Chapter 7
Conclusions, Suggestions and Direction for Future Work
CHAPTER 7

CONCLUSIONS, SUGGESTIONS AND DIRECTIONS FOR FUTURE WORK

7.1 Introduction

This study investigates the impact of corporate governance mechanisms on IFRS adoption in the context of India, KSA, Oman and the UAE. Four variables of corporate governance which are board of directors’ attributes (size, independence, diligence and expertise), audit committee characteristics (size, independence, diligence and expertise), foreign ownership and audit quality by Big-Four have been considered as the independent variables and both compliance with IFRS and financial reporting quality have been treated as dependent variables. The framework of these variables were highlighted in chapter one. Further, the practices of the companies regarding corporate governance and financial reporting were discussed in chapter two. Chapter three provided literature review and hypotheses development and chapter four presented the research method. Consequently, chapter five and six introduced an empirical analysis of the impact of corporate governance mechanisms on compliance with IFRS (model 1) and financial reporting quality (model 2) respectively. Based on this systematic process, the present chapter provides a summary of the key findings, recommendations, implications, limitations and directions for future research. Accordingly, this chapter is organized as follows; section two presents a summary of the key findings. Section three provides recommendations and suggestions of the study. Section four introduces the implications of the study. The limitations and the directions for future research are provided in section five and six respectively. Section seven concludes.

7.2 Key Findings of the Study

Based on the analysis provided in chapter 5 for model (1) and chapter 6 for model (2), the following key findings are provided:

7.2.1 Summary Findings Based on Compliance with IFRS (Model 1)

An estimation by an OLS regression model of the impact of corporate governance mechanisms on compliance with IFRS is made. The results of model (1) were
Chapter 7: Conclusions, Suggestions and Direction for Future Work

presented collectively and individually for each country. Overall, board effectiveness (size, independence, diligence and expertise), audit committee characteristic (size, independence, diligence and expertise), foreign ownership, audit quality by Big-Four, some measures of Worldwide Governance Indicator and company size were used as independent variables and compliance with IFRS was the dependent variable. Following is a summary of the key findings:

7.2.1.1 Board Effectiveness

With regard to the impact of board effectiveness as a governance mechanism on IFRS adoption and compliance, the results reveal that there are some differences among countries on the impact of board effectiveness on compliance with IFRS. Following is a summary of key findings regarding board effectiveness and its impact on compliance with IFRS:

7.2.1.1.1 Board Size

The study reveals that BSIZE collectively has no significant impact on compliance with IFRS. As far as country wise impact of BSIZE on IFRS adoption and compliance, the results revealed also no significant impact of BSIZE on compliance with IFRS except in the case of Oman. BSIZE has no statistical significant impact on compliance with IFRS in the case of India, KSA and the UAE, it shows statistical significant impact in the case of Omani companies. However, the results indicated that BSIZE in Oman is positively associated with IFRS compliance suggesting that low number of BSIZE is more associated with the level of IFRS compliance.

7.2.1.1.2 Board Independence

In general, the results of the collective model (1) demonstrate a significant impact of board independence (BIND) on compliance with IFRS. Concerning the impact of BIND on compliance with IFRS in every country individually, the results indicated a statistical significant impact of BIND on compliance with IFRS in all countries. Overall, the results reveal that there is a significant impact of BIND on compliance with IFRS suggesting that increasing board independence leads to more and better compliance with IFRS.
7.2.1.3 Board Diligence

The results show that there is no statistical significant impact of board diligence (BDEL) on compliance with IFRS neither in the collective model nor in the individual models. It is found no association between BDEL and compliance with IFRS. The results suggested that board diligence has no relationship or impact on compliance with IFRS in the selected countries. It can be interpreted that proportion of meeting attended to the total number of meetings held by the directors of the sampled companies from India, KSA, Oman and the UAE are not associated with the level of compliance with IFRS which may require the proposals and agenda of IFRS related issues that discussed and passed in the meetings held rather than the absolute number of meetings.

7.2.1.4 Board Expertise

In terms of board expertise (BEXP), the results demonstrated that there is a significant impact of BEXP on compliance with IFRS. This significant impact differs from the collective model to the individual models and from country to another country. While there is statistical significant impact of BEXP on compliance with IFRS in the case of KSA and Omani companies, there is no statistical significant impact of BEXP on compliance with IFRS in the case of India and the UAE companies. This could be interpreted as that financially literate board members may enhance the adoption process and compliance with IFRS in KSA and Oman. However, the percentage of board experts and financially literate members in the board in India and UAE should be increased to achieve better compliance with IFRS.

