertainty regarding Zakat and tax, requiring companies to carefully evaluate the consequences of any changes in their financial reports to make sure that they remain in line with the Saudi tax and Zakat requirements".*

The importance of resolving the Zakat issue was also emphasised by one of the bankers (Interviewee CFO3-5E):

> *"There is still confusion among preparers in the Saudi banking sector about Zakat and tax; it is reported that the Zakat will be charged under equity not income standards. In the banking sector, they still operate on the idea that Zakat is reported as tax on income and reported in a special report to the Department of Zakat".*

Another banker (Interviewee CFO4-1A) also mentioned that banks and companies in Saudi Arabia are required to issue two statements, one for the public and the other for the Ministry of Income Tax and Zakat. This interviewee warned that even under the previous Saudi standards, the calculation of Zakat was the source of major problems between banks and this department. Disputes are perhaps to be expected as Zakat, while technically a tax, is calculated differently from income tax. However, reporting Zakat under headings of tax, with suitable disclosures, should not be a problem as long as stakeholders are made aware of this reporting issue.

8.3.2.3 Unsuitability of Some IFRS Procedures to the Saudi Environment

Two (9%) interviewees suggested that some of the international standards are unsuited to the Saudi environment. According to one auditor (Interviewee AD4-2), it is the job of SOCPA to

> *"…solve these problems that are unique to the Saudi environment such as fair value standards".*

This includes reconciling the standards with the demands of Sharia law and Zakat:

> *"International standards are based on two parts: they are principle-based and rules-based, but each country has its own adjustments and additions to the standards ... For example, in the kingdom, taxes or Zakat".*

Interviewee RE1-2 argued that SOCPA has made efforts to adapt the standards to meet the needs of the Saudi environment:

> *"I am of the opinion that the Saudi Organisation for Certified Public Accountants (SOCPA) has made a great effort to prepare and coordinate*

to arrive at this level ... It started by preparing studies and specialised committees to transfer these standards to the local environment. The transition and application of international standards in measurement, presentation and disclosure requires the local environment to be ready to properly implement the standard requirements ... It is well known that international standards are designed to be applied in advanced professional and financial environments".

Just one local auditor (Interviewee AD4-5) argued that IFRS are not at all valid for the Saudi environment (see Section 6.2.2). According to this interviewee,

"Whether or not Saudi Arabia delays adopting international standards, this is not valid for our environment".

He was also concerned that some IFRS depend heavily on personal, subjective judgement, which might affect the quality of reporting in the long run. This opinion reflects the lack of knowledge and awareness among local auditors of the IFRS, which is in itself a barrier to implementation and evidence of the need for comprehensive training programmes.

In short, some IFRS, such as the fair value standards, are difficult to implement at the current time as the country does not have the necessary infrastructure for these standards. However, the regulators are aware of this problem and the SOCPA committee is working to resolve the issue.

8.3.2.4 Resistance to Change

In recent years, more developing countries have chosen to harmonise their accounting standards with globally accepted standards. However, the decision to change to a new system often meets with initial resistance. One (less than 5%) of the interviewees in the sample argued that this resistance to change is affecting IFRS adoption in Saudi Arabia. Interviewee RE1-1 acknowledged that many accounting professionals are reluctant to change:

"Most practitioners would rather not change from our standards because they do not want imposed standards that do not suit our context. That is why we had an old committee and standards..."

However, Interviewee RE1-1 went on to say that

> *"…but we needed to keep up with the changing world and make sure our voice is heard in the IFRS Committee".*

This pragmatic view – that the transition to IFRS is a necessary step to keep up with global trends – was shared by most participants, who saw it as more important than national pride.

Among the interviewees, it was AD4-5 who expressed the strongest personal resistance to IFRS, arguing that

> *"The use of other standards as a basis by Saudi Arabia will not present a different outcome. Furthermore, the experience and culture of standard setting in Saudi Arabia will be lost".*

The analysis indicates that the majority of interviewees saw cultural factors as having a significant adverse impact on the transition process, whether through the difficulties associated with translating and interpreting standards written in another language, the challenge of reconciling the standards with the local legislation and environment, or the need to overcome local resistance to change. The findings underline the need for training programmes to raise awareness and unpack the benefits of IFRS, and for all stakeholders to take part in the debate about how to meet these challenges.

8.4 Discussion of Results

Institutional, legal, economic and cultural differences between countries mean that the IFRS adoption process varies from country to the next, in which has generated several challenges (Robin and Wu, 2003, Ball, Robin and Sadka, 2008; Alzeban and Gwilliam, 2014). This section draws together the questionnaire and interview findings to discuss what the study participants perceived to be the main challenges to IFRS adoption in the Saudi context.

8.4.1 Transition Period

Section 4.7 shows that the reporting framework in Saudi Arabia is under the control of several bodies: SAMA, which controls the banking and insurance companies; the

CMA, which controls all listed companies; the Tadawul or stock market; and SOCPA, which controls auditing practice. The problem is that having multiple regulators creates uncertainty around who is actually responsible for enforcing reporting standards (Almotairy and Alsalman, 2012), making implementation more difficult, especially for accounting professionals. Despite this, Saudi Arabia is the last country so far among GCC nations to have adopted the IFRS. This was accomplished under SOCPA's five-year adoption plan, announced in 2012 and completed in 2017 (SOCPA, 2018). SOCPA (see Section 4.9) gave all sectors a five-year window to set up all the systems they needed to ensure that Saudi's human resources were ready for IFRS adoption. SOCPA's transition plan was divided into three stages: first, the standards were presented to preparers for their feedback; second, seminars and workshops were held to explain the IFRS adoption process; and third, the adoption stage (see Section 8.2.2.1).

Despite SOCPA's efforts, there was general agreement among the interviewees that most banks and listed companies in Saudi Arabia struggled to be ready for the adoption. Five interviewees (23%) blamed the gap between Saudi GAAP and IFRS, which will take a long time to bridge, but other difficulties mentioned ranged from the lack of IFRS-skilled auditors and expertise to the general lack of understanding and training among staff. These findings correspond to those of Alkhtani (2012) and Nurunnabi (2018), who also found that lack of expertise is affecting the level of IFRS adoption in Saudi Arabia and thus the effectiveness of the transition period.

The findings indicate that during the adoption period, the banking sector benefited from the generous resources and robust enforcement policy offered by SAMA. As a result, the sector did not need to rely on SOCPA (Alzeban and Gwilliam, 2014); instead, banks and insurance companies were able to attend SAMA's own IFRS workshops, which were delivered by a consultancy firm.

8.4.2 Need for Training

The need for training is the most widely reported barrier to IFRS adoption, with authors such as Gyasi (2010), Alsuhaibani (2012), Laga (2012), Schachler, Al-Abiyad and Al-Hadad (2012) and Nurunnabi (2014) all stating that training has a significant influence on the quality of financial information. The descriptive results from the survey illustrate that almost all of the participants (94.5%) agreed or strongly agreed that lack of training is a barrier to IFRS adoption in Saudi Arabia (see Section 8.2.1). This was supported by the semi-structured interview results, where 14 (64%) of the participants cited lack of training as an obstacle for the adoption (see Section 8.2.2.5). However, while some preparers suggested that SOCPA in particular did not provide sufficient training for most Saudi accountants during the transition period, representatives from SOCPA argued that the responsibility for training lies with institutions themselves:

> *"Companies ... are responsible for attracting national expertise, developing and training employees and managers, as well as raising their professional competence, especially in the IFRS standards"* (Interviewee RE1-3).

The regulators urged banks and listed companies to invest in their human capital by providing more training and courses for their staff, claiming that most accountants in Saudi Arabia have had no training for several years (see Section 8.2.2.5), but it is arguably the responsibility of all three groups – companies, banks and regulators – to work together to resolve the issue of accountant training. The regulators, specifically SOCPA, could start by making training courses more affordable.

The interview findings suggest that SAMA was much more proactive than SOCPA in providing suitable guidance and training for almost all accountants in the banking sector. This corroborates the findings of Alkhtani (2010), Zakari (2014), Hassan, Rankin and Lu (2014), Alzeban (2016) and Nurunnabi (2018). Nurunnabi (2018) identified a lack of training among licensed CPAs in Saudi Arabia, finding that SOCPA depended on the Big Four in this respect. From the policymaking perspective, this is a problem because it means there are not enough qualified personnel to help with the adoption process. Zakari (2014) found that this is a problem in most developing countries; limited knowledge among preparers affects the quality of information produced and makes implementing IFRS more challenging. This is further elaborated by Alzeban (2016), who found that the availability of IFRS materials, training and teaching experience all influence the coverage of IFRS. Finally, Hassan, Rankin and Lu (2014) found that investment in education and training are vital to support the ongoing implementation of IFRS. In the case of Saudi Arabia, the analysis indicates that SAMA provided all needful training and guidance to the financial sector during its transition, but that SOCPA is offering little or no training to listed companies undergoing the same process. This raises questions about the viability of its adoption plan.

8.4.3 Limited Knowledge About IFRS

The statement: "There is a lack of IFRS knowledge in Saudi Arabia", as a measure of challenges to adopt IFRS, was ranked second in importance by the survey respondents, with no significant differences between the groups (see Section 8.2.1). Similarly, "Lack of awareness and knowledge about IFRS" was cited by 19 (86%) of the interviewees as a vital difficulty during the transition period (see Section 8.2.2.2). The interviewees reported that most accounts preparers in Saudi Arabia have a poor understanding of the new standards, for various reasons. As one standard setter (Interviewee RE1-4) explained, this can have serious consequences if companies

> "*…[fail] to understand the application process and to carry out the guidelines issued by SOCPA and the Capital Market Authority".*

While companies can work to overcome these challenges, the interviewees complained that there is no framework that would help them overcome potential difficulties. This is borne out by Alzeban (2016) and Nurunnabi (2018), who point to the lack of any plans or initiatives from SOCPA or the CMA to improve the quality of education or spread the word about the importance of IFRS adoption. Alkhtani (2010), Gyasi (2010), Laga (2012), Owolabi and Iyoha (2012), Okpala (2012), Schachler, Al-Abiyad and Al-Hadad (2012) and Nurunnabi (2017a) all highlight the adverse impact that lack of knowledge has on IFRS implementation in developing countries. It is up to SOCPA and SAMA to do more to raise knowledge and awareness about the recent development of accounting standards by providing easy, understandable guidance to preparers.

8.4.4 Lack of Competent Specialists

The quality of a country's corporate financial reporting, according to Masoud (2014b), is significantly influenced by the quality of the accounting profession. SOCPA's 2018 Annual Report shows that Saudi Arabia has more than 6,000 accountants, only 226 of whom are licensed CPAs. that the current 140 CPA firms in Saudi Arabia serve approximately 43,000 clients (SOCPA, 2018). This clearly illustrates the shortage of qualified professional accountants in the country.

The lack of competent specialist accountants was ranked the third most significant challenge by the questionnaire respondents, and again, the Mann-Whitney test showed no significant difference between the groups (see Section 8.2.1). The interviews offered confirmation of this finding, with 16 (77%) interviewees citing lack of expertise as a barrier to adoption (see Section 8.2.2.4). This limited expertise was perceived as being a problem not just in banks but in all other economic sectors, and was seen as likely to affect the adoption of IFRS across Saudi Arabia. Interviewee CFO3-1A summed up the importance of properly qualified staff:

> "*In order for this unit to achieve its objectives properly, it needs to be provided with professional accounting staff that have the capacity to organise and monitor corporate compliance with accounting disclosure requirements*".

The regulators in the sample were optimistic that this challenge can be overcome with sufficient training and education, but most of the other interviewees felt that the problem is not being taken seriously enough by SOCPA and SAMA.

These findings are in line with those of Alkhtani (2012), Almotairy and Alsalman (2012), Nurunnabi (2017b) and Alsulami (2018). Mir and Rahaman (2005), Barth et al. (2011) and Masoud (2014a) all argue that adoption success relies on the quality of the accounting profession, which can be problematic in emerging countries. In Saudi Arabia, the lack of competent specialists demands greater attention not just from regulators like SOCPA and SAMA but also from Saudi HEIs, which must be encouraged firstly, to update their courses in line with the development of the accounting system and secondly, to raise awareness among accounting graduates of the value of professional certification (e.g. SOCPA and ACCA).

8.4.5 Cost of Adoption

Nobes (2014) and Thompson (2016) explain that firms are likely to face a range of practical difficulties during the adoption process, including finding the extra time to become familiar with the new standards and covering the additional costs associated with retraining employees and restructuring the internal control system. Auditing is also likely to be more expensive, especially in developing countries. It is perhaps not surprising then that the questionnaire respondents ranked cost as the fourth most significant barrier to IFRS adoption, with 70.3% considering it a major challenge.

There was no significant difference between the groups regarding this factor (see Section 8.2.1).

The perceived importance of this factor was confirmed in the semi-structured interviews, with 18 (82%) of the interviewees mentioning the theme of resources and cost (see Section 8.2.2.3). The findings show that IFRS adoption in Saudi Arabia is expensive; the banks were well-resourced for the transition period, but many of the interviewees from the banking sector expressed concern about listed companies, who may not have the same level of resources. The interview results indicate that the cost of transition is not just limited to higher auditing fees but also covers the significant cost associated with changing their internal systems. Finally, the view among interviewees was that professional training and workshops in Saudi Arabia (such as those offered by SOCPA) are very expensive compared to other countries. These findings are consistent with those of Nurunnabi (2017a), who found that the Big Four have created an oligopoly in the auditing market and been major beneficiaries of the IFRS adoption process in Saudi Arabia. Khlif and Achek (2016) also found that the adoption of IFRS is linked with higher auditing fees.

8.4.6 Change of System

Handling information technology change was considered the fifth most significant challenge by the survey respondents, with 64.2% agreeing this is a barrier. There was no significant difference between the groups in the sample (see Section 8.2.1). In the interviews, this theme was discussed in the context of resources and cost (see Section 8.2.2.3). Four bankers confirmed that although the banks adopted IFRS before any other sector in the country, most are still struggling to retain the volume of data required for some of the IFRS requirements, such as IFRS 9. This may reflect inadequacies within the banks' IT infrastructure, but it may also be linked to a lack of instruction and training. This finding is in line with that of Tyrrall et al. (2011), who found that changing information systems, and providing the relevant guidelines and training for this change, can be problematic for companies. In the case of Libya, Zakari (2014) found that the cost of technical literature has had an adverse impact on the adoption of IFRS. Investing in human capital – by training and educating preparers and giving them clearer guidelines – will raise awareness and help them overcome any problems they encounter when changing systems.

8.4.7 IFRS Guidance and Regulatory Instruction

The survey examined the respondents' perceptions of both the overall level of IFRS guidance issued by the IASB, and the instructions issued by Saudi Arabia's regulatory bodies during the transition period. The challenges related to this theme are discussed in the following sections.

8.4.7.1 Lack of IFRS Implementation Guidance in General

Lack of IFRS implementation guidance in general was cited by 62.8% of the questionnaire respondents as a barrier to IFRS adoption (see Section 8.2.1). The finding indicates a perception among some of the respondents that the implementation guidance from the IASB is inadequate, especially in the case of developing countries like Saudi Arabia. However, the Mann-Whitney test highlighted differences between the financial analysts on the one hand and academics and accountants on the other, with the latter groups being more satisfied with the level of implementation guidance provided. The dissatisfaction of the financial analysts (and to a lesser extent, the external auditors) may be because these groups were more likely to come into contact with listed companies struggling with the challenges of transition (accountants in the banking sector were more likely to be able to turn to consultancy firms for advice).

In the interviews (see Section 8.2.2.8), five (23%) participants felt that the implementation guidance fell short of what was required. According to Interviewee CFO3-8H:

> "*It is all about the knowledge and strategy to adopt, and I think the main challenges in Saudi lie in the limitation of easy and understandable guidelines".*

Another banker (Interviewee CFO3-9I0) added that the implementation guidance provided by the IASB is not enough for developing countries:

> "*I have to say that the explanations and guidance were limited even from a regulatory point of view … Most of the banks recruited consultancy experts to facilitate the adoption*".

These findings are similar to those of Larson and Street (2004), Jermakowicz and Gornik-Tomaszewski (2006) and Bahadır, Demir and Öncel (2016). They found that the lack of implementation guidelines and a uniform interpretation create complexities in the adoption of IFRS. Masoud (2014b) also found inadequate guidance to be a barrier to convergence.

8.4.7.2 Inadequate Instructions from Regulatory Bodies

The lack of proper instructions from the regulatory bodies was ranked ninth by the questionnaire survey respondents, with 46.5% of the sample agreeing that this is a barrier to IFRS adoption. However, the inferential analysis identified significant differences between accountants in the banking sector and external auditors, with the accountants showing less support for this statement than the other groups (see Section 8.2.1). The interviews offered some explanation of this; several interviewees (e.g. CFO3-4D and CFO3-7G) complained that SOCPA's guidelines were unclear and not very helpful (see Section 8.2.2.8), and Interviewee CFO3-1A criticised SOCPA for sub-contracting out the task of preparing its guidelines to one of the Big Four companies. In contrast, the majority of participants shared the view of Interviewees CFO3-4D and CFO3-7G that SAMA provided all the information and instruction that preparers in the banking sector needed to help them. This may explain why accountants in this sector were less likely to agree that the regulatory bodies provided inadequate instructions. This finding is in line with those of other studies such as Alnodel and Hussainy (2010), Nurunnabi (2017b), Almotairy (2013), Oraby (2017) and Alsulami et al. (2017), all of whom found that poor guidance has been a barrier to implementation in Saudi Arabia.

8.4.8 Legal Enforcement

The lack of legal enforcement was cited as a challenge by 60.6% of the survey respondents, with external auditors and academics being significantly more likely to agree with the statement than accountants and financial analysts (see Section 8.2.1). Five (22%) of the interviewees (see Section 8.2.2.9) expressed concern about the ability of the regulatory bodies to enforce compliance, with one auditor (Interviewee AD4-1) pessimistically suggesting that

"… *the quality may not get better because these standards have to be part of a solid framework to ensure they are implemented … But accounting bodies in Saudi Arabia are not empowered to carry this out"*.

These interviewees suggested that SOCPA needs to be strengthened and given

"… *clear and explicit responsibility and … sufficient enforcement [powers] to compel all banks to fully implement the guidelines, including the appropriate punishment"* (Interviewee CFO3-1A).

As the regulator of the banking sector, SAMA played a major role in ensuring that IFRS was implemented effectively in banks and finance companies. The interviewees suggested that this implementation was successful because SAMA obliged the banks to make the effort to educate their staff and recruit the relevant expertise, and because it enforced the improved disclosure requirements.

This finding is similar to those in other empirical studies on the role of regulation in enhancing compliance with IFRS in developing countries. Khlif (2016), for example, shows that there is no guarantee of corporate compliance in economies with higher levels of IFRS harmonisation and that enforcement mechanisms are a key factor affecting compliance in practice. Ball (2006) also argues that the lack of enforcement mechanisms in IFRS creates problems because the IFRS rules on some standards such as fair value are subject to various interpretations. Conversely, Daske et al. (2008) and Dos Santos et al. (2016) argue that strictly enforcing IFRS leads to higher quality reporting and more readily available financing. Armstrong (2010), Pope and McLeay (2011) and Dayanandan et al. (2016) all note that enforcing the regulations is a major challenge in most developing countries. In the case of Saudi Arabia, successful implementation depends on the establishment of a strict framework by SOCPA and the other regulators. Preparers and other concerned stakeholders should consider adequate supports towards the implementation of IFRS in the country as the right interpretation is the key element of successful implementation.

8.4.9 Increased Complexity of Financial Reporting

The increased complexity of financial reporting under IFRS was ranked the eighth most significant barrier to adoption by the questionnaire respondents, with 55.7% agreeing with the statement. The Mann-Whitney test indicated no significant differences between the groups. The interviews offered further explanation as the participants discussed the difficulties of dealing with the differences between the old and new standards (see Section8.2.2.7). The majority of the interviewees saw these differences as another crucial barrier to the adoption project in Saudi Arabia. This was highlighted by Interviewee RE1-5, who stated:

> *"Of course, there are certain difficulties with the implementation ... First, the SOCPA standards are principle-based not role-based like IFRS. These could be challenges as some standards are in need for ground foundation to adopt, such as disclosure, which is a significant challenge".0*

Others argued that interpreting some of the IFRS requirements is difficult and time-consuming, and that the standards ultimately add no value to companies. Interviewee CFO3-3C was concerned by the flexibility of the standards

> *"...as there are a variety of interpretation options, which can lead to subjectivity".*

The differences between IFRS and the previous standards make the adoption of the new standards a complex matter, and accountants may struggle to gain full understanding of these standards without access to training and workshops. Similar findings have been reported by Nurunnabi (2014), Zakari (2014), Gyasi (2010), Laga (2012), Owolabi and Iyoha (2012), Okpala (2012), Schachler, Al-Abiyad and Al-Hadad (2012) and Alkhtani (2010), though it should be noted that none of these studies discuss the postponement of full IFRS adoption by regulators, as has happened in Saudi Arabia. Zakari (2014) states that some developing countries may face obstacles during adoption because of transparency issues, fraud and cultural challenges, but the findings in this study reveal that the implementation of IFRS is also made harder by deficiencies in local accounting and auditing practice. These deficiencies are the reason why Saudi Arabia has so far only committed to the partial adoption of IFRS.

8.4.10 Education System

Alkhtani (2010) highlights the relationship between the education level of employees with an accounting background and the degree to which IFRS is adopted in developing countries. His findings are supported by Almotairy and Stainbank (2014), who argue that developing countries with a high level of education and well-trained employees have a better capacity to adopt IFRS. However, the interview findings in this study (see Section 8.2.2.6) revealed that in Saudi Arabia's case, the education system is one of the barriers to IFRS adoption.

The majority (63%, 14Nr) of interviewees linked the generally limited knowledge about IFRS to outdated university curricula and the fact that universities are not engaging with the private sector. Only a few interviewees argued that some universities in Saudi Arabia are trying to update their curricula and prepare their graduates to understand the changes. This is one of the major challenges to IFRS adoption in the country; accountants have limited knowledge about IFRS because they are not taught about it during their studies. This finding is consistent with Almotairy and Stainbank (2014), who found gaps in respect of professional skills, ethics and values, as well as training, because Saudi Arabia does not follow International Education Standards (IES). Nurunnabi (2018) also observes that the absence of IFRS from the curricula of Saudi universities poses a serious challenge in terms of building the capacity of local accounting firms to provide audit and assurance services to companies reporting under the IFRS. Gyasi (2010), Schachler, Al-Abiyad and Al-Hadad (2012) and Laga (2012) found that other developing countries face similar challenges, with poor education provision affecting professional knowledge and consequently the ease of the adoption process. In Saudi Arabia, HEIs could also do more to bridge the knowledge gap by collaborating with regulators to expand the provision of professional qualifications such as ACCA in the country. This would do much to advance the knowledge of accounting professionals.

8.5 Discussion of Results for Cultural Factors

The objective of this section is to explore the various cultural factors that were perceived as influencing IFRS adoption in Saudi Arabia. The survey respondents identified three main cultural factors: local legislation (i.e. Sharia requirements), the language barrier, and the unsuitability of some IFRS procedures to the Saudi environment (see Section 8.3.1). The interviewees identified the additional factor of resistance to change (see Section 8.3.2.4).

8.5.1 Sharia Requirements

As Saudi Arabia's main religion, Islam guides all aspects of life in the country. This leads Alkhtani (2010) and Alsaqqa et al. (2012) to argue that the influence of Sharia in Saudi Arabia produces an accounting system that differs from that in other developing countries. The findings from the survey show that 72.7% of respondents regarded the Sharia requirements, particularly those concerning Zakat and interest, as influencing IFRS adoption in Saudi Arabia. The inferential analysis (see Section 8.2.1) showed a significant difference between the external auditors, who produced the highest score, which reflect their view that the sharia is real barriers towards the IFRS adoption and the accountants, who produced the lowest as possible explanation that the sharia compliance impact is limited.

The interviewees also perceived the Sharia requirements as a barrier to the successful implementation of a number of aspects of IFRS, with one CFO (CFO3-5E) explaining that

> "*There is still confusion among preparers in the Saudi banking sector about Zakat and tax; it is reported that Zakat will be charged under equity not income standards. In the banking sector, they still operate on the idea that Zakat is reported as tax on income and reported in a special report to the Department of Zakat".*

However, Interviewee RE1-1 stated that SOCPA is working with the IASB towards a definite solution for countries that report Zakat (see Section 8.3.2.2).

The finding is inconsistent with those of Alkhtani (2010)[19], who found Islam to have only a limited influence. It is, however, consistent with those of El-Firjani (2010), Ihab (2011), Khlif and Chalmers (2015) and Khlif and Hussainey (2016), who all state that local legislation such as the Zakat tax can be a barrier to successful IFRS implementation. Deloitte (2016) reports that compliance with local and Sharia laws may not always be in accordance with IFRS, and that additional requirements may be included in some standards to reflect these laws. In Saudi Arabia's case, SOCPA may periodically decide to amend those IFRS requirements that conflict with Sharia or local law.

[19] It should be noted that Alkhtani's study was undertaken before the adoption of IFRS in the banking sector in Saudi Arabia.

8.5.2 Language

There has been little coverage in the previous literature of the issue of language and translation (Parker, 2000; Zeff, 2007; Hellmann, Perera and Patel, 2010; Baskerville and Evans, 2011; Evans and Kamla, 2015), but 54.6% of the survey respondents in this study agreed that language is a barrier to the adoption of IFRS in Saudi Arabia. The inferential analysis (see Section 8.2.1) showed no significant differences between the respondent groups on this question. The interviewees felt even more strongly, with 90% ranking it as the primary challenge during the transition process (see Section 8.3.2.1). Particular concern was expressed about the language skills of preparers and the adequacy of SOCPA's translation of the standards. Consequently, Financial statements must be prepared in Arabic, but as translations vary this place additional pressure on preparers to make sure that compliance with the standards is, literally, not lost in translation.

The problems associated with translation are highlighted by Sunder (2011), who argues that translating IFRS from English into different languages increases the risk of misunderstanding and misinterpretation. He suggests that the only way to know if a financial report prepared under IFRS is comparable across borders is to rely on those who claim to understand the language. IFAC (2012) admits that the language barrier has delayed the adoption and implementation of international standards in general, but Zeghal and Mhedhbi (2006) argue that IFRS adoption is easier for those developing countries that have a similar culture to the UK and US. They suggest that part of the difficulty for Arabic-speaking countries is that Arabic is less closely related to English than other European languages are. The problem is compounded by the fact that across the Arab world, the same Arabic word may have different meanings. This means that a single word in Arabic may be misunderstood or misapplied when translating the IFRS (Hellmann, Perera and Patel, 2010; Baskerville and Evans, 2011; Evans and Kamla, 2015; Masoud, 2014b).

To sum up, language was seen as a barrier in two ways: the first was the lack of English proficiency among Saudi accountants; and the second was the lack of a clear translation of the IFRS and the relevant guidance. To overcome these barriers, it is recommended that SOPCA and SAMA put more effort into improving their translations and making their explanations of the standards more understandable.

Providing relevant examples would also help users overcome the language difficulties.

8.5.3 Unsuitability of Some IFRS Procedures

In terms of the third cultural factor, the survey results show that 49% of the respondents saw the unsuitability of some IFRS measures to the Saudi environment as a barrier to IFRS adoption. The inferential analysis highlighted a significant difference between the groups (see Section 8.2.1) with external auditors showing less agreement than financial analysts, academics and accountants in the banking sector. The interviewees noted practical barriers in terms of some IFRS procedures, such as the fact that while SOCPA does not allow preparers to conduct a revaluation of fixed assets, IFRS accepts the use of fair value in fixed assets (see Section 8.3.2.3). The interviewees argued that this issue needs to be resolved before Saudi Arabia can begin to use fair value; suitable guidelines need to be put in place to assess fair value, and information systems must be improved so that information disclosure regarding assets is more consistent.

These findings are consistent with those of Alkhtani (2010), Alsaqqa and Sawan (2013) and Nurunnabi (2018). The interviewees reported that the key challenge encountered by banks during the transition period was dealing with the differences between local standards and IFRS. When Alsaqqa and Sawan (2013) looked at the perceptions of listed company CFOs, financial analysts and auditors in Dubai and Abu Dhabi, they found that their respondents were of the opinion that the level of education of accounting users and the method provided by some IFRS procedure can be difficult for the level of professionalism and users in the country.

8.5.4 Resistance to Change

Resistance to change and its potential to affect IFRS adoption was mentioned by one (5%) interviewee (see Section 8.3.2.4), though another interviewee (an external auditor) expressed his own personal fear that relying on other countries' standards will represent a loss of sovereignty for Saudi Arabia. Most interviewees, however, felt that pride in the national standards should not prevent the country from embracing IFRS. This finding supports those of Alkhtani (2012) and Alsulami (2018), who assert that pride in the SAS is a non-issue which has only a minor impact on the adoption process in Saudi Arabia.

The study findings indicate that institutional isomorphism is affecting the implementation process in Saudi Arabia through coercive, mimetic and normative influences (DiMaggio and Powell, 1983). Coercive pressures are being exerted by the Saudi Government and its regulatory agencies, and these are fundamentally affecting social characteristics and values. However, there are clear conflicts between the different regulatory agencies handling the implementation process, and these have slowed down implementation and led to poor communication between regulators and accounting professionals. This may have a long-term impact on reporting quality in the country. On the other hand, the findings indicate that in the banking sector, SAMA has provided preparers with sufficient guidance throughout the transition period.

Saudi listed companies are engaging in mimetic isomorphism in that they are reshaping their own accounting practice to emulate that of their competitors. However, for companies in developing countries like Saudi Arabia, competing with companies in developed countries can be an expensive process (Irvine, 2008). Finally, normative pressures are being brought to bear on preparers and accounting professionals to raise their skill level to deal with the complexity of understanding the process and technical aspects of IFRS implementation.

DiMaggio and Powell's (1983) model for the adoption of new systems, from micro-level to macro-level theorisation, can be used to explore the adoption of IFRS in developing countries. The model reflects the extent to which cultural factors influence the formulation of international financial reporting standards. DiMaggio and Powell emphasise that the changes related to accounting standards are not specific but change periodically to the dynamic configuration of each developing country. Since accounting practices are to some extent a reflection of a country's direction of culture, values and beliefs, it is a matter of concern when IFRS are adopted without taking into account the national culture and social and political structures.

8.6 Summary

The chapter presents an overview of the perceived challenges surrounding IFRS adoption in Saudi Arabia by highlighting those challenges that emerged in the banking sector during the transition period. The analysis illustrates that the questionnaire respondents and interview participants perceived several practical difficulties with IFRS adoption in Saudi Arabia. These included the need for training to facilitate understanding of IFRS, and the lack of implementation guidelines, which makes ensuring uniformity difficult. Both problems have their roots in the outdated accounting education system. Other issues raised included cultural factors, specifically, reconciling Sharia requirements such as Zakat with the new standards, and translating the standards from English to Arabic. The majority of interviewees stated that SOCPA needs to do more to ensure that translations are easy to understand. The findings show that there are several issues relating to the adoption of IFRS in Saudi Arabia which need to be addressed if the country is to achieve an acceptable accounting standard and improved financial reporting. However, consideration of some of these issues, such as the fair value standards, has been postponed until further notice. The role of new institutional theory shows the internal and external pressure to adopt IFRS to achieve the best practise. In doing so , are facing certain challenges , where the lack of training, knowledge, education structure and some of the country's own characteristic such as sharia law , language and some IFRS procedures are not suitable without a foundation as example the fair value standards which is been post pointed .In conclusion, the findings contribute to the knowledge by analysing the current barriers to IFRS adoption. Such an analysis is essential, as illustrated in Chapters 2 and 3, as most previous studies have been descriptive in the case of developing countries. Further note that a limitation of the thesis is that such cultural aspects were not explored in depth, particularly in terms of the unsuitability of IFRS in relation to accounting for Islamic financial instruments. The research instruments could have been designed to allow for richer data collection on this aspect, but it was rather limited, hence the limitation of this aspect within the thesis; thus, an opportunity for future research has to be acknowledged.

CHAPTER 9: CONCLUSION

9.1 Introduction

Following the study's conceptual framework, this research had four main objectives: to investigate how users of accounting information in Saudi Arabia perceive the convergence to IFRS; to investigate why Saudi Arabia did not apply IFRS to all sectors; to explore the opportunities associated with IFRS adoption; and finally, to identify the challenges experienced by the banking sector during its transition to IFRS. A mixed method research design combining interviews and a questionnaire survey was employed in order to achieve a deep understanding of these challenges and opportunities. The study contributes to the existing literature by adding new evidence from a developing country with a unique regulatory and cultural background. This chapter reviews the findings from the questionnaire survey and semi-structured interviews before discussing the contributions made by the study and the theoretical and practical implications of the findings. It ends by making a number of recommendations, considering the limitations of the study and identifying areas for future research.

9.2 Review of Findings

This section summarises the main findings obtained from the questionnaire surveys and semi structured interviews.

9.2.1 Accounting Information Users' Perceptions Surrounding the Convergence to IFRS

The first objective was to explore how accounting information users in Saudi Arabia perceive the convergence to IFRS. This objective was explored by means of Research Question 1: How do the users of accounting information in Saudi Arabia perceive the convergence to IFRS? The users targeted in the study included accountants in the banking sector, external auditors, financial analysts and academics. These groups were initially surveyed by means of a questionnaire survey, after which semi-structured interviews were conducted with 22 participants, including bank executives, regulators from Saudi Monitoring Agency (SAMA) and Saudi Organization for Chartered Public Accountants (SOCPA), and external auditors from the Big Four and Saudi auditing firms.

The survey questionnaire was used to explore the acceptability of the decision by SAMA and SOCPA to adopt IFRS. the adoption of IFRS was perceived as having improved the quality of financial reporting when compared to the previous Saudi standards. The analysis revealed that stakeholders supported the replacement of the local accounting standards with IFRS and saw the new standards as offering a number of benefits. IFRS adoption was seen as having the potential to improve business activities and the expertise of accountants in Saudi Arabia, as long as there is sufficient education and training available to raise awareness and improve knowledge. There were some differences between the respondent groups, with academics being less convinced than the others that financial reports prepared in accordance with IFRS meet the needs of all stakeholders, but the general view was in support of the adoption of the international accounting standards.

Overall, IFRS were perceived as an appropriate accounting framework for Saudi Arabia mainly because the standards are recognised worldwide as improving information quality, transparency and reliability, and adopting them will make it easier for Saudi businesses to deal with investors and partners overseas. However, the adoption of IFRS in Saudi Arabia has been partial and included the banking and other financial sectors, and the hope is that the current adoption of IFRS in listed company will improve the reporting quality to the other economic sectors of the country.

9.2.2 Reasons for not Implementing IFRS in all Economic Sectors

The second objective – to examine why IFRS have only been partially applied in Saudi Arabia – was addressed through Research Question 2: Why has Saudi Arabia not applied IFRS to all sectors, as in other Gulf countries? As discussed in Section 6.3, while listed and unlisted banks and insurance companies have been required by SAMA to use IFRS since 2008, all other companies, irrespective of their size, have used the local GAAP as issued by SOCPA (IFRS, 2017), until the recent transition plan to IFRS in December 2017 . The findings reveal that application in Saudi Arabia was been limited for a number of reasons:

- Using Saudi standards (SAS): The findings indicate that the Saudi accounting committee under SOCPA were reluctant to give up on the country's own standards, which have been in force since 1999, to go through the inconvenience of mastering new standards. It was also suggested that Saudi Arabia's image as a leader among the Gulf countries on the accounting standards issue may be undermined if SOCPA is seen as abandoning its own path to follow IFRS.