7.2.1.2 Audit Committee Effectiveness

Following is a key summary of the findings of the impact of audit committee characteristics on compliance with IFRS:

7.2.1.2.1 Audit Committee Size

The results demonstrated that audit committee size (ACSIZE) has a significant impact on compliance with IFRS. The results indicated that there is statistical significant impact in the collective model. Similarly, the results revealed statistical significant impact of ACSIZE in all cases; India, KSA, Oman and the UAE. ACSIZE is found significantly associated with compliance with IFRS in all cases. The results suggeste
Chapter 7: Conclusions, Suggestions and Direction for Future Work

that suitable number of audit committee members associate with IFRS compliance that was not the case in board size which may have bigger size than audit committee size.

7.2.1.2.2 Audit Committee Independence

With concern to audit committee independence (ACIND), the results revealed that ACIND has statistical significant impact in the context of late adopters of IFRS; India and KSA but it has no significant impact in case of early IFRS adopters; Oman and the UAE. This could be attributed to the preparedness made by recent IFRS adopters; India and KSA to shift from local GAAP to IFRS which may require that audit committee in the listed companies of these countries to be comprised from majority of independent members.

7.2.1.2.3 Audit Committee Diligence

Similar to board diligence, audit committee diligence (ADEL) has no evidence to show any significant impact on compliance with IFRS in all cases. This could be as result of the variance of audit committee meeting or and the meeting conducted and held during the years among companies from the selected countries. Further, it is implied that proportion of meeting attended to the total number of meetings held by audit committee members of the sampled companies from India, KSA, Oman and the UAE are not associated with compliance with IFRS which may require the proposals and agenda of IFRS related issues that discussed and passed in the meetings held by audit committee rather than the absolute number of meetings.

7.2.1.2.4 Audit Committee Expertise

Audit committee expertise (ACEXP) shows statistical significant impact on compliance with IFRS in the collective model. The results also indicated statistical evidence of the impact of ACEXP in case of India, Oman and KSA but no significant impact in case of the UAE companies.

7.2.1.3 Foreign Ownership

With regard to foreign ownership the results reported that there is no significant impact of foreign ownership (FOWN) on compliance with IFRS in case of India KSA and Oman except in case of the UAE. The results show that there is statistical significant impact of FOWN on compliance with IFRS only in the case of UAE
companies. This could be interpreted as foreign ownership does not associate with compliance with IFRS in KSA, India and Oman. The significant impact of FOWN on compliance with IFRS in the UAE could be attributed to the high percentage of foreign ownership that may give foreign shareholders a role in financial reporting. However, in KSA, India and Oman, the results show that FOWN has no role in compliance with IFRS.

7.2.1.4 Audit Quality

Audit quality measured by Big-Four international audit companies shows statistical significant impact on compliance with IFRS. This impact varies among the models estimated by this study. While there was no significant impact of Big-Four on compliance with IFRS in India and UAE companies, there is statistical significant impact in the collective model and in the contexts of KSA and Omani companies. This significant impact in the case of KSA could be attributed to that Big-Four audit companies play an important role in the process of IFRS adoption. Further, as KSA was following its local GAAP previously, companies may demand some consultancies and services from Big-Four as they have the experience in IFRS implementation from their branches in other countries. This means that the impact of Big-Four on IFRS adoption in the KSA could be interpreted as some companies may shift from local auditor who has less experience in IFRS to an expert auditor (Big-Four) who has the experience and may provide support and help in convergence with IFRS. But this was not the case in India, as India was following its local GAAP and shifted to Ind. ASs which are equivalent to IFRS so, companies may continue with their local auditors rather than shifting to Big-Four. It also could be due to that India has its own accounting standards that are equivalent to IFRS so companies do not differentiate between local auditors and Big-Four in terms of audit quality.

7.2.2 Summary Findings Based on Financial Reporting Quality (Model 2)

An estimation of OLS regression model to examine the impact of corporate mechanisms on financial reporting quality was employed. While corporate mechanisms includes board effectiveness (size, independence, diligence and expertise), audit committee characteristic (size, independence, diligence and expertise), foreign ownership and audit quality by Big-Four, financial reporting quality was measured using M.C. Nicholas (2002). This model aims to examine the
impact of corporate governance mechanisms on financial reporting quality under IFRS/ Ind. ASs and Local GAAP. Following is a summary of key findings of this model collectively and by country wise:

### 7.2.2.1 Board Effectiveness

Considering the impact of board effectiveness measured by size, independence, diligence and expertise, the results of model (2) show a variation and differences in the impact of board variables on financial reporting quality among the selected companies. Generally, with regard to the impact of board mechanisms, the results reported that there is a significant impact of board variables on financial reporting quality in the collective model. All board variables show statistical significant impact in case of Oman. In the same line, all board variables except BDEL have statistical significant impact on financial reporting quality in the case of the UAE companies. However, only BSIZE and BDEL are found to have statistical significant impact on financial reporting quality in case of the Indian companies. But, in the case of Saudi companies only BEXP among board mechanisms is found statistically significant. Importantly, when the impact of corporate governance mechanisms of financial reporting quality under different accounting standards, the results show some differences from one set of accounting standards to another set. Following is a key findings of the impact of board effectiveness on financial reporting quality.