- It was the government's decision: the findings reveal that the government decided to delay full adoption in order to allow it more time to study the suitability of IFRS for the Saudi accounting environment and to produce an adoption plan that satisfies all parties involved in the adoption process. The decision to delay full adoption was also linked to lack of readiness on the part of the market and the limited availability of relevant expertise in the country.
- Readiness of the market: the findings show that SAMA saw IFRS adoption as key to enabling Saudi Arabia's banking sector to keep up with the rest of the world. However, the banking sector is relatively small, and SOCPA felt that other, bigger, sectors needed much more time to prepare for IFRS adoption. Regulators from SOCPA explained that partial application was necessary to allow time to establish a proper framework for adoption that will suit the full range of economic sectors in the country.
- Lack of experience and expertise: the findings show that the lack of professionals with relevant expertise was a major reason why the wider adoption of IFRS was postponed. The banking sector was able to tackle this problem, with the help of SAMA, by investing in attracting the expertise it needed.
- Bureaucracy: the delay was also attributed to the complex bureaucratic system in Saudi Arabia, with interviewees explaining that the involvement of multiple committees has slowed down the IFRS adoption process.

9.2.3 Factors Influencing Saudi Arabia's Adoption of IFRS

The second part of research question two sought to investigate what factors led Saudi Arabia to adopt IFRS. Previous studies have suggested several factors that lead developing countries to adopt IFRS. Five of these were examined in the questionnaire survey: economic growth, the legal system, the external environment (e.g. World Bank, IMF etc.), the existence of a capital market, and the ineffectiveness of the previous accounting standards. The purpose was to gain insight into the extent to which Saudi Arabia's accounting system, particularly in the banking sector, was perceived as being influenced by these factors (see Section 6.4).

The analysis shows that all the listed factors were seen as leading Saudi Arabia to adopt IFRS, though there were differences between the respondents on the economic growth, external environment and capital market factors. The findings of the semi-structured interviews broadly supported the questionnaire findings, though they indicated stronger support for the idea that the primary driver was pressure from the government's regulatory bodies SAMA and SOCPA. Interviewees attributed this pressure to the regulators' belief that harmonisation will facilitate comparability between companies inside and outside the kingdom and thereby boost economic growth. IFRS were also seen as more comprehensive than the SAS. External pressure from the Big Four and World Bank was also highlighted as a key factor in Saudi Arabia's decision to adopt IFRS, as was its accession to the G20 group of nations. The findings show that government sees joining this group as an opportunity to develop the country's accounting standards in pursuit of better reporting quality and unified practice.

The findings are supported by new institutional theory in that they show that the Saudi government perceives IFRS adoption as a way of enhancing the legitimacy of the banking sector and attracting FDI. To this end, coercive and normative (through SAMA and SOCPA) pressures are being brought to bear on banks and companies to reshape their practice to imitate that of developed countries.

9.2.4 Opportunities Associated With IFRS Adoption

The third main objective of the study was to examine the perceived opportunities associated with IFRS adoption in Saudi Arabia. This was addressed via Research Question 3: What challenges and opportunities are associated with IFRS adoption in Saudi Arabia's banking sector? The conceptual framework listed a range of opportunities that have been highlighted in the literature on both developed and developing countries.

The survey respondents and interviewees agreed that the adoption of IFRS will improve the quality and efficiency of financial reporting, enhance comparability, provide more reliable figures than the previous standards, create a single accounting language to harmonise internal and external reporting, enhance transparency and improve corporate governance (though this last was seen as contingent upon the introduction of a clear corporate governance framework). They also saw IFRS as having the potential to remove barriers to investment and thus boost economic growth, reduce the cost of capital, save time and effort for regulators and internal audits are less costly (see Section 7.2).

For these reasons, the vast majority of participants considered IFRS to be an appropriate framework for Saudi Arabia; only one interviewee doubted the suitability of IFRS on the grounds that the standards are too dependent on personal judgement and could adversely affect the quality of financial reporting in the country. Overall, it was felt that IFRS adoption will lead to improved reporting quality, reduced information asymmetry and increased transparency, and that this will help the country attract investors and achieve its objective of economic diversification, in line with the Saudi 2030 Vision plan.

The adoption of IFRS was seen as being beneficial to investors because the standards allow them to have greater confidence in the information provided, in turn assisting them in decision making and risk management. The interview findings confirmed that gaining investors' trust, and particularly the trust of foreign investors (who are likely to be unfamiliar with the Saudi standards), is one of the main drivers behind the IFRS adoption plan; by offering decision makers and shareholders an overview of companies, it is hoped that IFRS will help attract more investment into Saudi Arabia.

Finally, the respondents thought that the adoption of IFRS benefits managers by encouraging better reporting – thereby ensuring that they are given more credible information for decision-making purposes – and by improving regulatory oversight and enforcement. The respondents indicated that harmonisation will help decision makers by making it easier for them to access the information they need.

9.2.5 Challenges Associated With IFRS Adoption

The fourth and final objective was to investigate the challenges experienced by the banking sector during its transition to IFRS. This was addressed through Research Question 3: What challenges and opportunities are associated with IFRS adoption in Saudi Arabia's banking sector? The aim of this question was to highlight the practical difficulties of IFRS adoption in the country.

The questionnaire survey offered respondents a list of factors (drawn from the literature) that might make the transition to IFRS more challenging and asked them to indicate the extent to which they agreed that these were indeed barriers during the transition period (see Section 8.2.1). There was general agreement on the impact of the lack of training, the lack of IFRS knowledge in Saudi Arabia, the lack of competent specialists, the costliness of IFRS transition, the difficulties of changing IT systems and the increased complexity of the financial reporting process. However, the groups in the sample differed significantly on whether there was sufficient instruction from the regulatory bodies, IFRS implementation guidance or legal enforcement. The interview findings confirmed that most of the listed items were indeed perceived as challenges.

Lack of training was perceived as a major problem by the majority of participants (questionnaire and interview), with the findings suggesting that some accounting professionals can be employed for several years without undergoing any training or professional development. This was a key impediment to IFRS adoption in Saudi Arabia. SAMA was seen as having been proactive in providing all the necessary training for banking sector managers, but some of the respondents were critical of the amount of training and workshops offered by SOCPA, which they accused of depending too heavily on external consultants such as the Big Four. The view was that SOCPA left much of the provision of training to these external agencies, with the result that workshops were too expensive for local CPAs. Most of the respondents identified lack of training as one of the main difficulties to emerge during the transition period (see Section 8.2.2.5).

Limited knowledge about IFRS was identified as the second-ranked barrier to adoption of IFRS, and it was the second most frequently mentioned topic by the interviewees. The findings from both the questionnaire and interviews suggest that even where training was provided, many accounting professionals still found the new standards too difficult to understand. Respondents were critical of the guidelines put out by SOCPA, which they described as unhelpful and hard to understand. The view was expressed that it should not be left to individual companies to teach themselves about IFRS as this may lead to variations in implementation and thus a lack of comparability and consistency, but respondents were critical of the accounting education in Saudi HEIs, which they described as outdated. They also pointed to a lack of engagement between universities and the private sector. Some did suggest that some of the country's universities are trying to update their programmes to prepare graduates for the change in systems, but this was seen as one of the major challenges to emerge during the transition period. The view was that weaknesses in the education system need to be addressed to bring it into line with the transition plan.

The lack of competent specialists was another factor which both the survey and interview participants agreed posed a significant challenge for banks during the transition period. The respondents described how banks sought to prepare for IFRS by building a team of experts with the required experience and engaging external specialists in the transition to international standards. However, this required significant resources. The majority of both survey respondents and interviewees expressed concerns about the costs of IFRS adoption, including the cost of changing manual records, computer systems and software, as well as high consultancy fees. They explained that while the banking sector had access to substantial resources to tackle these challenges, most companies in Saudi Arabia are likely to struggle in terms of available resources and cost.

As noted above, the transition to IFRS involves major changes to IT systems. This was highlighted by the survey respondents and some of the interviewees as a challenge to adoption. Interviewees explained that some standards, such as IFRS 9, require banks to retain large amounts of data, which consumes a lot of resources and effort. Even though banks have been required to follow IFRS since 2008, many still struggle with the IT demands of the international standards.

Another key barrier identified in the study was a lack of guidance, both in general and from the Saudi regulatory bodies. The findings from both the survey and interviews illustrate that the guidance provided by SOCPA was perceived as inadequate, but participants from the banking sector were more complimentary about SAMA's efforts to give help and guidance to this sector. The shortage of understandable materials on IFRS was also perceived as a problem; it was suggested that users need readily accessible guidelines and more training from SOCPA.

Finally, a large proportion of survey and interview respondents complained about SOCPA's weakness as a regulator. The findings highlight the major role of the enforcement bodies in ensuring successful IFRS adoption; in the banking sector, SAMA was perceived as a strong regulator, providing all the necessary guidance and regulation for banks to follow, but SOCPA was seen as struggling to regulate or to produce a clear framework for adoption. It was suggested that the introduction of some IFRS has been postponed by SOCPA because more work needs to be done to adapt them to the Saudi environment.

9.2.5.1 Cultural Factors

The conceptual framework of the study identified three cultural factors that may act as barriers to IFRS adoption in Saudi Arabia. These are Shariah requirements (specifically in regard to Zakat and interest), language barriers and the unsuitability of some IFRS procedures to the Saudi environment. However, the interviews revealed another factor, resistance to change, with some interviewees suggesting that many accounting professionals are reluctant to abandon Saudi standards for international ones as a matter of national pride. However, the general feeling was that most accounting professionals recognise the need for transition and that any national pride in SAS has had only a limited impact on the adoption process. The inferential analysis revealed significant differences between the survey groups, particularly on the issue of Sharia requirements, with external auditors more than other respondents believing this was more likely to be a barrier. This group also saw the unsuitability of some IFRS procedures to the Saudi environment as less of a barrier than the other groups (see Section 8.3.1).

On the whole, there was a general consensus among the survey respondents and interviewees that local legislation can be a barrier, with the findings suggesting that SOCPA has not yet provided proper guidance on Zakat. The analysis revealed the confusion of preparers, who continue to report Zakat as a tax on income in a dedicated report to the Department of Zakat and Income Tax. The findings of the study suggest that despite having five years to prepare for IFRS adoption, SOCPA is still struggling to work out what to do about the Sharia requirements, for which there are no specific standards.

The participants saw some IFRS as unsuited to the Saudi environment, such as the fair value standard, whose introduction has been postponed until further notice. Interviewees called for the introduction of guidelines to measure fair value and for

SOCPA to address the internal factors preventing full adoption of the standards. Language and translation were highlighted as barriers by both survey respondents and interview participants. Representatives from SOCPA argued that it had provided adequate translation of the standards, but several interviewees claimed that this translation was not easy to understand. The bankers in the sample were more appreciative of SAMA's translations and instructions for preparers.

9.3 Contribution to Knowledge

The current research contributes to the literature regarding IFRS adoption in developing countries in several ways. Firstly, it addresses an information gap by investigating the reasons why the application of IFRS in Saudi Arabia has been only partial. The conceptual framework provides new understanding of IFRS adoption in Saudi Arabia, a context which is still largely unexplored, and which is unique in terms of cultural, religious and business environment and regulatory framework.

Secondly, the study explores the external and internal pressures that led a rich country with well-established local standards to give up these standards and adopt IFRS. The findings of the study contribute to the institutional theory-based literature by offering an explanation and understanding of the coercive, mimetic, and normative pressures operating on and within Saudi Arabia as it adopts IFRS.

Thirdly, the study contributes to knowledge by exploring the extent to which Saudi Arabia has experienced/is experiencing the same opportunities that have been associated with IFRS adoption in other developing countries, despite having different legal, economic, cultural and educational structures. The study also contributes to the accounting literature by exploring the benefits that adoption offers to investors and managers.

The fourth contribution lies in the study's illustration of the current barriers to IFRS adoption in Saudi Arabia, as perceived by key stakeholders themselves (that is, senior figures in the banking sector, external auditors, financial analysts and academics), and in its analysis of how these challenges have affected the level of adoption. Such an analysis is urgently required; most previous studies have been descriptive and not revealed the practical barriers to IFRS adoption, especially in developing countries. This study is one of the few that may be described as comprehensive, particularly in the case of Saudi Arabia; as illustrated in Section

3.3.1, most studies of IFRS in the country were conducted prior to adoption, while this study was conducted during the SOCPA transition plan (IFRS, 2017). It is also, to the best of the researcher's knowledge, the first study to employ inferential analysis to analyse its questionnaire data, allowing richer insights to be gained from the evidence.

Fifthly, by uncovering the challenges and benefits of IFRS adoption in the Saudi banking sector, it facilitates an easier and smoother transition to IFRS in the country's other economic sectors. Its investigation of the challenges experienced by the banking sector may be particularly helpful in showing companies and accounting professionals what to expect and how they might avert or at least mitigate the impact of these challenges. The results may be of importance to those countries interested in discovering the current challenges and opportunities associated with IFRS adoption, especially in emerging countries such as Saudi Arabia.

The study offers regulators useful recommendations to help improve the disclosure of financial information in developing countries and highlights a number of factors that can affect the suitability of IFRS for these countries. Better awareness of these factors and their potential impact may serve regulators concerned with improving accounting standards in other countries. It may also be useful to researchers whose focus is on expanding the adoption of IFRS around the world.

Furthermore, the study contributes to the knowledge by developing a conceptual framework and design which can be used by other researchers who may want to illustrate the challenges and opportunities associated with IFRS adoption in other developing countries similar to Saudi Arabia. Additionally, the research contributes to the literature by addressing the information gap identified in the conceptual framework regarding discussions on the value of IFRS adoption in developing countries, which is still poorly understood.

Finally , the research contributes to the knowledge by providing new evidence (and a different perspective) from a context that is culturally, socially, legally, politically and educationally different from other countries. In general, this study deploys the new institutional theory to contribute to the knowledge. NIT was used as a tool to explain factors influencing the adoption of IFRS in Saudi Arabia. The adoption of this theory opens up an opportunity for further research that may test components of the theory in relation to adoption of IFRS in developing countries.

9.4 Implications

The majority of IFRS studies so far have focused on the benefits and costs associated with the harmonisation of accounting standards in developed countries (Nobes and Parker, 2016; Armstrong, 2010; Dayananandan et al., 2016). There is a dearth of research in this field on the developing regions, and very little on the institutional pressures that lead developing countries to follow developed countries and shift from local to international standards (Irvine, 2008; Albu et al., 2011; Ibrahim, Stanton and Rodrigs, 2014; Lasmin, 2011; Hassan, 2008; Nurunnabi, 2015b). This thesis aims to provide understanding of the challenges and opportunities associated with IFRS adoption in Saudi Arabia by exploring the perceived barriers and benefits identified in the banking sector. By presenting new insights from a developing country with a unique cultural, religious and business environment and regulatory framework, the study adds value to the existing accounting literature and may enhance the implementation process in other developing countries. This section discusses the main theoretical and practical implications of these findings.

9.4.1 Theoretical Implications

The current situation in Saudi Arabia is an example of the way in which bodies such as the IMF and World Bank exert coercive pressure on developing countries to shift from their local standards to IFRS. These external bodies, described by some as imperialist organisations (DiMaggio and Powell, 1983; Mir and Rahaman, 2005; Irvine, 2008; Albu et al., 2011), have played a major role in the context of Saudi Arabia. The country's accession to the G20, along with the external push from the Big Four firms, have further added to the pressure to adopt IFRS. The findings of the study reveal that the Saudi government, through SAMA, initiated the implementation process in the relatively small banking sector in the hope that the sector would benefit from the global public perception of IFRS as improving reporting quality, disclosure and transparency. Globalisation is at the heart of the Saudi Vision 2030, which calls for less dependence on oil, more powers for the private sector, and the facilitation of foreign investment (IMF, 2018). The harmonisation of accounting standards is seen by the government as one way of attracting this investment into the country. The regulatory agencies in Saudi Arabia are under coercive pressure from the government to meet the Saudi Vison 2030 objective of attracting investment and bringing the country's financial reporting into line with that of its GCC neighbours. SAMA appears to have responded by ensuring that banks were well prepared for the transition in terms of expertise and resources, but the findings suggest that companies without access to these advantages experienced major difficulties during the transition period.

Normative pressures appear to have been exerted by the Big Four and professionals operating within Saudi Arabia, who see global standards as a way of helping the country achieve best practice. However, the findings of the study show that in fact, it is the Big Four firms themselves who benefit most from the adoption process as these are the only firms offering training to professionals – at very high cost. SAMA, and especially SOCPA, appear to be aiding this by outsourcing the provision of training to these firms. This evidence of normative isomorphism is in line with the findings of Frynas (2005), Jamali and Neville (2011) and Nurunnabi (2015b), who describe the pressure to professionalise that is put on emerging countries in particular by donor agencies such as the IASB, World Bank and IMF.

Finally, the findings show that SOCPA's standard setters are engaging in mimetic isomorphism by encouraging accounting professionals to imitate the best practice of developed countries, as represented in IFRS adoption. Saudi Arabia sees the adoption of IFRS as helping it to gain legitimacy and thus attract a higher level of foreign investment and more international companies into the country while it is still rich with oil resources. However, the findings also reveal a genuine belief among stakeholders that IFRS will enable the country to improve reporting quality, transparency, comparability and reliability, and that it will aid decision making, unify practice and reporting activities and save time and effort for regulators. All this is expected to boost economic growth and development.

The findings offer evidence that although Saudi Arabia is the only Arab country to have well-established standards of its own (making it different from most developing countries, which tend to have poor regulatory frameworks), its ongoing adoption of IFRS has been impacted by coercive, normative and mimetic pressures. The first of these is being exerted by the Saudi government and its regulatory agencies, who are themselves under pressure from the World Bank and G20 to introduce IFRS into the country. At the same time, Saudi listed companies are engaging in mimetic isomorphism by modifying their own accounting practice to imitate that of their competitors, while normative pressures are being brought to bear on preparers and accounting professionals to improve their skills to manage the highly complex implementation process. The findings support the validity of the adopted theoretical framework, confirming that new institutional theory offers the best way of describing the implementation of IFRS in Saudi Arabia and best demonstrates how internal and external pressures have reshaped the Saudi accounting system.

9.4.2 Practical Implications for Professionals, Academics and Regulators

By demonstrating the benefits of and barriers to implementation, the study findings may be helpful to accounting professionals, academics and regulators wanting to make the best use of IFRS. They have significant practical implications for other developing countries, especially those considering IFRS adoption or already engaged in the transition.

Saudi Arabia's adoption of IFRS is designed to enable the government to fulfil the objectives of the Saudi Vision 2030 project. It is up to regulators to facilitate the implementation process by ensuring that the users and preparers of accounting information operate in line with current developments. The study findings may assist regulators by expanding the previously limited understanding of the barriers that are impeding IFRS adoption in the country and offering insights into how it might be enhanced. In particular, the study provides empiric evidence of how SAMA has handled the transition in the banking sector and the part played by SOCPA. From the academics' perspective, the study contributes to the accounting literature by giving an insight into the implementation process in the particular cultural, regulatory and business environment of Saudi Arabia, while accounting professionals may find the empiric evidence offered by preparers and the illustration of the practical difficulties of the implementation process informative in terms of their own accounting procedures.

The findings offer considerable insights regarding the impact of interior and exterior forces (new institutional theory) on the implementation of IAS/IFRS in developing countries. They reveal the limited knowledge of preparers to be a major barrier to implementation, highlighting how important it is for accounting professionals to educate themselves about IFRS and to unite in raising their concerns about the ongoing challenges of adoption (the study illustrates that auditors in Saudi Arabia have already expressed concern about SOCPA's approach to the implementation process). The study highlights the perceived need for collaboration between academics to carry out research and to update the academic curriculum to support the ongoing changes in the accounting profession. Finally, they show the need for more government investment to bring accountancy agencies and universities together to raise awareness and knowledge about IFRS adoption. Further investment is required in scholarships for graduate students to obtain professional qualifications, research grants to academics, and training programmes for professional accountants.

9.5 Recommendations for Policy and Practice

Based on the findings, and considering the suggestions of the study participants, the following recommendations are offered as ways of maximising the benefits of IFRS adoption in Saudi Arabia and mitigating the associated challenges:

- Regulators in the country must either establish a single body to control the accounting system or give SOCPA the power it needs to regulate the accounting profession in Saudi Arabia. This will avoid the current clashes between government agencies such as SAMA, the CMA and the Tadawul. The accounting system and its regulation must be under a strong body that has sole responsibility for the governance of accounting and auditing standards.
- The study findings show that the implementation approach adopted by SAMA was perceived as strong and well-planned. The Authority provided everything the banking sector needed, such as consultancy services, implementation guidance and training for accounting staff. Given SAMA’s success in this task, SOCPA should follow its lead, especially during the transition period, to avoid the reported challenges.
- The transition process was impeded by a lack of understanding, lack of training, lack of auditors skilled in IFRS, and a shortage of resources. It is recommended that SOCPA acts very quickly to remedy these shortages. Furthermore, the organisation has invested too much in engaging consultants to handle the ongoing transition; rather, it should invest in developing local CPAs to supply the IFRS expertise the country needs.
- SOCPA has postponed adopting any IFRS that need adjusting to meet the needs of the Saudi environment. This raises questions about the comparability of financial reporting in Saudi Arabia. SOCPA should adopt all standards to achieve the best outcomes from IFRS.
- So long as Saudi Arabia follows Sharia law, it will face particular challenges with issues such as Zakat, for which there are no international standards. SOPCA should highlight these differences in terms of local legislation and

should use its position as an IASB member to urge the board to make provision for Islamic countries' needs with alternative IFRS treatments.

- While SAMA enforces compliance in the banking sector and monitors all their annual reports, it is the CMA that enforces listed companies' compliance with local regulation; SOCPA has no power to ensure that listed or unlisted companies are complying with the adoption plan. If it is to be an effective regulator, SOCPA must implement an efficient and effective plan to monitor compliance with its procedures.

- Since the findings of the study suggest that the majority of professionals avoid SOCPA training because it is expensive, it is recommended that the organisation uses the resources it receives from Saudi CPAs' annual membership subscriptions to invest in providing expertise and running affordable courses.

- SOCPA has its own training department, but the findings suggest that more must be done to encourage collaboration between this department and Saudi universities. This is crucial to raise awareness about the ongoing development of accounting standards in the country. The findings highlight the need for IT training and workshops to help staff overcome the difficulties of managing the IT requirements for some IFRS standards.

- Accounting degree courses in Saudi universities must be updated to include books and materials that deal with IFRS. This is essential to better prepare Saudi graduates and to address the problems of limited knowledge and lack of competent specialists. This may also include using the expertise of foreign academics and authorising them to change the curriculum to fit, and include, the requirements of IFRS.

- More generally, the IASB should pay greater attention to the needs of developing countries, especially emerging economies, where the accounting profession may be quite different from those in developed countries. The IASB must take care to issue implementation guidance that is clear and understandable to professionals in these countries.

- It was noticeable from the interviews that individuals and organisations blame each other for their lack of success and for the difficulties encountered in adopting and implementing IFRS. It is time for individuals, organisations, professional bodies and analysts to share responsibility and to play their full part in the development of accounting practice in Saudi Arabia.

9.6 Limitations

Although the study achieves the aim and objectives and answers the research questions, it is not without some limitations. First, the relatively small sample size (254 questionnaires and 22 semi-structured interviews) means that the opinions, perceptions and experiences described by the participants may not reflect the full range of opinions on IFRS adoption held by the relevant population. As mentioned in Sections 5.4.1.3 and 5.4.4.2, selecting the study participants was hard due to the limited number of people with the relevant experience in Saudi Arabia. Furthermore, gaining access to some of these people, especially in the banking sector, was challenging. Even when access had been approved by SAMA, it was difficult arranging interviews with some CFOs because of their busy schedule. It was necessary to arrange interviews around these schedules, and to persuade some initially reluctant CFOs (by email) that their contribution would add value not only to this research but to the Saudi accounting system in general.

Second, a number of the survey respondents were unable to complete the questionnaire as they were too busy or did not have sufficient knowledge about the issue being investigated. Where possible, the latter problem was addressed by giving a full explanation of the topic and the main objective of the research to anyone who contacted the researcher by email. Other participants, in both the questionnaire survey and interviews, were very careful or hesitant in some of their answers, despite being given assurances that these answers would remain confidential.

9.7 Future Research

To the best of the researcher's knowledge, this is the first study to investigate the challenges and opportunities of IFRS adoption in Saudi Arabia using the banking sector as a case. The questionnaire survey in this study canvassed the views of a large number of the preparers of financial information in the country's banking sector, but future research may generate other interesting findings by focusing on CFOs in companies listed in the Saudi stock market.

The companies operating in Saudi Arabia's banking sector tend to be large; research investigating the challenges and opportunities of implementation in smaller and medium-sized companies in the country may generate very different findings.

Both quantitative and qualitative research is required into the challenges and opportunities associated with updating Saudi Arabia's educational system to bring it into line with IFRS. The findings of these future studies will be crucial to developing both the country's accounting system and a better understanding of the relevance of IFRS in emerging economies such as Saudi Arabia.

One finding of this study is that IFRS adoption in Saudi Arabia has been impacted by the lack of competent specialists. Another subject for future research, therefore, is how the move to international accounting standards has affected the accounting profession in emerging economies. Such research would provide deeper insight into how accounting practice is affected by professionalisation.

Finally, research is needed regarding the classification of Zakat. The findings of this study indicate that no one has so far developed a standard within the IFRS that addresses the issues around Zakat.

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Appendixes:

Appendix A

Challenges and opportunities of adopting IFRS in Saudi Arabia: banking sector case

Thank you for agreeing to consider participating in this research project. Before you decide to participate in this survey, it is important that you understand the reason why this research is being carried out and what your participation will involve. I shall be grateful if you will take time to read the following information carefully and discuss it with colleagues if you wish. Please feel free to get back to me if anything is unclear and to take as much time as you need to decide whether or not to take part.

Background

Dear Sir or Madam,

This is a formal invitation for you to take part in a research project to be carried out by myself (the researcher), with funding provided by the Saudi Arabian Ministry of High Education. The purpose behind this research is to investigate the positives and negatives of International Financial Reporting Standard adoption and ways to deal with the issues identified, in addition to ascertaining if this experience can be repeated in other sectors, and the possible lessons to be learnt from it. The attitudes of users of accounting information in Saudi Arabia towards the transition to IFRS, and what they think this means for the accounting profession, will also be examined. Speaking to those involved in the financial reporting process will provide clear insights into the future of the accounting profession in Saudi, meet the present requirements, address areas of concern in the literature and enable a better understanding of the use of international standards in the context of Saudi Arabia’s banking industry. The focus of this research is primarily on accountants in the banking sector, professionals, auditors, financial experts and academics.

What is the purpose of the study?

In February 2012, the Saudi Organisation for Certified Public Accountants (SOCPA) formally approved the transition to IFRS through its “Project for Transition to International Accounting and Auditing Standards”. This transition was designed to be accomplished from 2017 onwards (IFRS, 2017). The Saudi Arabian Monetary Authority (SAMA) requires all listed and unlisted banks and insurance companies to use IFRS. All other entities, irrespective of their size, are required to use the local GAAP as issued by SOCPA (IFRS, 2017). However, this partial application of IFRS in banking and insurance companies and the continuing use of the Saudi GAAP in other listed companies raises questions about the comparability of financial statements. It also begs the question of why the transition has been only partial. The present research will investigate the potential challenges to and opportunities of IFRS adoption in the Saudi context and determine which of these opportunities and challenges emerged during the transition in the banking sector, in the hope of extracting lessons for other sectors and facilitating a smoother transition to IFRS in the future. The study aims to answer the following research questions:

- How do users of accounting information in Saudi Arabia perceive the adoption decision of IFRS?
- Why has Saudi Arabia not applied IFRS to all sectors, as in other Gulf countries, and what factors led it to adopt IFRS?
- What challenges and opportunities are associated with IFRS adoption in Saudi Arabia's banking sector?

Who is running this study?

The study is being conducted by Mr Manea Almansour, a PhD student at Nottingham Business School, Nottingham Trent University. It is funded by the Saudi Ministry of Higher Education (Najran University).

The reasons for your selection to participate in the research:

The main reason for asking you to take part in the study is that you are a member of an accounting department in the banking sector in Saudi Arabia (a preparer), a fund manager (a financial analyst), an external auditor (a CPA) or an academic.

Do I have to take part?

Participation is entirely voluntary. If you do decide to take part, you will be given a participant information sheet to keep, and you will also be asked to sign a consent form. You will still be free to withdraw at any time: this includes the right to withdraw your participation from the study after it has taken place, any time up to 30/04/2018, when data analysis will commence.

Should you decide against participation or should you wish to take no further part in the survey, you will not be requested to say why or to provide any explanation for your decision.

What do you want me to do?

You will be invited to take part in a survey, which should take approximately 30 minutes to complete. It will take place in your workplace, if appropriate, or another location designated by yourself or the researcher, and will be arranged at a time convenient to yourself. The topics to be covered are identified in the section: "*What is the purpose of the study?*"

The questionnaire will be administered personally by the researcher (Manea Almansour) and follow a pre-set schedule.

What will happen to the information I give in my survey?

The results of your questionnaire will be collated and analysed by the researcher. At the end of the study, all online and hard copy surveys will be destroyed. Apart from the researcher's PhD supervisor, Dr Hafez Abdo, no one else will have access to the raw materials of the survey.

How will you protect my confidentiality and anonymity?

The researcher will be the only person handling the survey. Hard copies of research notes will be safely secured in locked filing cabinets, and electronic files will be stored in password-protected computers. Thus, they will not be available to any other university staff. Participants will be requested to jot down their personal questionnaire number/code, presented in the top corner of the document (participant information sheet). This code will help the researcher to identify a single questionnaire should a participant express a wish to withhold his/her data. The researcher will have exclusive access to the codes, which will be kept in a secure place separate from the rest of the raw/processed data. He will personally destroy all the transcripts, digital recordings and notes at the end of the study.

It is equally important to stress that your name will not appear in any published work resulting from this study, unless your contribution is part of a narrative that is already in the public domain. This applies, for instance, if you were the named owner of a published document or offered testimony to a public investigation pertinent to the research project. Also, unless you give prior consent, no unpublished opinions or information will be ascribed to you, whether by name or position.

Unless prior consent is granted, the researcher will do his utmost to ensure that you cannot be identified by the manner in which the findings are written up. As codes are distributed to each participant, no one will be identified. For instance, if participant 1 works or has anything to do with bank A, that bank or organisation will not be referred to.

What are the possible disadvantages and risks in taking part?

There should be only one cost to you, which is the time required to carry out the survey. The major risk is that you might possibly disclose information that may harm you or your company/organisation, or that the info given breaches the data protection laws.

However, this risk is very limited as the arrangements described above will stop any of your personal information or any other sensitive information from being shared with anyone else apart from the researcher's supervisor, Dr Hafez Abdo.

What are the possible benefits?

You may find the survey questions very helpful and the findings exciting. You may also take satisfaction from assisting the researcher in his efforts to develop knowledge in this key field. It is also hoped that the results of the research will be beneficial to your workplace.

What will happen to the results?

The results will be summarised and reported in a PhD thesis at Nottingham Trent University. The results will also be published in scientific journals. All data will be completely anonymised. No individual will be identifiable from the published results.

How can I find out more about this project and its results?

If requested, a copy of the executive summary can be sent to all participants, so that you can read about the findings of the research. The researcher will be happy to discuss any aspect of the study with potential participants prior to or post their involvement.

Has anyone reviewed the study?

The study has been reviewed by the supervisory team, and independently reviewed by an independent assessor within Nottingham Trent University. The study has been accepted by the College Research Degrees Committee (CRDC) at Nottingham Trent University, and it has been registered for MPhil with the possibility of a transfer to PhD.

Who is responsible if anything goes wrong?

This project is being administered by Nottingham Trent University. Nottingham Trent University is therefore responsible for the ethical conduct of the project.

Please feel free to contact the researcher for further information at the following addresses:

Manea.almansour2013@my.ntu.ac.uk

Also, the supervisory team can also be contacted at the following address:

Dr. Hafez Abdo

Associate Professor in Accounting

Chair of NBS Ethics Committee

Nottingham Business School

Division of Accounting and Finance

50 Shakespeare Street

Nottingham, NG1 4FQ

United Kingdom
Email: Hafez.abdo@ntu.ac.uk

Telephone: 0115 848 6098

Dr Donald Harradine

Principal Lecturer of Accounting

Nottingham Business School

Division of Accounting and Finance

Email: donald.harradine@ntu.ac.uk

I sincerely thank you for your consideration

Manea Almansour

Chief investigator

SURVEY PARTICIPANT CONSENT FORM

Challenges and opportunities of adopting IFRS in Saudi Arabia: banking sector case

Should you wish to take part in the research, please respond by ticking the boxes below:

☐ I consent to take part in the study entitled above.

☐ I consent for my data to be used in this study and in consequent academic publications.

☐ I understand the risks and benefits of taking part in the research.

☐ I understand that I am free to withdraw from the research at any time and do not have to participate in all aspects without giving a reason.

☐ I have had the opportunity to have all of my questions answered by the research team.

☐ I have made a note of my participant reference code

Date

Signed:

………………………………. Participant

…………. ……………………

Questionnaire on IFRS adoption in the Kingdom of Saudi Arabia

This questionnaire consists of four sections.

Section 1: General and Background Information:

This section aims to collect general information about your position, your educational background and your experience. Please answer by ticking ✓ the appropriate number.

What is your gender?

Male ☐

Female ☐

Which of the following best describes your level of education?

PhD ☐

Masters ☐

Bachelor ☐

Other, ☐please specify: ……………

Which of the following professional accounting qualifications do you have?

CPA ☐

SOCPA ☐

Other, ☐

Please specify: …………………………………………………………………………………………..

Which of the following describes your current profession?

Accountant in the banking sector. ☐

Financial analyst ☐

External auditor ☐

Academic ☐

How many years of experience do you have in your current profession?

Less than 5 years ☐

5-10 years☐

11-15 years ☐

16 years or more ☐

Section 2: Perception of users on the IFRS adoption.

This section seeks to understand your perception on the transition to IFRS as a user of accounting information in the Kingdom Saudi Arabia.

No	Statements	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
1	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?					
2	Banks are required by SAMA to prepare their financial statements in accordance with IFRS. To what extent do you agree with SAMA's decision?					
3	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?					

Can you please explain the underlining reason for your answer to statements above?

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Can you please explain the underlining reason for your answer to question 9 above?

………

……………………………………………………………………………………………… ………

Section 2

To what extent do you think any of the following statements has influenced Saudi Arabia to adopt IFRS?

No	Statements	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
1	Economic growth in Saudi Arabia greatly influenced the adoption of IFRS					
2	The legal system greatly influenced the adoption of IFRS					
3	The external environment (e.g. World Bank, IMF etc.) greatly influenced the adoption of IFRS					
4	The existence of a capital market greatly influenced the adoption of IFRS					
5	The previous accounting standards were ineffective					

Section 3: Opportunities

To what extent do you agree or disagree with following statements that convergence with IFRS brings benefits to companies/industries? (SA-Strongly Agree, A-Agree, UD-Undecided, D-Disagree, and SD-Strongly Disagree)

No	Statements	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
1	Adoption of IFRS improves the efficiency of financial reporting					
2	Financial statements based on IFRS are reliable					
3	Adoption of IFRS provides greater reporting transparency					
4	Adoption of IFRS improves corporate governance					
5	Internal audits are easier and less costly					
6	Creating a single accounting language helps to harmonise internal and external reporting					
7	IFRS adoption helps remove barriers previously encountered to the flow of international capital from/to Saudi Arabia					
8	Adoption of IFRS increases the comparability of financial information for stakeholders with that of similar organisations nationally and internationally					
9	Adoption of IFRS reduces the cost of capital					
10	Adoption of IFRS saves the time and effort needed to issue Saudi standards					

To what extent do you agree that the adoption of IFRS provides the following benefits to investors?

Strongly Disagree (SD) Disagree (D) Do not Know (N) Agree (A) Strongly Agree (SA)

No	Statements	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
1	IFRS provide better information for investors' decision making					
2	Investors will have more confidence in the information presented using IFRS					
3	Adoption of IFRS enables better risk management					

To what extent do you agree with the following benefits of IFRS to management?