#### 7.2.2.1.1 Board Size

The impact of BSIZE on financial reporting quality shows statistical significant impact in the collective model. It is also statistically significant in all cases except for KSA. This signifies that BSIZE is associating with financial reporting quality in India, Oman and the UAE but not in KSA. This could be attributed to total assets of the listed companies in each country. BSIZE in the case of KSA has the highest average among other countries. Accordingly, BSIZE in KSA is not associating with financial reporting quality because all variables of financial reporting quality are scaled by total assets. Suggesting that BSIZE is associating with firm size. With regard to financial reporting quality under different sets of accounting standards, the results demonstrated that the impact of BSIZE on financial reporting quality remain unchanged from new accounting standards; (India: Ind. ASs, KSA: IFRS) to old accounting standards; (India: Indian GAAP, KSA: Saudi ASs) and from early IFRS
adopter; Oman and UAE to late IFRS adopters (India: Ind. ASs, KSA: IFRS). Accordingly, there is no significant difference in the impact of BSIZE on FRQ between IFRS and local accounting standards.

7.2.2.1.2 Board Independence

Considering board Independence (BIND), the results found that BIND has statistical significant impact on financial reporting quality in the collective model. Same impact is found in the case of Oman and in the UAE but there was no statistical evidence to support the impact of BIND on financial reporting quality in the case of India and KSA. This indicates that BIND has a significant impact on financial reporting only in case of early IFRS adopters but no statistical significant impact was found in case of the recent IFRS adopters. This signifies that board independence and structure in Oman and the UAE has an optimum and high percentage of independent members that makes board independence contribute and increase the quality of financial reporting in Oman and the UAE was not the case in India and KSA. However, the impact of BIND on FRQ has changed from national accounting standards in KSA to IFRS. This signifies that BIND contributes to FRQ under IFRS in KSA. Therefore, BIND exhibits a significant difference from IFRS to local accounting standards.

7.2.2.1.3 Board Diligence

Board diligence (BDEL) collectively show statistical significant impact on financial reporting quality. However, the impact of BDEL on financial reporting quality is found to be statistically significant in the context of India and Oman only but no significant impact was found in the quest of KSA and UAE. The impact of BDEL on FRQ remains unchanged under different accounting standards. BDEL has a significant impact in the case of Indian companies, it was statistically significant under both accounting standards; Indian GAAP and Ind. ASs. Similarly, in the case of KSA companies, BDEL has no statistical evidence to support its impact on financial reporting quality in both periods; pre-IFRS period and IFRS period.

7.2.2.1.4 Board Expertise

Referring to board expertise (BEXP), the results reported that there was statistical significant impact of BEXP on financial reporting quality in the collective model. But this impact differs from country to another country. While BEXP is found to have statistical significant impact in the GCC countries but no significant impact of BEXP
on financial reporting quality was found in case of India. However, it is notably seen that there was a significant difference in the impact of BEXP on financial reporting quality from local accounting standards to IFRS/Ind. ASs. This could be interpreted as that when companies shift from one set of accounting standards to another set, they may increase the number of financial literate members which could contribute to the quality of financial reporting.

7.2.2.2 Audit Committee Effectiveness

7.2.2.2.1 Audit Committee Size

The impact of audit committee size (ACSIZE) on financial reporting quality is found statistically significant in all cases; collectively, India, KSA, Oman and the UAE. However, it is a positive significant impact in case of Oman and KSA but negative significant impact in case of India and the UAE. The results revealed that the significant impact of ACSIZE on FRQ did not change from old accounting standards to new accounting standards revealing no significant difference between IFRS and local accounting standards.

7.2.2.2.2 Audit Committee Independence

Audit committee structure indicated by the percentage of independent members of audit committee (ACIND) has statistical significant impact on financial reporting quality in the collective model. However with regard to the country wise impact, ACIND is found to have a significant impact on financial reporting quality in India, KSA and Oman but it was found to have no significant impact in the case of the UAE. The significant impact of ACIND on financial reporting quality in the case of India has changed to be insignificant under the new accounting standards; Ind. ASs but in the case of KSA, ACIND has become statistically more significant under IFRS than it was in case of Saudi Accounting Standards. This indicates that ACIND has a higher significant impact on FRQ under IFRS rather than local accounting standards revealing a significant difference in its impact between IFRS and local accounting standards.