Strongly Disagree (SD) Disagree (D) Do not Know (N) Agree (A) Strongly Agree (SA)

No	Statements	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
1	IFRS adoption improves regulation oversight and enforcement					
2	IFRS adoption provides greater credibility and improves management decision making					
3	IFRS adoption provides better reporting and information on new and different aspects of the business					

Comments:

Please include here any further benefits have not been listed above and that you believe IFRS adoption will brings and should be considered:

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Challenges:

To what extent do you agree or disagree with the following statements in that convergence with IFRS adoption will bring challenges to companies/industries? (SA-Strongly Agree, A-Agree, UD-Undecided, D-Disagree, and SD-Strongly Disagree)

No	Statements	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
1	Adoption of IFRS is costly					
2	IFRS increases the complexity of financial reporting					
3	There is a lack of IFRS implementation guidance					
4	There are insufficient competent specialists available					
5	There is a need for training					
6	There is a lack of proper instructions from regulatory bodies					
7	There is a problem with the IT system in handling the transition to IFRS					
8	There is a lack of legal enforcement					
9	There is a lack of IFRS knowledge in the KSA					

What are the main costs of implementing IFRS? (Please tick as many as you consider relevant).

No	Statements	Tick	Ranked
1	Training for accountants on IFRS		
2	Fees for consultancy services		
3	Cost of technical literature		
4	Transition to a new software system		

Comments:

Please state here any further challenges that have not been mentioned above and you believe IFRS adoption will bring and should be taken into account:

……………………………………………………………………………………………
……………………………………………………………………………………………
……………………………………………………………………………………………
……………………………………………………………………………………………
…………………………………………………………………………………….

Section 4: **Cultural factors affecting the level of adoption**

Previous literature has mentioned some factors that may affect the adoption of IFRS in developing countries such as Saudi Arabia. To what extent you agree with following factors below:

No	Statements	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
1	Sharia requirements (Zakat, interest issues)					
2	Language issues					
3	Unsuitability of some IFRS procedures to the Saudi environment					
4	Other cultural issues Please add: ------------ ----------- -----------					

If you would like to add anything else related to the adoption of IFRS in KSA but not covered by this questionnaire please use the space below for this purpose.

……………………………………………………………………………………………
……………………………………………………………………………………………
……………………………………………………………………………………………
…………………………………………………………………………………………

Thank you very much for your time and participation

Appendix B

Challenges and opportunities of adopting IFRS in Saudi Arabia: banking sector case

Thank you for agreeing to consider participating in this research project. Before you decide to be interviewed in this study, it is important that you understand the reason why this research is being carried out and what your participation will involve. I shall be grateful if you will take time to read the following information carefully and discuss it with colleagues if you wish. Please feel free to get back to me if anything is unclear and to take as much time as you need to decide whether or not to take part.

What is the purpose of the study?

In February 2012, the Saudi Organisation for Certified Public Accountants (SOCPA) formally approved the transition to IFRS through its "Project for Transition to International Accounting and Auditing Standards". This transition was designed to be accomplished from 2017 onwards (IFRS, 2017). The Saudi Arabian Monetary Authority (SAMA) requires all listed and unlisted banks and insurance companies to use IFRS. All other entities, irrespective of their size, are required to use the local GAAP as issued by SOCPA (IFRS, 2017). However, this partial application of IFRS in banking and insurance companies and the continuing use of the Saudi GAAP in other listed companies raises questions about the comparability of financial statements. It also begs the question of why the transition has been only partial. The present research will investigate the potential challenges to and opportunities of IFRS adoption in the Saudi context and determine which of these opportunities and challenges emerged during the transition in the banking sector, in the hope of extracting lessons for other sectors and facilitating a smoother transition to IFRS in the future. This study aims to answer the following research questions:

- How do users of accounting information in Saudi Arabia perceive the adoption decision of IFRS?
- Why has Saudi Arabia not applied IFRS to all sectors, as in other Gulf countries, and what factors led it to adopt IFRS?
- What challenges and opportunities are associated with IFRS adoption in Saudi Arabia's banking sector?

Who is running this study?

The study is being run by Mr Manea Almansour, a PhD student at Nottingham Business School, Nottingham Trent University.

Who is funding this study?

The Saudi Ministry of Higher Education (Najran University)

Why have you been chosen to take part?

You are being asked for an interview because you are either a member of an accounting department in the banking sector in Saudi Arabia, a regulator in Saudi Arabia, or an auditor from a local or Big Four firm.

Do I have to take part?

Your participation is entirely voluntary. If you do decide to take part, you will be given a participant information sheet to keep, and you will also be asked to sign a consent form. You will still be free to withdraw at any time.

Should you decide against participation or should you wish to take no further part in the interview, you will not be requested to say why or to provide any explanation for your decision.

What do you want me to do?

Your participation in an interview lasting approximately one hour is really appreciated. This can be arranged to take place at your work place or any another location of your or the researcher's choice. A suitable time can also be agreed beforehand. The topics to be discussed can be found in the "*What is the purpose of the study?"* section above. Once agreed, the interview will be carried out by the researcher (Mr Manea Almansour), following a pre-set arrangement.

The researcher will seek written consent from yourself to record the interview to ensure that the information you provide is correctly recorded and transcribed in the most accurate way. It is of course your decision to allow audio recording of the interview to take place.

What will happen to the information I give in my interview?

Once the recording of your interview is transcribed, the information will be analysed and fed into the findings. As soon as the study is finished, all the transcripts, digital recordings and notes will be destroyed completely. Only the researcher and his PhD supervisor, Dr Hafez Abdo, will have access to the recorded and transcribed interviews.

How will you protect my confidentiality and anonymity?

The researcher alone will handle the recordings and transcripts, with hard copies of research notes being securely locked in filing cabinets, and electronic files being stored on password-protected computers that are not accessible to any other staff at the university. It cannot be stressed enough that at the end of the study, all the transcripts, digital recordings and notes will be destroyed and deleted.

It is also important to note that you will not be mentioned by name in any published work arising from this study unless it is as part of a source that is already in the public domain; for example, as the named author of a published document or if you provided evidence to a public investigation in relation to the project. There will be no unpublished views or data ascribed to you, whether by name or position, unless you give explicit consent. Unless told otherwise, the researcher will take all necessary steps to ensure that you cannot be identified in the way the research findings are presented in this project. Codes will be assigned to each interviewee so that they are not easily identified; as in participant 1 from bank A, for example. Additionally, banks or other organisations will not be mentioned by name as this may result in interviewees' identity being easily tracked.

What are the possible disadvantages and risks in taking part?

There may be only one cost to you, which will be the time required for the interview. The major risk may be that you disclose information that may harm you or your company/organisation, or that breaches the data protection laws.

However, this risk is very limited as the arrangements outlined above will stop any of your personal information or any other sensitive information from being shared with anyone else apart from the researcher's supervisor, Dr Hafez Abdo.

What are the possible benefits?

You may find the interview questions very helpful and interesting and the findings exciting. You may also take satisfaction from assisting the researcher in his efforts to develop knowledge in this key field. It is also hoped that the results of the research will be beneficial to your workplace.

What will happen to the results?

The results will be summarised and reported in a PhD thesis at Nottingham Trent University. The results will also be published in scientific journals. All data will be completely anonymised. No individual will be identifiable from the published results.

How can I find out more about this project and its results?

A copy of the executive summary can be sent, if requested, to all participants, so they can read about the findings of the research. The researcher will be happy to discuss any aspect of the study with potential participants prior to or post their involvement.

Has anyone reviewed the study?

The study has been reviewed by the supervisory team, and independently reviewed by an independent assessor within the Nottingham Trent University. The study has been accepted by the College Research Degrees Committee (CRDC) at Nottingham Trent University, and it has been registered for MPhil with the possibility of a transfer to PhD.

Who is responsible if anything goes wrong?

This project is being administered by Nottingham Trent University. Nottingham Trent University is therefore responsible for the ethical conduct of the project.

Please feel free to contact the researcher for further information, at the following addresses:

Manea.almansour2013@my.ntu.ac.uk

Also, the supervisory team can also be contacted at the following address:

Dr. Hafez Abdo

Associate Professor in Accounting

Chair of NBS Ethics Committee

Nottingham Business School

Division of Accounting and Finance

50 Shakespeare Street

Nottingham, NG1 4FQ

UnitedKingdom
Email: Hafez.abdo@ntu.ac.uk

Telephone: 0115 848 6098

Dr Donald Harradine

Principal Lecturer of Accounting

Nottingham Business School

Division of Accounting and Finance

Email: donald.harradine@ntu.ac.uk

I sincerely thank you for your consideration

Manea Almansour

Chiefinvestigator

INTERVIEW PARTICIPANT CONSENT FORM

NOTTINGHAM TRENT UNIVERSITY

Challenges and opportunities of adopting IFRS in Kingdom of Saudi Arabia: banking sector case

Should you wish to take part in the research, please respond by ticking the boxes below:

☐ I consent to take part in the study entitled above.

☐ I consent for my data to be used in this study and in consequent academic publications.

☐ I understand the risks and benefits of taking part in the research.

☐ I understand that I am free to withdraw from the research at any time and do not have to participate in all aspects without giving a reason.

☐ I have had the opportunity to have all of my questions answered by the research team.

☐ I agree for notes and an audio recorder to be used in the interview

☐ I have made a note of my participant reference code

Signed:

………………………………. Participant

…………. ……………………Date

NOTTINGHAM BUSINESS SCHOOL
Nottingham Trent University

Manea Almansour

PhD Student

Nottingham Business School

Nottingham Trent University

Email : Manea.almansour2013@my.ntu.ac.uk

Supervised by …

Dr Hafez Abdo

Nottingham Business School

Division of Accounting and Finance

Email : Hafez.abdo@ntu.ac.uk

Dr Donald Harradine

Nottingham Business School

Division of Accounting and Finance

Email:donald.harradine@ntu.ac.uk

The purpose of the study

In February 2012, the Saudi Organisation for Certified Public Accountants (SOCPA) formally approved the transition to IFRS through its “Project for Transition to International Accounting and Auditing Standards”. This transition was designed to be accomplished from 2017 onwards (IFRS, 2017). The Saudi Arabian Monetary Authority (SAMA) requires all listed and unlisted banks and insurance companies to use IFRS. All other entities, irrespective of their size, are required to use the local GAAP as issued by SOCPA (IFRS, 2017). However, this partial application of IFRS in banking and insurance companies and the continuing use of the Saudi GAAP in other listed companies raises questions about the comparability of financial statements. It also begs the question of why the transition has been only partial. The present research will investigate the potential challenges to and opportunities of IFRS adoption in the Saudi context and determine which of these opportunities and challenges emerged during the transition in the banking sector, in the hope of extracting lessons for other sectors and facilitating a smoother transition to IFRS in the future. This study aims to answer the following research questions:

- How do users of accounting information in Saudi Arabia perceive the adoption decision of IFRS?
- Why has Saudi Arabia not applied IFRS to all sectors, as in other Gulf countries, and what factors led it to adopt IFRS?
- What challenges and opportunities are associated with IFRS adoption in Saudi Arabia’s banking sector?

Section (1): General Information

Interviewee Profile -

Name of Participant	………………………………..…………….…………
Educational Qualification	…………………………………………………………
Professional Qualification	…………………………………………………………
Type of Business	
Current Position	…………………………………….....………………
Number of Years of Experience	
Number of Years in Current Position	

Are you engaged in the preparation/analysis of IFRS financial statements?

YES…………………………how often? …..………………………..

➢ Section 2: How users of accounting information in Saudi Arabia perceive the convergence to IFRS.

Do you consider IFRS to be suitable for adoption in KSA? If no, why not?

- Section 3: To find out why IFRS have not been applied to all economic sectors in KSA, as in other Gulf countries.

In your opinion, why has Saudi Arabia not yet applied IFRS to all economic sectors, like Gulf countries?

What are the factors that motivated Saudi Arabia to adopt IFRS?

- Section 4: challenges and opportunities:

What are the challenges and opportunities that come with IFRS adoption in the Saudi banking sector?

Can you talk about the transition to IFRS period?

Do you think companies in KSA are ready for the adoption of IFRS? And if so, to what extent?

What are the major opportunities from adopting IFRS on the company (preparers ,users) level?

What are the major challenges from adopting IFRS on the company (preparers ,users) level?

What sort of challenges were there during the transition?

How did you deal with the challenges?

Why are IFRS (not) an appropriate accounting framework for Saudi?

How can the perceived benefits be enhanced?

How can the drawbacks be eliminated?

What factors influence IFRS adoption in KSA?

How suitable is the current Accounting and Finance educational system in KSA as a base for adopting IFRS?

What other factors may influence IFRS adoption in KSA?

Can you provide a description of any other established and macro-level considerations that may affect the application and the content of IFRSs financial information ?

Would you like to receive a copy of the summary and findings from this study?

If so, please provide me your email address:

THANK YOU VERY MUCH FOR YOUR COOPERATION

Appendix C

التحديات والفرص المتاحة لاعتماد المعايير الدولية لإعداد التقارير المالية في المملكة العربية السعودية: حالة القطاع المصرفي

شكرا جزيلا على قبولكم المشاركة في هذا المشروع البحثي، وقبل اتخاذ القرار بالمشاركة في هذا المسح، من المهم أن تكون لكم خلفية عن سبب إجراء هذا البحث وماذا تعني لنا مشاركتكم. وسأكون ممتنا لو تفضلتم بقراءة المعلومات التالية بعناية ومناقشتها مع الزملاء إذا رغبتم. أرجو ألّا تترددوا في التواصل معي إذا كان هناك أي شيء غير واضح. كما أحيطكم علما أنه بإمكانكم أن تستغرقوا ما شئتم من الوقت قبل اتخاذ القرار بالمشاركة من عدمها.

نبذة عن الموضوع

سيدي العزيز، سيدتي العزيزة:

أكتب إليكم لدعوتكم للمشاركة في مشروع بحثي نقوم به بدعم من وزارة التعليم العالي في المملكة العربية السعودية. ويهدف هذا البحث إلى استكشاف الفرص والتحديات التي تواجه تبني المعايير الدولية لإعداد التقارير المالية، وكيف يمكن أن تكون هذه التجربة على قدر كاف من الشفافية في القطاعات الأخرى، وما هي الدروس التي يمكن استخلاصها. وفي المقابل، ستُثار المخاوف من خلال تصورات مستخدمي المعلومات المحاسبية في المملكة العربية السعودية عن انتقال هذه الأخيرة إلى المعايير الدولية لإعداد التقارير المالية ومستقبل المهنة المحاسبية. لذلك، وباستخدام المحررين الذين يشاركون في التقارير المالية، سوف تتشكل نظرة واضحة لمستقبل مهنة المحاسبة في السعودية، تخطي المخاوف الحالية، سد الفجوة في الأدب وتقديم صورة أوضح عن هذا الاعتماد في القطاع المصرفي للمملكة العربية السعودية. ويسلط هذا البحث الضوء في البداية على المحاسبين في القطاعات المصرفية، والمنظمين، والمدققين، والمحللين الماليين والأكاديميين.

الغرض من الدراسة:

في فبراير 2012، وافقت الهيئة السعودية للمحاسبين القانونيين رسميا على الانتقال إلى المعايير الدولية لإعداد التقارير المالية "من خلال مشروع للانتقال إلى المحاسبة الدولية ومعايير التدقيق". وكان الهدف أن يكون عام 2017 فصاعدا هو الموعد النهائي لهذا التحول (المعايير الدولية لإعداد التقارير المالية، 2017). تحرص مؤسسة النقد العربي السعودي على أن تستخدم جميع البنوك المدرجة وغير المدرجة، إضافة إلى شركات التأمين، المعايير الدولية للتقارير المالية. ويتعين على جميع الكيانات الأخرى، بغض النظر عن حجمها، استخدام المبادئ المحاسبية المحلية المقبولة عموما الصادرة عن الهيئة (سوكبا) (المعايير الدولية

لإعداد التقارير المالية، 2017). ومع ذلك، فإن هذا التطبيق الجزئي للمعايير الدولية للتقارير المالية في الشركات المصرفية وشركات التأمين أو استخدام المبادئ المحاسبية المقبولة عموما في الشركات المدرجة الأخرى، تبعث على التساؤل حول قابلية المقارنة بين البيانات المالية والأسباب التي تدعم الانتقال الجزئي، وليس الكامل، إلى المعايير الدولية لإعداد التقارير المالية. ولذلك، فإن البحث الحالي سوف يتناول التحديات والفرص الكامنة وراء اعتماد المعايير الدولية لإعداد التقارير المالية في السياق السعودي والتعرف على الفرص والتحديات التي أثيرت أثناء الانتقال في القطاع المصرفي. وسوف يسمح هذا المجهود البحثي للقطاعات الأخرى غير البنوك والتأمين باستخلاص الدروس والحصول على أفكار، وبالتالي سيسمح بالانتقال السلس إلى المعايير الدولية للتقارير المالية في المستقبل.

وتهدف هذه الدراسة أيضا إلى الإجابة على أسئلة البحث التالية:

1. لماذا لم تطبق السعودية المعايير الدولية للتقارير المالية على جميع القطاعات بالمملكة، على غرار بلدان الخليج العربي الأخرى؟

2. ما هي التحديات والفرص التي تأتي مع اعتماد المعايير الدولية لإعداد التقارير المالية في القطاعات المصرفية في المملكة العربية السعودية؟

3. ما هي العوامل التي يمكن أن تؤثر على مستوى اعتماد المعايير الدولية لإعداد التقارير المالية في البلد؟

4. ما هو موقف مستخدمي المعلومات المحاسبية في المملكة العربية السعودية من الانتقال إلى المعايير الدولية للتقارير المالية؟

معلوات إضافية عن الدراسة

يدير هذه الدراسة السيد مانع المنصور، وهو طالب دكتوراه في كلية نوتنغهام للأعمال، جامعة نوتنغهام ترينت. أما عن الجهة الممولة لهذه المشروع البحثي فهي وزارة التعليم العالي السعودية (جامعة نجران).