7.2.2.2.3 Audit Committee Diligence

Audit committee diligence (ACDEL) in the collective model shows statistically significant impact on financial reporting quality but taking in consideration the
country wise impact, the results demonstrated some differences among the selected countries. While there is no statistical evidence to support the impact of ACDEL on financial reporting quality in India and Oman, it was found that there was statistical significant evidence in the case of KSA and the UAE. This impact did not change from Local accounting standards to Ind. ASs in India, indicating insignificant difference in the impact of ACDEL on FRQ between IFRS and local accounting standards.

### 7.2.2.2.4 Audit Committee Expertise

With regard to audit committee expertise (ACEXP), the results revealed statistical significant impact on financial reporting quality in the collective model. Similarly, a significant impact of ACEXP on financial reporting quality was found in the Indian and in the Saudi contexts. Contradictory, no significant impact at any level of significance was found in both cases; Oman and the UAE. This signifies that listed companies in both recent adopters of IFRS; India and KSA may increase audit committee effectiveness by enhancing the financial expertise or increasing the financially literate members of audit committee members to be more prepared for IFRS conversion. This was not the case in both early IFRS adopters; Oman and UAE in which audit committees may function in IFRS reporting system since long back periods. This was clearly indicated by the impact of ACEXP on financial reporting quality under different accounting sets. ACEXP show statistical significant impact on financial reporting quality under the new accounting standards in the KSA; IFRS but no significant impact was found under the local GAAP. In the same line, ACEXP had a significant impact under the new accounting standards; Ind. ASs more than the Indian GAAP, indicating a significant difference between Ind. ASs and local accounting standards in this regard.

### 7.2.2.3 Foreign Ownership

Concerning foreign ownership the results reported that there is a significant impact in all cases except in India. In the collective model, the results indicated that foreign ownership has statically significant impact on financial reporting quality. Further, the results show that foreign ownership is a predictor and one of the main contributors of financial reporting quality in KSA, Oman and the UAE. Differently from other countries, foreign ownership has insignificant impact on financial reporting quality at
any level of significance in the Indian context. This could be as a result that India has its own accounting standards and has shifted to Ind. ASs which is equivalent to IFRS rather than shifting to the global version of IFRS which may do not attract foreign investors. However, the impact of FOWN on FRQ in Oman and the UAE was negative indicating negative association between FOWN and FRQ in Oman and the UAE. The impact of FOWN has changed to be more statistically significant under the new accounting standards; IFRS than the local accounting standard; Saudi Accounting Standards in the case of KSA. But in the case of India, the impact of FOWN on financial reporting quality remain unchanged (insignificant) from the local GAAP to the new accounting standards; Ind. ASs., revealing no difference between the two sets of accounting standards.

7.2.2.4 Audit Quality

Audit quality by Big-Four international audit companies had a significant impact on financial reporting quality. Suggesting that Big-Four audit companies improves the quality of financial reporting. Importantly, Big-Four was found significant only in case of Omani and UAE companies. This indicates that Big-Four has a significant impact on the quality of financial reporting in early IFRS adopters in which Big-Four have big market and they may have long experience and staff in these countries. Differently from early IFRS adopters, Big-Four had insignificant impact on financial reporting quality in case of late or recent IFRS adopters; India and KSA. Further, when the impact of Big-Four on financial reporting quality is compared under the local accounting standards and the new accounting standards (IFRS/Ind. ASs); Big-Four was found to have statistical significant impact on financial reporting quality under IFRS but this impact was not statistically significant under the local accounting standards in KSA. In the same quest, Big-Four indicated insignificant impact under both Indian GAAP and Ind. ASs. this indicates that Big-Four affect and contribute to FRQ under IFRS rather than local accounting standards.

7.3 Recommendations and Suggestions of the Study

The initially stated overarching aims of the present study is to provide an evidence of the impact of corporate governance mechanisms on IFRS adoption (compliance with IFRS and financial reporting quality). Based on the findings of the study illustrated
above in the earlier section; this section aims to provide some recommendations and suggestions for regulators, professional bodies and other parties as follows:

### 7.3.1 Recommendations and Suggestions for International and Regional Bodies

Following are some recommendations and suggestions for the international and regional bodies that interest in IFRS and corporate governance:

1. From the global perspective, the findings of this thesis may add to the debate as to why developing countries should adopt IFRS. IASB should effectively work to make IFRS globally accepted. The single set of globally accepted financial reporting standards cannot be achievable if developing countries like India and GCC countries do not fully adopt IFRS but selectively adopt standards reflecting their current practices or meeting their national interests. In order to achieve the global convergence and to avoid unreal adoption or compliance with IFRS; international and regional professional bodies particularly, IFRS Foundation should provide guidance and support for adopting countries and companies for better implementation and compliance with IFRS.

2. The national interests, the current practices regarding accounting standards and the quality of corporate governance system in a country may affect the global conversion towards IFRS which accordingly make some countries to adopt IFRS fully as the case with GCC countries or limit the countries’ convergence by the current status of accounting profession as the case of India. Accordingly, IASB is recommended to collaborate effectively with different jurisdictions in order to facilitate the different factors affecting IFRS adoption.