أطلب منكم أن تمنحنا فرصة إجراء مقابلة معكم وهذا إمّا لكونكم عضو في هذه المجموعة من قسم المحاسبة في القطاع المصرفي في المملكة العربية السعودية أو في الهيئات التنظيمية في المملكة العربية السعودية، أو لأنكم القائمون بإدارة الصناديق (محللون ماليون) أو المدققون الخارجيون كالمحاسبين القانونيين المعتمدين والهيئة السعودية للمحاسبين القانونيين أو منتمون للسلك الأكاديمي. ويجدر بالذكر أنّ مشاركتك ستكون طوعية تماما، وبالتالي، أنت مخير بين المشاركة أو عدم المشاركة في نهاية الأمر.

إذا قررت المشاركة، ستستلم "ورقة معلومات خاصة بالمشارك" والتي يمكنك الاحتفاظ بها، كما سيطلب منك التوقيع على نموذج الموافقة. طبعا، لك أن تنسحب في أي وقت بما في ذلك سحب المقابلة من الدراسة البحثية بعد الانتهاء منها. الموعد النهائي لسحب أي بيانات سيكون يوم 2018/04/30 وذلك قبل البدء في تحليل البيانات. إذا قررتم عدم المشاركة، أو الانسحاب في أي مرحلة، لن يطلب منكم تقديم أي أسباب للانسحاب.

أود منك أن تشارك في مقابلة ستستمر لمدة ساعة تقريبا. وسوف يكون ذلك في مكان العمل الخاص بك، إذا كان ذلك مناسبا، أو موقع آخر تعينه بنفسك أو الباحث، وسيكون ذلك في وقت مناسب لنفسك. الموضوعات التي سيتم تغطيتها محددة في القسم أعلاه من هذه الوثيقة: "ما هو الغرض من الدراسة؟" وسوف أتولى بنفسي الاشراف على المقابلة بعد تحديد جدول زمني مسبق لذلك.

وعما سيحدث للمعلومات التي ستعطيها في المسح، سأقوم بتنظيم نتيجة الاستبيان الخاص بك. وبعد ذلك سوف أحلل المعلومات وأدمجها في نتائج المشروع البحثي. وفي نهاية الدراسة، سيتم تدمير جميع الاستبيانات والنسخ المطبوعة على الإنترنت. وباستثناء المشرف على رسالة الدكتوراه، لن يتمكن أي شخص آخر من الوصول إلى محتوى هذا المسح.

وفيما يتعلق بحماية الخصوصية وعدم الكشف عن هوية المشارك، سوف أتعامل مع المسح بنفسي. كما سيُحتفظ بنسخ مطبوعة من المذكرات البحثية في خزانات إيداع مغلقة. وعن الملفات الإلكترونية، سوف يحتفظ بها على أجهزة الكمبيوتر المحمية بكلمة مرور والتي لن يتمكن أي موظف آخر بالجامعة من الحصول عليها. وسيُطلب من المشاركين أن يدونوا رقم الاستبيان أو الرمز الخاص بهم، وهو موجود في الجزء العلوي من ورقة معلومات المشاركين. وسيستخدم هذا الرمز للتعرف على استبيان واحد فقط في حالة ما إذا رغب المشارك في سحب بياناته. سأكون الشخص الوحيد المخول بالاحتفاظ والوصول إلى الرموز التي ستُخزّن بشكل آمن، وبشكل منفصل، عن البيانات الخام أو المُعالجَة. وعن جميع المعلومات، سيُحتفظ بها على جهاز كمبيوتر محمي بكلمة مرور. وكما ذكر أعلاه في نهاية الدراسة، ستُتلف جميع النصوص والتسجيلات الرقمية والملاحظات.

لن يُذكر إسمك في أي منشور ينبثق عن هذا المشروع إلا إذا جاء دورك في سياق موجود بالفعل في المجال العام كأن تكون مثلا المؤلف المعني بالأمر لوثيقة منشورة أو كأن تقدم دليلا على استفسار عام له صلة بالدراسة. لن تنسب أي آراء أو معلومات غير منشورة إليك، سواء كان ذلك بالاسم أو بدورك في المؤسسة، دون موافقة صريحة منك.

ما لم تعطى الموافقة، سأحرص كل الحرص على ألّا يتعرف عليك أحد من خلال الطريقة التي نكتب بها النتائج التي توصلنا إليها. وسأرمز إلى كل مشارك في المقابلات برمز معيّن لا يمكن من خلاله التعرف عليهم وتحديد هويتهم. فعلى سبيل المثال، نشير إلى المشارك برقم "1" والبنك الذي يعمل فيه ببنك" أ". ولن يُشار كما ذكرنا إلى المصارف أو المنظمات الأخرى، والتي يمكن من خلالها التعرف على هويات المشاركين في المقابلات.

هناك عوائق ومخاطر محتملة من المشاركة. وبالنسبة لكم، ستكون الكُلفة الرئيسية هي الوقت المخصّص لإجراء المقابلة. أما الخطر الرئيسي فيتمثل في مدكم إيانا بمعلومات قد تضركم أنتم أو مؤسستكم، أو قد تتنافى مع قوانين حماية البيانات. وأنا واثق كل الوثوق أنّ الترتيبات المذكورة أعلاه سوف تقف حاجزا أمام أية محاولة لمشاركة معلوماتك الخاصة مع أطراف أخرى، باستثناء المشرف على دراستي البحثية، ولهذا السبب، أعتقد أن خطر الضرر منخفض جدا.

أما عن الفوائد المحتملة، فآمل أن تكون المقابلة مثيرة للاهتمام، وأن يؤدي هذا العمل إلى شعوركم بالرضا بما أنكم ساعدتم على تطوير المعرفة في هذا الموضوع المهم. وآمل أيضا أن تكون نتائج المشروع مفيدة لمهنتكم.

وعما سيحدث للنتائج، فسوف يُلخّص الباحث النتائج ويتطرق إليها في أطروحة الدكتوراه في جامعة نوتنغهام ترينت. كما ستُنشر النتائج في المجلات العلمية. وستبقى جميع البيانات مجهولة تماما ولن يتعرف أحد من خلال النتائج المنشورة على الأفراد الذين سيشاركون في البحث.

ولمعرفة المزيد عن هذا المشروع البحثي ونتائجه، سيرسل الباحث نسخة من الملخص التنفيذي إلى جميع من أُجريت معهم مقابلات عندما يُطلب مني ذلك، وبذلك سوف تُتاح الفرصة للجميع لقراءة نتائج المشروع البحثي. وسأكون سعيدا لمناقشة أي جانب من جوانب الدراسة مع المشاركين المحتملين قبل أو بعد مشاركتهم.

تجدر الإشارة إلى أن الدراسة قد روجعت من فريق الإشراف الدراسة، كما عُرضت للمراجعة من قبل مُقيّم مستقل في جامعة نوتنغهام ترينت. وقد قُبلت الدراسة من قبل لجنة شهادات البحثية بالكلية في جامعة نوتنغهام ترينت، وقد سُجلت إداريا كماجستير بحوث مع إمكانية تحويلها إلى بحث دكتوراه. وعن الجهة التي تتحمل المسؤولية إذا لم تسر الأمور على أحسن ما يُرام ووقع خطأ ما، فيجدر بالذكر أنّ جامعة نوتنغهام ترينت هي التي تدير هذا المشروع. ولذلك فإن هذه الجامعة (نوتنغهام ترينت) هي المسؤولة عن السلوك الأخلاقي للمشروع.

وللحصول على المزيد من المعلومات، يرجى الاتصال بشخصي على العنوان التالي:

Manea.almansour2013@my.ntu.ac.uk

لا يسعني إلا أن أتوجه لكم بخالص الشكر وتقبلوا فائق احترامي.

مانع المنصور

الباحث الرئيسي

NOTTINGHAM
TRENT UNIVERSITY

نموذج موافقة المشاركين

التحديات والفرص المتاحة لاعتماد المعايير الدولية لإعداد التقارير المالية في المملكة العربية السعودية: حالة القطاع المصرفي

إذا كنت ترغب في المشاركة في البحث، يرجى الرد من خلال وضع علامة في المربعات أدناه:

☐ أوافق على المشاركة في الدراسة المذكورة أعلاه.

☐ أوافق على استخدام بياناتي في هذه الدراسة وفي المنشورات الأكاديمية اللاحقة.

☐ أنا مدرك لمخاطر وفوائد المشاركة في البحث.

☐ أنا أعلم أنه لدي الحرية المطلقة في الانسحاب من البحث في أي وقت، كما أنني لست ملزما بالمشاركة في جميع الجوانب دون إبداء الأسباب.

☐ أتيحت لي الفرصة للإجابة على جميع أسئلتي من قبل فريق البحث.

☐ أوافق على تدوين الملاحظات واستخدام المسجل الصوتي في المقابلة.

☐ لقد سجلت رمز المرجع الخاص بمشاركتي.

التوقيع:

المشارك ....

التاريخ ....

استبيان حول تطبيق المعايير الدولية للتقارير المالية في المملكة العربية السعودية:

يتكون هذا الاستبيان من أربعة أقسام.

القسم الأول: معلومات عامة ومعلومات أساسية:

يهدف هذا القسم إلى جمع معلومات عامة عن وظيفتك، وخلفيتك التعليمية وخبرتك. يرجى الإجابة بوضع الرقم المناسب في الخانة:

1- **ما هو جنسك؟**

ذكر

أنثى

2- **أي من هذه المؤهلات تتناسب مع مستوى تعليمك؟**

دكتوراه

ماجستير

باكالوريوس

مؤهل آخر، يرجى التحديد ....

3- أي من المؤهلات المحاسبية المهنية التالية لديك؟

- المحاسب القانوني المعتمد/الزمالة الأمريكية في المحاسبة
- الزمالة السعودية في المحاسبة
- مؤهل محاسبي آخر، يرجى التحديد: ....

4- **من بين التالي، اختر دورا يصف مهنتك الحالية؟**

- محاسب في القطاع المصرفي: يرجى تحديد موقعك الحالي ....
- محلل مالي (مدير الصندوق)
- مراجع خارجي
- عضو في الزمالة السعودية
- أكاديمي

5- **كم هوعدد سنوات الخبرة لديك في مهنتك الحالية؟**

- أقل من 5 سنوات
- من 5 إلى 10 سنوات
- من 11 إلى 15 سنة
- 16 سنة فما فوق

القسم الثاني: تصورات المستخدمين حول اعتماد المعايير الدولية لإعداد التقارير المالية.

يسعى هذا القسم لفهم وجهة نظرك حول الانتقال إلى المعايير الدولية لإعداد التقارير المالية لكونك مستخدم للمعلومات المحاسبية في المملكة العربية السعودية.

يرجى تحديد إجابتك بالإشارة إلى خيار واحد:

6- **وافقت الهيئة السعودية للحسابات العامة المعتمدة (الزمالة السعودية) رسميا على التحول إلى المعايير الدولية لإعداد التقارير المالية من خلال مشروع للانتقال إلى المعايير الدولية للمحاسبة ومراجعة الحسابات في عام 2017. إلى أي مدى توافق على هذا القرار؟**

1) موافق بشدة
2) موافق
3) محايد
4) غير موافق
5) غير موافق بشدة

7. **أيّ من الخيارات التالية يبرر اختيارك للإجابة على السؤال السادس أعلاه؟ يرجى وضع علامة على كل ما ينطبق؟**

أ) كان ينبغي تطبيق المعايير الدولية للتقارير المالية في وقت سابق في المملكة العربية السعودية.

ب) من السابق لأوانه تطبيق المعايير الدولية للتقارير المالية في المملكة العربية السعودية.

ت) هذا هو الوقت المناسب لتطبيق المعايير الدولية للتقارير المالية.

ث) من الصعب اعتماد المعايير الدولية للتقارير المالية في المملكة العربية السعودية.

ج) المعايير الدولية للتقارير المالية غير ملائمة للمملكة العربية السعودية.

ح) لست متأكدا.

8. **طلبت مؤسسة النقد العربي السعودي من البنوك إعداد بياناتها المالية وفقا للمعايير الدولية لإعداد التقارير المالية. إلى أي مدى توافق على قرار مؤسسة النقد العربي السعودي؟**

أ) موافق بشدة

ب) موافق

ت) محايد

ث) غير موافق

ج) غير موافق بشدة

هل يوجد تفسير واضح لإجابتك على السؤال الثامن أعلاه؟

....

....

9. **إلى أي مدى توافقون على أن التقارير المالية المعدة وفقا للمعايير الدولية لإعداد التقارير المالية تلبي احتياجات العديد من الأطراف كالحكومة والزبائن والمستثمرين المؤسسيين ومصلحة الزكاة والدخل والأكاديميين في مجال المحاسبة؟**

أ) موافق بشدة

ب) موافق

ت) محايد

ث) غير موافق

ج) غير موافق بشدة

هل يوجد تفسير واضح لإجابتك على السؤال التاسع أعلاه؟

....

....

10. **إلى أي مدى تعتقد أن العبارات التالية قد أثرت على المملكة العربية السعودية في اعتماد المعايير الدولية للتقارير المالية؟**

1	أثر النمو الاقتصادي في المملكة العربية السعودية تأثيرا كبيرا على اعتماد المعايير الدولية لإعداد التقارير المالية.					
2	أثر النظام القانوني تأثيرا كبيرا على اعتماد المعايير الدولية للتقارير المالية.					
3	أثرت البيئة الخارجية (مثل البنك الدولي وصندوق النقد الدولي وما إلى ذلك) تأثيرا كبيرا على اعتماد المعايير الدولية لإعداد التقارير المالية.					
4	أثر وجود سوق رأس المال تأثيرا كبيرا على اعتماد المعايير الدولية للتقارير المالية.					
5	كانت المعايير المحاسبية السابقة غير فعالة.					
6	عوامل أخرى، يرجى التحديد في باقي الخانات.					
7						
8						
9						
10						

القسم الثالث: الفرص والتحديات

الفرص

1. **إلى أي مدى أنت موافق أو غير موافق على العبارات التالية والتي تفيد بأن التقارب والتفاعل مع المعايير الدولية لإعداد التقارير المالية سيجلب فوائد جمة للشركات/الصناعات؟ (أوافق بشدة، أوافق، متردد، لا أوافق، لا أوافق بشدة)**

1	يحسّن تطبيق المعايير الدولية للتقارير المالية من فعالية التقارير المالية.					
2	إن البيانات المالية المستندة إلى المعايير الدولية للتقارير المالية موثوق بها.					
3	سوف يوفر المزيد من الشفافية عند رفع التقارير والإبلاغ.					
4	سوف يعزز من حوكمة الشركات.					
5	سوف يكون التدقيق الداخلي أسهل وأقل تكلفة.					
6	سوف يساعد خلق لغة محاسبية واحدة على تناسق التقارير الداخلية والخارجية.					
7	سوف يساعد اعتماد المعايير الدولية للتقارير المالية على إزالة الحواجز التي سبق مواجهتها فيما يتعلق بتدفقات رأس المال الدولي من داخل المملكة العربية السعودية وإلى خارجها.					
8	سوف يزيد من قابلية المقارنة للمعلومات المالية لأصحاب المصلحة مع معلومات المنظمات المماثلة على الصعيدين الوطني والدولي.					
9	سوف تنخفض تكلفة رأس المال.					
10	سوف يوفر الوقت والجهد اللازم لإصدار المعايير السعودية.					

2. **إلى أي مدى توافقون على أن تطبيق المعايير الدولية للتقارير المالية ستجلب الفوائد التالية للمستثمرين؟**

(أوافق بشدة، أوافق، متردد/لا أعلم، لا أوافق، لا أوافق بشدة)

1	تقدم المعايير الدولية للتقارير المالية معلومات أفضل في عملية صنع قرارات المستثمرين.					
2	سيكون للمستثمرين ثقة أكبر في المعلومات المقدمة من خلال استخدام المعايير الدولية للتقارير المالية.					
3	تُمكّن من إدارة المخاطر بشكل أفضل..					
6	فوائد أخرى، يرجى التحديد أدناه					

3. **إلى أي مدى توافقون على المنافع التالية للمعايير الدولية للتقارير المالية على المدراء؟**

(أوافق بشدة، أوافق، متردد/لا أعلم، لا أوافق، لا أوافق بشدة)

1	إن تطبيق المعايير الدولية للتقارير المالية يحسّن الرقابة على اللوائح وإنفاذها.					
2	توفر المعايير الدولية للتقارير المالية مصداقية أكبر وآفاق اقتصادية أفضل لمهنة المحاسبة.					
3	توفر تقارير ومعلومات أفضل عن جوانب جديدة ومختلفة من الأعمال التجارية.					

تعاليق إضافية:

يرجى إدراج أي فوائد أخرى لم يتم ذكرها في الأعلى، والتي تعتقد أن اعتماد المعايير الدولية لإعداد التقارير المالية سيجلبها وينبغي النظر فيها

....

....

التحديات:

1. **إلى أي مدى توافق أو لا توافق على العبارات التالية والتي تفيد بأن التقارب والتفاعل مع المعايير الدولية لإعداد التقارير المالية ستترتب عنه تحديات كبيرة للشركات/الصناعات؟ (أوافق بشدة، أوافق، متردد، لا أوافق، لا أوافق بشدة)**

1	إن تطبيق المعايير الدولية للتقارير المالية مكلف.					
2	تزيد المعايير الدولية للتقارير المالية من تعقيد هذه التقارير.					
3	هناك نقص في التدابير التوجيهية لتنفيذ المعايير الدولية للتقارير المالية.					
4	عدم توفر المختصين الأكفاء.					
5	الحاجة إلى التدريب.					
6	عدم وجود تعليمات مناسبة من الهيئات التنظيمية.					
7	هناك مشكلة في تعامل نظام تكنولوجيا المعلومات مع الانتقال إلى المعايير الدولية لإعداد التقارير المالية.					
8	نقص في آليات إنفاذ النظام القانوني.					
9	عدم وجود معرفة بمعايير التقارير المالية الدولية في المملكة العربية السعودية.					

2. **ما هي التكاليف الرئيسية لتنفيذ المعايير الدولية للتقارير المالية؟ (يرجى وضع أكثر من علامة على ما تراه مناسبا).**

1	تدريب موظفي المحاسبة على المعايير الدولية للتقارير المالية.		
2	خدمة استشارية.		
3	شراء الأدبيات التقنية.		
4	إجراء تغييرات على نظام البرمجيات.		