3. Although IFRS Foundation recognizes the critically important role played by the international organizations such as, the International Organization of Securities Commissions (IOSCO), the World Bank, IMF and the OECD and announced a set of protocols and collaborations in promoting the use of high-quality standards but still there is a wide scope of collaboration that IFRS Foundation needs to enhance utilizing the extensive network and worldwide presence of these organizations. IFRS Foundation and IASB are recommended to enhance engagement of these organizations in standards development,
Chapter 7: Conclusions, Suggestions and Direction for Future Work

strengthening standard-setting capabilities, participating in advisory bodies of the IFRS Foundation. Further, capacity development for implementation of IFRS, developing scalable programs, supporting professional development are great fields that needs collaboration.

4. IFRS Foundation and IOSCO, the World Bank, IMF and the OECD can periodically share information to maintain current and accurate data on the progress of global IFRS adoption, identify and explain implementation aspects of IFRS, discussion of IFRS enforcement matters, providing critical and timely input, strategic discussions, sharing of information and active contribution to the standard-setting process.

5. The challenges facing GCC countries, India and all other developing countries and less developed countries in the adoption and convergence process with IFRS are compounded by the differences between country’s GAAP and IFRS, institutional setting, corporate governance system, legal framework and some other issues. Accordingly, IASB along with respected international and regional bodies should effectively work with the regional professional accounting and auditing bodies to resolve the carve-outs between country’s GAAP and IFRS and resolve the institutional and legal complexities.

6. IASB is recommended to reconsider the balance between the requirements of well-established economies and the practical difficulties encountering implementation of IFRS in the developing and less developed countries.

7. IASB should consider the governance system of a country to resolve a problem of uncombitable or sometimes contradiction with the pre-existing laws, rules and regulations pertaining to the governance system of that country may arises.

8. Professional accountancy bodies, preparers, users and regulators could provide IASB with useful feedback, not only after standards are finalized and ready for implementation, but early in the drafting process. While some professional bodies and national accounting standard-setters are in a position to interact directly or indirectly (on a regional basis) with IASB, others are not – mainly because of a lack of resources.
9. A coordination mechanism at a regional level, so that, by pooling resources, countries are able to provide input to the standard-setting process as from the early stages. The case study of South Africa provides a good example of how the South African Accounting Practices Committee promotes participation of the stakeholders in the country in providing input into IASB standard-setting process.

10. International and regional development banks play a positive role in implementation of IFRS by providing resources to developing countries and countries with economies in transition as the case of Jamaica with the World Bank.

7.3.2 Recommendations and Suggestions for Regulators and Policy Makers

To improve the best practices of corporate governance including the quality of financial reporting and high quality standards in a country, this study recommends regulatory bodies and policy makers to place an effective code of corporate governance and high quality standards that enhance the quality of financial reporting at their center of decision making. The following recommendations shed light on corporate governance, IFRS and financial reporting quality that regulators and policy makers should consider and focus on:

1. When a jurisdiction adopts or converges with IFRS, a problem of uncombitable or sometimes contradiction with the pre-existing laws, rules and regulations pertaining to the governance system of that country may arise. Further, a large number of laws, rules and regulations pertaining to the governance system of that country may become a challenge for IFRS transition. Often, a large number of laws and regulations may become inconsistent with each other, especially when the roles and responsibilities of different regulatory institutions or professional bodies are overlapping and coordination mechanisms are not in place. Regulatory bodies and policy makers should effectively coordinate and work to resolve the contradiction between different laws, rules and regulation to facilitate IFRS transition. Such an arrangement would require clear understanding to be reached among the different regulators.
Chapter 7: Conclusions, Suggestions and Direction for Future Work

2. In some countries, a large number of regulatory institutions or professional bodies that control financial reporting system or have a role on the implementation of financial reporting standards in that country may hinder and make some challenges in the adoption or convergence with IFRS. Especially, when the roles and responsibilities of different regulatory institutions or professional bodies are overlapping and coordination mechanisms are not in place. Lack of coherence in the regulatory system becomes cause for serious misunderstandings and inefficiency in the implementation of IFRS.

3. The implementation of IFRS requires considerable preparation both at the country and entity levels. One of the critical considerations is the need for ensuring coherence in the regulatory framework including corporate governance system and for providing clarity on the authority that IFRS will have in relation to other existing national laws. Thus, an IFRS implementation plan needs to take into account the time and resources needed for efficient and effective implementation at the entity level. The cost of staff training, updating information technology systems and arranging for external advice in preparation for the implementation of IFRS could be significant and requires adequate consideration. Entities in countries where there is a need to translate IFRS from English into another language might need a considerably longer period of time to be ready to make the transition to IFRS. The transition plan needs to define the scope of application of IFRS clearly with respect to the size and type of entities, as well as defining clearly whether IFRS will apply for the preparation of consolidated and separate financial statements.