تعاليق إضافية:

يرجى إدراج أي تحديات أخرى لم يتم ذكرها في الأعلى، والتي تعتقد أن اعتماد المعايير الدولية لإعداد التقارير المالية سيتعرض إليها وينبغي أن تؤخذ بعين الاعتبار:

....

....

القسم الرابع: العوامل الثقافية التي تكون تحدي في تطبيق المعايير المحاسبية:

ذكرت الدراسات السابقة بعض العوامل التي قد تعزز اعتماد المعايير الدولية لإعداد التقارير المالية في البلدان النامية مثل المملكة العربية السعودية، إلى أي مدى توافق على العوامل التالية:

1	متطلبات الشريعة (الزكاة وقضايا الفائدة)					
2	مشاكل اللغة					
3	عدم ملائمة بعض إجراءات إعداد التقارير المالية الدولية للبيئة السعودية.					
4	يرضى إضافة أية عوامل أو مشاكل ثقافية أخرى					

إذا كنت ترغب في إضافة أي شيء آخر يتعلق بتطبيق المعايير الدولية للتقارير المالية في المملكة العربية السعودية ولكن لم يشمله هذا الاستبيان، يرجى استخدام المساحة أدناه لهذا الغرض.

....

....

....

....

....

....

....

نشكر لكم مشاركتكم والسماح لنا بالأخذ من وقتكم الثمين!

Appendix D

التحديات والفرص المتاحة لاعتماد المعايير الدولية لإعداد التقارير المالية في المملكة العربية السعودية: حالة القطاع المصرفي

الشكر موصول على موافقتكم بالمشاركة في هذا المشروع البحثي. أولا وقبل كل شيء، من الأهمية بمكان أن تكون على دراية بالغرض من إجراء هذا البحث وبما تنطوي عليه مشاركتك. وسأغدو ممتنا لو تفضلتم بقراءة المعلومات التالية بعناية ومناقشتها مع الزملاء إذا بدا لكم ذلك. لا تترددوا في التواصل معي إذا كان هناك شيء غير واضح، ولا مانع أن تأخذوا متسعا من الوقت حتى يتسنى لكم اتخاذ قرار بشأن مشاركتكم من عدمها.

ما هو الغرض من الدراسة؟

في فبراير 2012، وافقت الهيئة السعودية للمحاسبين القانونيين رسميا على الانتقال إلى المعايير الدولية لإعداد التقارير المالية "من خلال مشروع للانتقال إلى المحاسبة الدولية ومعايير التدقيق". وكان الهدف أن تكون سنة 2017 فصاعدا هي الموعد النهائي لهذا التحول (المعايير الدولية لإعداد التقارير المالية، 2017). تطلب مؤسسة النقد العربي السعودي من جميع البنوك المدرجة وغير المدرجة، إضافة إلى شركات التأمين، استخدام المعايير الدولية للتقارير المالية. ويتعين على جميع الكيانات الأخرى، بغض النظر عن حجمها، استخدام المبادئ المحاسبية المحلية المقبولة عموما الصادرة عن الهيئة (سوكبا) (المعايير الدولية لإعداد التقارير المالية، 2017). ومع ذلك، فإن هذا التطبيق الجزئي للمعايير الدولية للتقارير المالية في الشركات المصرفية وشركات التأمين أو استخدام المبادئ المحاسبية المقبولة عموما في الشركات المدرجة الأخرى، تبعث على التساؤل حول قابلية المقارنة بين البيانات المالية والأسباب التي تدعم الانتقال الجزئي، وليس الكامل، إلى المعايير الدولية لإعداد التقارير المالية. ولذلك، فإن البحث الحالي سوف يتناول التحديات والفرص الكامنة وراء اعتماد المعايير الدولية لإعداد التقارير المالية في السياق السعودي والتعرف على الفرص والتحديات التي أثيرت أثناء الانتقال في القطاع المصرفي. وسوف يسمح هذا المجهود البحثي للقطاعات الأخرى غير البنوك والتأمين باستخلاص الدروس والحصول على أفكار، وبالتالي سيسمح بالانتقال السلس إلى المعايير الدولية للتقارير المالية في المستقبل.

وتهدف هذه الدراسة أيضا إلى الإجابة على أسئلة البحث التالية:

1. لماذا لم تطبق السعودية المعايير الدولية للتقارير المالية على جميع القطاعات بالمملكة، على غرار بلدان الخليج العربي الأخرى؟

2. ما هي التحديات والفرص التي تأتي مع اعتماد المعايير الدولية لإعداد التقارير المالية في القطاعات المصرفية في المملكة العربية السعودية؟
3. ما هي العوامل التي يمكن أن تؤثر على مستوى اعتماد المعايير الدولية لإعداد التقارير المالية في البلد؟
4. ما هو موقف مستخدمي المعلومات المحاسبية في المملكة العربية السعودية من الانتقال إلى المعايير الدولية للتقارير المالية؟

عن صاحب هذه الدراسة

ويدير هذه الدراسة السيد مانع المنصور، وهو طالب دكتوراه في كلية نوتنغهام للأعمال، جامعة نوتنغهام ترينت.

الجهة الممولة لهذه الدراسة:

هذه الدراسة ممولة من قبل وزارة التعليم العالي السعودية (جامعة نجران).

لماذا تم اختيارك للمشاركة؟

أطلب منكم أن تمنحنا فرصة إجراء مقابلة معكم وهذا إمّا لكونكم عضو في هذه المجموعة من قسم المحاسبة في القطاع المصرفي في المملكة العربية السعودية أو في الهيئات التنظيمية في المملكة العربية السعودية، أو لأنكم مدققين من الشركات المحلية والشركات "الأربعة الكبار".

هل مشاركتي إجبارية؟

بالعكس، مشاركتك طوعية تماما، وبالتالي، أنت مخير بين المشاركة أو عدم المشاركة. في الأمر سعة.

إذا قررت المشاركة، ستستلم "ورقة معلومات خاصة بالمشارك" والتي يمكنك الاحتفاظ بها، كما سيطلب منك التوقيع على نموذج الموافقة. طبعا، لك أن تنسحب في أي وقت بما في ذلك سحب المقابلة من الدراسة البحثية بعد الانتهاء منها. الموعد النهائي لسحب أي بيانات سيكون يوم 2018/04/30 وذلك قبل البدء في تحليل البيانات.

إذا قررتم عدم المشاركة، أو الانسحاب في أي مرحلة، لن يطلب منكم تقديم أي أسباب للانسحاب.

ماذا تريدني أن افعل؟

أود منك أن تشارك في مقابلة ستستمر لمدة ساعة تقريبا. وسوف يكون ذلك في مكان العمل الخاص بك، إذا كان ذلك مناسبا، أو موقع آخر تعينه بنفسك أو الباحث، وسيكون ذلك في وقت مناسب لنفسك. الموضوعات التي سيتم تغطيتها محددة في القسم أعلاه من هذه الوثيقة: "ما هو الغرض من الدراسة؟"

سوف أتولى أنا "مانع المنصور" الاشراف على المقابلة بعد تحديد جدول زمني مسبق لذلك.

سوف نطلب منك إذن كتابي لتسجيل المقابلة للتأكد من أن المعلومات التي ستقدمها ستكون مسجلة ومنسوخة بدقة. ولذا فإن الأمر متروك لك تماما للسماح بالتسجيل الصوتي للمقابلة.

ماذا سيحدث للمعلومات التي أعطيها في المقابلة؟

بعد تدوين تسجيل المقابلة، سوف أنتقل إلى تحليل المعلومات وإدراجها في نتائج الدراسة البحثية. وبعد الانتهاء من الدراسة، ستُتلف جميع النصوص والتسجيلات الرقمية والملاحظات. وباستثناء مشرف الدكتوراه، الدكتور حافظ عبدو، لن يتمكن أي شخص آخر من الوصول إلى المقابلات المسجلة والمكتوبة.

وماذا عن حماية خصوصيتي وعدم الكشف عن هويتي؟

سوف أتعامل مع التسجيل والنص المنسوخ بنفسي. كما سيُحتفظ بنسخ مطبوعة من المذكرات البحثية في خزانات إيداع مغلقة. وعن الملفات الإلكترونية، سوف يحتفظ بها على أجهزة الكمبيوتر المحمية بكلمة مرور والتي لن يتمكن أي موظف آخر بالجامعة من الحصول عليها.

كما ذكر أعلاه في نهاية الدراسة، ستُتلف جميع النصوص والتسجيلات الرقمية والملاحظات.

لن يُذكر إسمك في أي منشور ينبثق عن هذا المشروع إلا إذا جاء دورك في سياق موجود بالفعل في المجال العام كأن تكون مثلا المؤلف المعني بالأمر لوثيقة منشورة أو كأن تقدم دليلا على استفسار عام له صلة بالدراسة. لن تنسب أي آراء أو معلومات غير منشورة إليك، سواء كان ذلك بالاسم أو بدورك في المؤسسة، دون موافقة صريحة منك.

ما لم تعطى الموافقة، سأحرص كل الحرص على ألّا يتعرف عليك أحد من خلال الطريقة التي نكتب بها النتائج التي توصلنا إليها. وسأرمز إلى كل مشارك في المقابلات برمز معيّن لا يمكن من خلاله التعرف عليهم وتحديد هويتهم. فعلى سبيل المثال، نشير إلى المشارك برقم "1" والبنك الذي يعمل فيه ببنك" أ". ولن يُشار كما ذكرنا إلى المصارف أو المنظمات الأخرى، والتي يمكن من خلالها التعرف على هويات المشاركين في المقابلات.

ما هي العوائق والمخاطر المحتملة من المشاركة؟

بالنسبة لكم، ستكون الكُلفة الرئيسية هي الوقت المخصّص لإجراء المقابلة. أما الخطر الرئيسي فيتمثل في مدكم إيانا بمعلومات قد تضركم أنتم أو مؤسستكم، أو قد تتنافى مع قوانين حماية البيانات.

وأنا واثق من أن الترتيبات المذكورة أعلاه سوف تقف حاجزا أمام أية محاولة لمشاركة معلوماتك الخاصة مع أطراف أخرى، باستثناء المشرف على دراستي البحثية، ولهذا السبب، أعتقد أن خطر الضرر منخفض جدا.

ما هي الفوائد المحتملة؟

آمل أن تكون المقابلة مثيرة للاهتمام، وأن يؤدي هذا العمل إلى شعوركم بالرضا بما أنكم ساعدتم على تطوير المعرفة في هذا الموضوع المهم. وآمل أيضا أن تكون نتائج المشروع مفيدة لمهنتكم.

ماذا سيحدث للنتائج؟

سوف يُلخّص الباحث النتائج ويتطرق إليها في أطروحة الدكتوراه في جامعة نوتنغهام ترينت. كما ستُنشر النتائج في المجلات العلمية. وستكون جميع البيانات مجهولة تماما ولن يتعرف أحد من خلال النتائج المنشورة على الأفراد الذين سيشاركون في البحث.

كيف يمكنني معرفة المزيد عن هذا المشروع البحثي ونتائجه؟

سوف أرسل نسخة من الملخص التنفيذي إلى جميع من أجريت معهم المقابلات عندما تُطلب مني، وبذلك سوف تُتاح لكم الفرصة لقراءة نتائج المشروع البحثي. وسأكون سعيدا لمناقشة أي جانب من جوانب الدراسة مع المشاركين المحتملين قبل أو بعد مشاركتهم.

هل راجع أحدهم الدراسة؟

لقد راجع فريق الإشراف الدراسة، كما عُرضت للمراجعة من قبل مُقيّم مستقل في جامعة نوتنغهام ترينت. وقد قُبلت الدراسة من قبل لجنة شهادات البحثية بالكلية في جامعة نوتنغهام ترينت، وقد سُجلت إداريا كماجستير بحوث مع إمكانية تحويلها إلى بحث دكتوراه.

من يتحمل المسؤولية إذا لم تسر الأمور على أحسن ما يُرام ووقع خطأ ما؟

جامعة نوتنغهام ترينت هي التي تدير هذا المشروع. ولذلك فإن هذه الجامعة (نوتنغهام ترينت) هي المسؤولة عن السلوك الأخلاقي للمشروع.

بمن نتصل إذا أردنا معلومات إضافية؟

لمزيد من المعلومات، يرجى الاتصال بشخصي على العنوان التالي:

Manea.almansour2013@my.ntu.ac.uk

لا يسعني إلا أن أتوجه لكم بخالص الشكر وتقبلوا فائق احترامي.

مانع المنصور

الباحث الرئيسي

NOTTINGHAM
TRENT UNIVERSITY

نموذج موافقة المشاركين

التحديات والفرص المتاحة لاعتماد المعايير الدولية لإعداد التقارير المالية في المملكة العربية السعودية: حالة القطاع المصرفي
إذا كنت ترغب في المشاركة في البحث، يرجى الرد من خلال وضع علامة في المربعات أدناه:
☐ أوافق على المشاركة في الدراسة المذكورة أعلاه.
☐ أوافق على استخدام بياناتي في هذه الدراسة وفي المنشورات الأكاديمية اللاحقة.
☐ أنا مدرك لمخاطر وفوائد المشاركة في البحث.
☐ أنا أعلم أنه لدي الحرية المطلقة في الانسحاب من البحث في أي وقت، كما أنني لست ملزما بالمشاركة في جميع الجوانب دون إبداء الأسباب.
☐ أتيحت لي الفرصة للإجابة على جميع أسئلتي من قبل فريق البحث.
☐ أوافق على تدوين الملاحظات واستخدام المسجل الصوتي في المقابلة.
☐ لقد سجلت رمز المرجع الخاص بمشاركتي.
التوقيع:
المشارك ....
التاريخ ....

هدف البحث:

الغرض من الدراسة

في فبراير 2012، وافقت الهيئة السعودية للمحاسبين القانونيين رسميا على الانتقال إلى المعايير الدولية لإعداد التقارير المالية وذلك "من خلال مشروع للانتقال إلى المحاسبة الدولية ومعايير التدقيق". وكان الهدف أن تكون سنة 2017 فصاعدا هي الموعد النهائي لهذا التحوّل (المعايير الدولية لإعداد التقارير المالية، 2017). تحث مؤسسة النقد العربي السعودي من جميع البنوك المدرجة وغير المدرجة، إضافة إلى شركات التأمين، الاعتماد على المعايير الدولية للتقارير المالية. كما يتعين على جميع الكيانات الأخرى، بغض النظر عن حجمها، استخدام المبادئ المحاسبية المحلية المقبولة عموما الصادرة عن الهيئة (سوكبا) (المعايير الدولية لإعداد التقارير المالية، 2017). ومع ذلك، فإن هذا التطبيق الجزئي للمعايير الدولية للتقارير المالية في الشركات المصرفية وشركات التأمين أو استخدام المبادئ المحاسبية المقبولة عموما في الشركات المدرجة الأخرى، تبعث على التساؤل حول قابلية المقارنة بين البيانات المالية والأسباب التي تدعم الانتقال الجزئي، وليس الكامل، إلى المعايير الدولية لإعداد التقارير المالية. ولذلك، فإن البحث الحالي سوف يتناول التحديات

والفرص الكامنة وراء اعتماد المعايير الدولية لإعداد التقارير المالية في السياق السعودي والتعرف على الفرص والتحديات التي أثيرت أثناء الانتقال في القطاع المصرفي. وسوف يسمح هذا المجهود البحثي للقطاعات الأخرى غير البنوك والتأمين باستخلاص الدروس والحصول على أفكار، وبالتالي سيسمح بالانتقال السلس إلى المعايير الدولية للتقارير المالية في المستقبل.

وتهدف هذه الدراسة أيضا للإجابة على أسئلة البحث التالية:

1. لماذا لم تطبق السعودية المعايير الدولية للتقارير المالية على جميع القطاعات، على غرار بلدان الخليج العربي الأخرى؟

2. ما هي التحديات والفرص التي تأتي مع اعتماد المعايير الدولية لإعداد التقارير المالية في القطاعات المصرفية في المملكة العربية السعودية؟

3. ما هي العوامل التي يمكن أن تؤثر على مستوى اعتماد المعايير الدولية لإعداد التقارير المالية في البلد؟

4. ما هو موقف مستخدمي المعلومات المحاسبية في المملكة العربية السعودية من الانتقال إلى المعايير الدولية للتقارير المالية؟

القسم الأول: معلومات عامة

أ- الملف الشخصي للمقابل:

إسم المشارك	....
المؤهلات العلمية المؤهلات المهنية	....
نوع المنشأة التجارية (النشاط التجاري)	....
المركز الحالي	....
عدد سنوات الخبرة	....
عدد السنوات في الوظيفة الحالية	....

ب- **هل تشارك في إعداد/تحليل البيانات المالية للمعايير الدولية للتقارير المالية؟**

نعم .... كم مرة؟ ....