4. An IFRS implementation program needs to adequately assess the state of preparedness of relevant professional accountancy organizations so that the necessary resources are available to ensure competent and continual support from such organizations.

5. It is to be realized that conversion to IFRS is not an easy process or a one time event, rather it is a technical and uninterrupted process. Adoption or conversion to IFRS may affect the overall accounting objectives and process in a given country. Accordingly, India and GCC countries are recommended to pay special attention to IFRS adoption. After the implementation of IFRS companies, auditors, analysts and other stakeholders may continue to
encounter practical implementation challenges like, fair valuation, law modifications, training of auditors, training of employees in companies, increasing stakeholders’ awareness, modification of IT systems and some other issues. Regulators and professional bodies such as capital markets authorities, accounting and auditing bodies and financial reporting monitoring panels could contribute to more consistent application of IFRS by sharing their findings and enforcement decisions, with a view to help preparers to avoid incorrect application of IFRS by allowing them to learn from the experience of other preparers.

7.3.2.1 Recommendations and Suggestions for Regulators and Policy Makers in India, KSA, Oman and the UAE

1. India is recommended to include IFRS and Ind. ASs education into university curriculum for commerce, finance, accounting, management specializations for all university stages. Coordinating university education for these program with professional qualification of ICAI could contribute positively to the smooth implementation of IFRS in India. Lack of coordination in this area could lead to inefficient management of financial and human resources, especially in situations where university programs are supported by local or national governments as part of national human-resources-development programs. The shortage of expertise in the field of IFRS affects not only the private sector, but also regulators and other government agencies.

2. Regulatory and professional bodies along with academic institutions need to update themselves to modernize with the adoption and convergence with IFRS.

3. Unlike GCC countries, India has chosen to converge to IFRS. Accordingly, it has more flexibility in issuing additional interpretation and guidance on IFRS equivalents which are deemed to apply to its specific circumstances. However, these additional interpretations or guidance may have some carve-outs from the general thrust of IFRS and might defeat the purpose of adapting IFRS. It is important to work closely with IFRIC rather than create a local interpretation which could lead to divergence of practice. Discrepancies between IFRS that
are in effect at the international level and those adopted at the national level should be avoided.

4. Training materials and training courses on IFRS should be supported by regulatory and professional bodies continuously and at an affordable cost.

5. Training materials and courses on IFRS should be made available in live languages.

6. The professional and regulatory bodies should play a pivotal and positive role in strengthening the financial reporting practices of entities in India, KSA, Oman and the UAE. They should establish subordinate committees and boards for monitoring the implementation of the new accounting standards. In situations where lack of compliance with accounting standards and other applicable standards and codes are identified, they should take the necessary action. In instances where it finds deficiencies or non-compliance with IFRS, it imposes fines and penalties on the preparers and their auditors.

7. In India and KSA, accounting practices are affected by regulatory requirements. There are so many Laws which prevail over accounting rules. The main laws are Companies act, stock market regulations, banking law and regulation, insurance laws and regulations etc. Companies have to follow laws and regulations first. The alignment of a country’s statutory accounting with IFRS and the move to a principles-based approach must be progressive. The process of aligning statutory accounting with IFRS can be improved by drawing upon the practical experience of professional accountants and raising the role of the professional community in the standard-setting process. Government should bring all the regulatory bodies that affect the accounting process at a single platform to sort out all the problems which may affect convergence process.

8. Regulatory bodies in India and KSA should provide helpline desk for guidance for successful implementation of IFRS. In initial stage they should perform as helping hand for corporates. If corporates feel any problem then regulatory and professional bodies should provide help to corporates.

9. Companies need more time to be ready for detailed Ind. ASs reporting in India and IFRS in KSA. Also, many companies are still evaluating their options and
want to re-consider at their accounting policy choices based on a study of
industry practices. Some companies assess and evaluate their choice of
exemptions, accounting policies, key estimates and judgements. They will use
the time till then to fine-tune their processes, educate their key stakeholders
and do a comparative study with their industry peers. Continued top-level
commitment is required to make progress on the transition to IFRS. A key
factor in successful reform is the support from key policy makers and
professional auditing and accounting bodies in India and KSA countries.

10. There are significant differences between the Indian GAAP and Ind. ASs in
India and between Saudi Accounting Standards and IFRS in KSA, especially
in areas of financial instruments, business combinations, share-based
payments, income taxes, revenue recognition, employee benefits, leases and
operating segments. For example, some other standards that made their
presence felt were Ind. AS 12 Income Taxes, Ind. AS 19 Employee Benefits,
Ind. AS 102 Share-based Payments and Ind. AS 108 Operating Segments. This
may affect compliance process and financial reporting quality. Hence, it is
recommended that interpretations of IFRS must remain under the purview of
IFRIC in order to preserve the integrity of IFRS and ensure consistent
interpretation across countries. Interpretations are not a role for securities
exchange commissions or for national standard setters. Any guidance issued
by government should not compromise IFRS or the interpretations issued by
IFRIC. Guidance should be requested from IASB for producing faithful
translations of the original English language text of IFRS. However, even if a
translation done by a very good translator, there is still a potential for
misunderstanding because it does not fit with local tradition established in
practice.

11. An endorsement mechanism is needed in GCC countries. IFRS needs to be
turned into law in these countries. The purpose of the endorsement mechanism
would be to “legalise” IFRS and the International Financial Reporting
Interpretations Committee (IFRIC) interpretations according to country’s legal
framework. The endorsement mechanism and the standard setter should, in
principle and ultimately, be kept separated to prevent conflicts of interest. The
endorsement mechanism requires bringing together, or creating, experts in
Chapter 7: Conclusions, Suggestions and Direction for Future Work

IFRS. Typically, they will come from the accounting and audit profession, preparers, academia and government. Nearly all major countries planning to adopt IFRS are creating endorsement mechanisms. The EU endorsement mechanism includes two levels: a technical expert level and a political overlay. Further, the experience of Oman may be benefited as the endorsement of IFRS has been already made in corporate governance regulations.

12. It is to be realized that conversion to IFRS is not an easy process or a one time event, rather it is a technical and a continual process. Adoption or conversion to IFRS may affect the overall accounting objectives and process in India and GCC countries. Accordingly, GCC countries especially KSA is recommended to pay special attention in IFRS adoption. After the implementation of IFRS; companies, auditors, analysts and other stakeholders may continue to encounter practical implementation challenges. A related technical problem is the limited availability of training materials and experts on IFRS at an affordable cost. Further, various significant business and regulatory matters like, fair valuation, law modifications, training of auditors, training of employees in companies, increasing stakeholders’ awareness, modification of IT systems and some other issues are also some examples of difficulties that may put crucial challenges in IFRS implementation in India and GCC countries. One of the principal difficulties encountered in the practical implementation process is the shortage of accountants and auditors who are technically competent in implementing IFRS and ISAs. Usually, the time between when a decision is made to implement the standards and the actual implementation date is not sufficiently long to train a sufficient number of professionals who could competently apply international standards. Accordingly, training of professionals in enterprises and competent and independent auditors should be encouraged and improved.

7.3.2.2 Recommendations and Suggestions for Regulators and Policy Makers in other Gulf Countries and Yemen

1. A legislation mechanism is needed in Kuwait, Qatar, Bahrain and Yemen. IFRS needs to be turned into law in these countries. The purpose of the endorsement mechanism would be to “legalise” IFRS and the IFRIC interpretations according to country’s legal framework.
Chapter 7: Conclusions, Suggestions and Direction for Future Work

2. Kuwait, Qatar, Bahrain and Yemen should benefit from the experience of India, KSA, Oman and the UAE in the enforcement and implementation of IFRS.

3. The Gulf Cooperation Council Accounting and Auditing Organization (GCCAAO) can play a pivotal role in successful implementation and compliance with IFRS. As a regional body, it can play a guidance role and should adopt a mechanism that guarantee full support and guidance in IFRS implementation process. Some possible areas for this professional organization are regional training and capacity building programs, aligning the best practices of IFRS implementation, IFRS translation and increasing the awareness among GCC countries about IFRS implementation.

4. There ought to be a regional oversight body for GCC countries to monitor compliance with IFRS and financial reporting quality. The GCCAAO may play this role and should establish an affiliated body for this purpose.

5. Yemen can benefit from the Indian code of CG to constitute its own code of CG. Further, Yemen can align any proposed or future code of CG with GCC member states’ codes of CG.

7.3.3 Recommendations and Suggestions for Practitioners and Professionals

Based on the findings of the present study, the following recommendations for board of directors, audit committee members, foreign investors, auditors and other professionals can be drawn:

7.3.3.1 Recommendations and Suggestions for Board of Directors

1. Companies should start early so that they will get significant advantage that they are better suited to confront the numerous of tactical and strategic decisions. Starting early would also enable them to better manage the expectations of regulators and analysts about the impact on earnings and equity. This can also enable them to determine any potential need for additional capital that may be needed on mandatory adoption of IFRS.
Chapter 7: Conclusions, Suggestions and Direction for Future Work

2. Board of directors are suggested to spend sufficient time and to have strategy on impact assessment of IFRS at the initial stage of IFRS implementation. The impact assessment will be the most critical phase of whole IFRS convergence and implementation process as well.