القسم الثاني: تصور المستخدمين بشأن اعتماد المعايير الدولية للتقارير المالية

1) **برأيك، لماذا إلى الآن لم تطبق المملكة العربية السعودية المعايير الدولية للتقارير المالية على جميع القطاعات الاقتصادية، على غرار دول الخليج ؟**

- برأيك، لماذا لم تطبق السعودية المعايير الدولية للتقارير المالية على جميع القطاعات؟
- ما هي الأسباب التي دفعت الشركات إلى اعتماد المعايير الدولية لإعداد التقارير المالية؟
- برأيك، هل من الأفضل تطبيق المعايير الدولية لإعداد التقارير المالية في قطاع واحد كتجربة قبل تطبيقها على القطاعات األخرى؟
- هل تعتبر المعايير الدولية للتقارير المالية مناسبة لاعتمادها في المملكة العربية السعودية؟ إذا كان الجواب بالنفي، فَلِم لا؟
- هل يمكنك وصف فترة الانتقال إلى المعايير الدولية للتقارير المالية؟

- ما مدى استعداد الشركات في المملكة العربية السعودية لتطبيق المعايير الدولية للتقارير المالية؟
- ما مدى ملاءمة النظام التعليمي الحالي للمحاسبة والمالية في المملكة العربية السعودية كأساس لاعتماد المعايير الدولية للتقارير المالية؟

القسم الثالث: التحديات والفرص

- ما هي التحديات والفرص المتأتية من اعتماد المعايير الدولية لإعداد التقارير المالية في القطاعات المصرفية في المملكة العربية السعودية؟
- ما هي الفوائد الرئيسية لاعتماد المعايير الدولية لإعداد التقارير المالية للشركة (المحررون)؟
- ما هي التحديات الرئيسية التي واجهت عملية الانتقال؟
- كيف تعاملت مع التحديات؟
- لماذا تُعتبر (أو لا تُعتبر) المعايير الدولية لإعداد التقارير المالية إطارا محاسبيا مناسبا للسعودية؟
- كيف يمكن تعزيز الفوائد المتصورة؟
- كيف يمكن القضاء على العيوب؟
- ما هي العوامل التي يمكن أن تؤثر على تطبيق المعايير الدولية للتقارير المالية في المملكة العربية السعودية؟

- ما هي العوامل الأخرى التي قد تؤثر على تطبيق المعايير الدولية لإعداد التقارير المالية في المملكة العربية السعودية؟
- هل يمكنك أن تصف أي عوامل أخرى مؤسسية أو على مستوى كلّي والتي من الممكن أن تؤثر على تنفيذ ومضمون المعلومات المالية الخاصة بالتقارير المالية الدولية؟

هل ترغب في الحصول على نسخة من الملخص والنتائج التي توصلت إليها هذه الدراسة؟ إذا كان الأمر كذلك، يرجى كتابة عنوان البريد الإلكتروني الخاص بك في الأسفل:

....

شكرا جزيلا على حسن تعاملكم

Appendix E

Tests of Normality		
	Kolmogorov-Smirnov[a]	Shapiro-Wilk
	Sig.	Sig.
6. The transition to IFRS through a project for transition to international accounting and auditing standards was formally approved in 2017 by the Saudi Organisation for Certified Public Accountants	.000	.000
6. Banks are required by SAMA to prepare their financial statements in accordance with the IFRS. To what extent do you agree with SAMA's decision?	.000	.000
8.To what extent do you agree that the financial reports prepared in accordance to IFRS meet the needs of the government, customers, institutional investors, the Department of Zakat and Income Tax, and academics in the field of accounting?	.000	.000
9. Economic growth in Saudi Arabia greatly influenced the adoption of IFRS	.000	.000
9. The legal system greatly influenced the adoption of IFRS	.000	.000
9. The external environment (e.g. World Bank, IMF etc.) greatly influenced the adoption of IFRS	.000	.000
9. The existence of a capital market greatly influenced the adoption of IFRS	.000	.000
9. The previous accounting standards were ineffective	.000	.000
10. Adoption of IFRS improves the efficiency of financial reporting]	.000	.000
10. Financial statements based on IFRS are reliable	.000	.000
10. Adoption of IFRS provides greater reporting transparency	.000	.000
10. Adoption of IFRS improves corporate governance	.000	.000
10. Internal audits will be easier and less costly	.000	.000

10. Creating a single accounting language helps to harmonise internal and external reporting	.000	.000
10. IFRS adoption will help to remove barriers previously encountered regarding the flow of international capital from/to Saudi Arabia	.000	.000
10. Adoption of IFRS will increase the comparability of the financial information for the stakeholders with those of similar organisations	.000	.000
10. Adoption of IFRS would save users time in analysing financial reports	.000	.000
10. Adoption of IFRS would reduce the cost of capital	.000	.000
10. Adoption of IFRS would save time and effort needed to issue Saudi standards	.000	.000
11. IFRS provides better information for investors' decision making	.000	.000
11. Investors will have more confidence in the information presented using IFRS	.000	.000
11. Adoption of IFRS enhances transparency of companies through better reporting	.000	.000
11. Adoption of IFRS enables better risk management	.000	.000
11. IFRS promotes cross border investment	.000	.000
12.IFRS adoption improves regulation oversight and enforcement	.000	.000
12.IFRS provides greater credibility and improved economic prospects for the accounting profession	.000	.000
12.Adoption of IFRS provides better reporting and information on new and different aspects of the business	.000	.000
13. Adoption of IFRS is costly	.000	.000
13. IFRS increases the complexity of financial reporting	.000	.000
13.There is lack of IFRS implementation guidance	.000	.000
13. IFRS brings about increased volatility of earnings	.000	.000

13. There is a lack of availability of competent specialists	.000	.000
13. There is a need for training	.000	.000
13. There is a lack of proper instructions from regulatory bodies	.000	.000
13. There is a problem with the IT system in handling the transition to IFRS	.000	.000
13. There is a lack of legal system enforcement	.000	.000
13. There is a lack of IFRS knowledge in the KSA	.000	.000
15.Sharia requirements (zakat, interest issues	.000	.000
15.Language issues	.000	.000
15.Unsuitability of some IFRS procedures to the Saudi environment	.000	.000

Test of Homogeneity of Variances		
	Levene's Statistic	Sig.
6. The transition to IFRS through a project for transition to international accounting and auditing standards was formally approved in 2017 by the Saudi Organisation for Certified Public Accountants	2.933	.034
6. Banks are required by SAMA to prepare their financial statements in accordance with the IFRS. To what extent do you agree with SAMA's decision?	1.956	.121
8.To what extent do you agree that the financial reports prepared in accordance to IFRS meet the needs of the government, customers, institutional investors, the Department of Zakat and Income Tax, and academics in the field of accounting?	.073	.974
9. Economic growth in Saudi Arabia greatly influenced the adoption of IFRS	.108	.955
9. The legal system greatly influenced the adoption of IFRS	3.240	.023
9. The external environment (e.g. World Bank, IMF etc.) greatly influenced the adoption of IFRS	.801	.494
9. The existence of a capital market greatly influenced the adoption of IFRS	5.863	.001
9. The previous accounting standards were ineffective	2.576	.054
10. Adoption of IFRS improves the efficiency of financial reporting	3.783	.011
10. Financial statements based on IFRS are reliable	.988	.399
10. Adoption of IFRS provides greater reporting transparency	1.051	.371
10. Adoption of IFRS improves corporate governance	.395	.757
10. Internal audits will be easier and less costly	6.829	.000
10. Creating a single accounting language helps to harmonies internal and external reporting	1.820	.144
10. IFRS adoption will help to remove barriers previously encountered regarding the flow of international capital from/to Saudi Arabia	1.172	.321

10. Adoption of IFRS will increase the comparability of the financial information for the stakeholders with those of similar organisations	1.442	.231
10. Adoption of IFRS would save users time in analysing financial reports	.156	.926
10. Adoption of IFRS would reduce the cost of capital	.824	.482
10. Adoption of IFRS would save time and effort needed to issue Saudi standards	.729	.536
11. IFRS provides better information for investors' decision making	.968	.408
11. Investors will have more confidence in the information presented using IFRS	.873	.456
11. Adoption of IFRS enhances transparency of companies through better reporting	.605	.612
11. Adoption of IFRS enables better risk management	1.499	.215
11. IFRS promotes cross border investment	1.324	.267
12.IFRS adoption improves regulation oversight and enforcement	1.959	.121
12.IFRS provides greater credibility and improved economic prospects for the accounting profession	1.140	.334
12.Adoption of IFRS provides better reporting and information on new and different aspects of the business	3.584	.014
13. Adoption of IFRS is costly	3.309	.021
13. IFRS increases the complexity of financial reporting	1.307	.273
13.There is lack of IFRS implementation guidance	.932	.426
13. There is a lack of availability of competent specialists	1.882	.133
13. There is a need for training	1.738	.160
13. There is a lack of proper instructions from regulatory bodies	1.105	.348
13. There is a problem with the IT system in handling the transition to IFRS	.853	.466
13. There is a lack of legal system enforcement	4.512	.004
13. There is a lack of IFRS knowledge in the KSA	.244	.866

15.Sharia requirements (zakat, interest issues	3.634	.014
15.Language issues	.237	.871
15.Unsuitability of some IFRS procedures to the Saudi environment	3.013	.031

Appendix F

SAS	IAS	Title	The key differences between SASs and IASs
2	21	**Foreign Currency**	1- The contract of foreign currency to pay a due liability. The IAS adds that an estimated exchange rate can be used to facilitate the transaction, which is not the case in the SAS. 2- Forward exchange contract to avoid the risks associated with and specific to foreign currency. The SAS has an accounting provision for this, but the IAS does not. 3- The contract of foreign currency for *modarabih* The SAS has an accounting provision for this, but the IAS does not.
3	2	**Inventories**	1- The IAS does not have a separate accounting provision for bought goods and manufactured goods, but the SAS has a separate accounting provision for each of them. 2- The IAS allows an alternative method for assigning the cost of inventories by using the LIFO, whereas the SAS permits only the use of weighted average cost formulas for assigning the cost of inventories. However, in some cases, the SAS allows the use of any one of the FIFO, LIFO and weighted average cost formulas for assigning the cost of inventories by the company if the weighted averages do not suit its activities, but it must disclose all the reasons for the use of methods other than the weighted averages method. 3- In exceptional cases, the SAS allows the measurement of inventories at the end of the financial period by more than one cost formula, if the cash value is stable and there is no need for marketing costs when sold, as with precious metals.
4	24	**Related Party Transactions**	1- The SAS requires additional disclosures which are not included in the IAS, such as (a) the value of the transaction or transactions which have been carried out between the company and the related party within the financial period and ; (b) the balance of the related party at the end of the financial period. 2- The SAS gives more detail and examples concerning the definition of the related party.
5	18	**Revenues**	1- The SAS adds that this standard does not apply to transactions which are not part of the main transactions of the company; this standard therefore applies only to the revenues of the main transactions or activities of the companies. On the other hand, the IAS divides the revenues into three types: revenues from sales, revenues from services and the revenues from the use of the company's resources by others. 2- In terms of revenues of the transaction of sale with right to return, in the SAS there is recognition of the revenue at the time of collection if there is ability to estimate the returns with a high degree of accuracy and reliability. Otherwise, recognition must be delayed until the final acceptance of the goods by the customer; this is also used as a base by the IAS for recognition of the revenues in this type of sale. 3- In term of instalment sales, if there is a high degree of uncertainty of reception of payment then the cost recovery method should be used to as the main method of recording the revenues, according to the SAS. However, according to the IAS the record of the revenues should be delayed until reception of the cash payment. 4- The SAS states that the *details* of the revenues of the main transactions of the company must be disclosed, whereas in the IAS it is the *total* of the revenues in each type of the revenues that should be disclosed.
7	9	**Research and**	1- The SAS objective is to specify the requirements for measuring the research and development costs and to present and

		Development Costs	disclose them in the financial statement. However, the IAS objective is to describe the accounting treatment of the research and development costs and to specify when these costs should be considered as expenses and when they should be considered as assets. 2- In the SAS, disclosure should include the changes in the capitalist development costs during the financial period and their production's age. On the other hand, the IAS states that detailed equations for the movement of the balance of the development costs which is not amortised should be disclosed. 3- The scope of the SAS regarding development costs is extended to include pilot plants.
8	27	**Consolidation of Financial Statements**	1- The SAS excludes companies which are completely owned by other companies from the application of this standard. 2- While the SAS states the objective of this standard, there is no mention of an objective in the IAS. 3- Regarding the treatment of the goodwill which may be established from the buying of the controlling interest in a subsidiary, according to the IAS there should be records and proofs of the interest of the goodwill of only the controlling enterprise, whereas the SAS requires the records and the proofs of the interests of both the controlling enterprise and the minority in the balance sheet. 4- According to the IAS, the records of non-controlling interest in the net assets of the subsidiary which is controlled by the purchase and the records and proofs of the minority interest in the assets of the subsidiary at the time of the control should not include goodwill, whereas the SAS includes the goodwill. 5- Regarding the changes of the controlling interest which is with it cannot miss the control, the SAS mentions this and has an accounting treatment for it; on the other hand, there is no mention of it in the IAS. 6- There are more details about the disclosure and additional disclosure requirements in the SAS than there are in the IAS.
9	25	**Accounting for Investments**	1- In the SAS, this standard does not apply to an enterprise which has special standards issued by SOCPA, not to investments in securities, for which its accounting treatment is based on the consolidation of the financial statements and the equity method. 2- The objective of the SAS is to measure and disclose the accounting treatment for the investment in securities; however, the IAS applies to all specialist and non- specialists enterprises for investment and investment in real estate. 3- According to the SAS, the investment of securities is categorised as available-for-sale securites, held-to-maturity securities and readily marketable securities, while the IAS categorises them as current and non-current investments.
10	34	**Interim reports**	1- The scope of SAS is extended to include the accounting treatment of (a) the excluded activities and unusual sections, and (b) gains and losses which are probably held. 2- The IAS adds that the changes in equity should be presented at interim reports.
13	16	**Fixed Assets**	1- According to the SAS, the company should stop the computation of the deprecation of a fixed asset which will be eliminated immediately. 2- There is a separate section for the presentation of the fixed assets in the balance sheet under the SAS. 3- SOCPA only uses historical cost for re-evaluate fixed assets, whereas IASs allow for the use of fair value, such as IAS 40 and 41.

14	17	**Accounting for Leases**	1- The SAS categorises the leases from the standpoint of the lessee as operating leases or capital leases, and from the standpoint of the lessor as operating leases or finance leases. On the other hand, there is no such distinction in the IAS, which categorises leases only as finance leases or operating leases. 2- In the IAS no accounting treatment is specified for real estate leases, but in the SAS there is a separate accounting treatment for this type of lease. 4- In the SAS there is a separate section for the presentation of leases in the financial statements. 4- As the SAS distinguishes between leases from the standpoints of both lessee and lessor, it thus makes more disclosure requirements than the IAS.
15	14	**Segment Reporting**	1- In the SAS this standard applies to all joint stock companies, however, in the IAS this standard applies to all companies which have current shares for the public or intend to issue current shares to the public.
16	28	**Investment using the Equity Method or Investment in Associates**	The SAS excludes the application of this standard to investments which are treated based on another accounting standard, such as consolidation of the financial statement standard, investment in securities standard or any investments which have a separate standard from SOCPA. 2- The SAS indicates the accounting treatment for the first time use of the equity method, but there is no indication for this treatment under the IAS. 3- Under the SAS, the reasons which lead to non-application of the equity method by the investing company owning 20% to 50% of the net assets of the investee company should be disclosed.
17	38	**Intangible Assets**	1- The SAS does not apply to current intangible assets. 2- The IAS indicates that goodwill, which is an internal product, should not be recognised as an asset and the disclosure must distinguish between internally-produced intangibles and other intangible assets. 3- According to the SAS, the intangible assets should be amortised by using a weighted average through its productive or legal life, whichever is shorter, except for the organisational cost, which should be amortised by no more than seven years. On the other hand, the IAS assumes that the beneficial life for intangible assets should be not more than twenty years, and there is no distinction between any of them. 4- The SAS does not permit an increase in the value of intangible assets after their value has been decreased. 5- The specified life for each intangible asset and the rate of its amortisation should be disclosed.
18	20	**Accounting for Grants and Subsidies**	1- The SAS makes a distinction between grants and subsidies and the accounting treatment of each one. Moreover, it distinguishes between different types of grants and different types of subsidies and the accounting treatment of each type according to the sources of grants or subsidies and the reasons for them. For example, some of the types of grants and subsidies are gratuitous, conditional and restricted government grants. 2- Under the SAS, government grants and subsidies are measured and recorded based on a fair value of the assets which were received from the company as a guarantee to the government that the company agreeing to them would implement the government's polices and programmes. However, under the IAS they are measured and recorded based on monetary transactions and the fair value of the assets. 3- In addition to the presentation and disclosure requirements of the IAS, the SAS also specifies further requirements to

			be presented and disclosed, due to the SAS being extended to include different types of government grants and subsidies, as mentioned above.
19	36	**Impairment of Assets**	1- The IAS allows the use of different methods to estimate the rate of discount by the company if there is no discount rate specified by market directions 2- The IAS has an accounting treatment in case of difficulties in specifying the recoverable amount for the assets. 3- The disclosure requirements of the IAS are greater than those of the SAS.
20	33	**Earnings per Share**	1- According to the SAS, the earning per share from both the main continuous activities and from the net income must be specified in the income statement, and the earnings per share of other activities such as the non-continuous activities and ordinary activities must be disclosed. 2- In the SAS, to compute the earning per share, a distinction must be made between companies with simple capital and companies with complex capital There are no clear indications for 1 and 2 in the IAS. 3- The scope of the IAS is expanded to include the accounting treatments of some types of shares, such as issues of conditional shares.

Appendix G

SOCPA
الهيئة السعودية للمحاسبين القانونيين

VISION رؤية 2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

سعادة الملحق الثقافي السعودي **المحترم**

الملحقية الثقافية السعودية/ المملكة المتحدة

السلام عليكم ورحمة الله وبركاته،،،

نود الإفادة بأن نظام المحاسبين القانونيين الصادر بالمرسوم الملكي الكريم رقم م/١٢ وتاريخ ١٤١٢/٥/١٣هـ قضى في مادته التاسعة عشرة بإنشاء "الهيئة السعودية للمحاسبين القانونيين"، والتي تعمل تحت إشراف وزارة التجارة والاستثمار، بهدف النهوض بمهنة المحاسبة والمراجعة والرفع من مستواها في المملكة. ونفيدكم بأننا في الهيئة السعودية للمحاسبين القانونين نوافق على استضافة المبتعث مانع سالم ناصر ال منصور لاستكمال متطلباته البحثية لرسالة الدكتوراه في موضوع الفرص والتحديات أمام تطبيق المعايير المحاسبية الدولية في السعودية وإجراء المقابلات اللازمة لها وذلك خلال الفترة من ٢٠١٨/٠٢/٠١م إلى ٢٠١٨/٠٤/٣٠م بما يعادل تسعين يوماً علماً بأن الهيئة لن تتحمل أي مصاريف سفر أو نقل أو أي التزام مالي في سبيل قيامه بزيارة الهيئة. مع تمنياتنا له بالتوفيق لخدمة وطننا الغالي.

وتقبلوا تحياتي وتقديري،،،

الأمين العام

د. احمد بن عبدالله المغامس

SOCPA

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