3. Board of directors are suggested to consult some external advisors for successful implementation and impact assessment of IFRS implementation.

4. Board of directors are recommended to increase the independent members in the board.

5. There should be at least one independent, financially and IFRS expert in the board of directors to highlight the important issues of IFRS convergence, implementation and compliance in the board discussions.

6. Board of directors are recommended to disclose the meetings’ agenda in the website of the company and in the annual report. They should give priority for IFRS compliance, financial reporting quality and earning quality issues in their agenda meetings.

7. Board of directors should at least have an annual or biannual training and awareness course in IFRS requirements, implementation and financial reporting quality.

7.3.3.2 Recommendations and Suggestions for Audit Committee Members

1- Audit committee should comprise of at least one expert in IFRS.

2- Audit committee should involve in IFRS education and training programs in a regular basis to contribute for better IFRS compliance and financial reporting quality.

3- Audit committee should work closely-together with the external auditor to increase the disclosure levels on IFRS requirements and enhance financial reporting quality.

4- Audit committee members should focus in their meetings on issues regarding compliance with IFRS, financial reporting quality and earning quality. They should establish a mechanism for effective communication with the board of directors and external auditors for better IFRS compliance, financial reporting
quality and earning quality. Audit committee members are also suggested to disclose their meetings agenda in the annual reports and the website of the company.

5- Audit committee members should effectively communicate with the professional auditing and accounting bodies in their respective countries and should update themselves with the new amendments and interpretations made in IFRS by IASB of the respected body in their countries.

7.3.3.3 Recommendations and Suggestions for Foreign Investors

Following are some recommendations and suggestions for foreign investors:

1. There should be some educational and awareness programs on IFRS for investors by professional auditing and accounting bodies, universities, government and stock market authorities. Investors also should involve themselves in some training programs to increase their awareness in IFRS.

2. Investors should consult experts and auditors about any IFRS issue. They should not follow the media regarding any effect of IFRS implementation, interpretation or amendment.

3. Investors should focus and make their best effort towards fully independent and financially literate audit committee members. They should require regular disclosure on best implementation of IFRS, earning quality and financial reporting quality. Further, they should look for better audit quality highly with qualified and expert IFRS auditor.

7.3.3.4 Recommendations and Suggestions for External Auditors, Practitioners and other Professionals

1. ICAI in India, SOCAP in KSA and the other professional auditing and accounting bodies in the other GCC countries should introduce IFRS in their courses to enable new accounting professionals to get awareness about IFRS.

2. ICAI in India, SOCAP in KSA and the other professional auditing and accounting bodies in the other GCC countries should implement a compulsory short duration certificate courses for all existing chartered accountants and accounting professionals. Professional auditing and accounting bodies should
make compulsory certificate course for other members to give knowledge of IFRS. Some simplified literature should be provided for all the common users of accounting such as investors, bankers and analysts so that they can also understand the changes.

3. Professional auditing and accounting bodies especially ICAI in India and SOCAP in KSA should increase their role in the IASB by holding the important position in the IASB Foundation monitoring board. So that emerging issues in accounting of these countries can also be merged in accounts.

4. Professional auditing and accounting bodies in India and GCC countries should periodically examine and assesses the impact of IFRS including changes in to accounting system, contractual arrangements, corporate governance consideration and accounting for litigation contingencies.

5. Professional auditing and accounting bodies in India and GCC countries should continuously co-operate with the other regulatory bodies like reserve banks, stock market authorities and ministry of corporate affairs for effectively convergence of IFRS.

6. Professional auditing and accounting bodies in India and GCC countries should conduct regular conferences, seminars, workshop and short term programs for awareness to different users about the IFRS. Being the premium accounting standard setter body Professional auditing and accounting bodies in India and GCC countries should start awareness campaign for all users about IFRS and start helpline desk for all the users to gain knowledge about IFRS.

7. There should be enlightened campaigns on the potential impacts of adopting IFRS by the regulatory authorities presently in India and KSA. A rigorous capacity building programs should be embarked upon by all regulatory bodies and training institutions in order to provide the needed manpower for IFRS implementation. Successful implementation of IFRS needs extensive and ongoing support from professional accountancy associations. In the initial phase of implementation of IFRS, professional accountancy bodies contribute to technical capacity-building by providing training on IFRS to their members.
Furthermore, professional accountancy organizations also facilitate training geared towards keeping their members updated on new technical developments in the area of IFRS. In this respect, it is also important to recognize the importance of standards issued by the International Accounting Education Standards Board (IAESB) of IFAC which address various aspects of pre- and post-qualification requirements and continuing professional development.

8. At the moment, IFRS is not in the syllabus of the students in majority of tertiary institutions. IFRS should be included in the syllabus of Accounting Departments in the tertiary institutions so that students will have the knowledge before entering into the labour market. The accounting education curricula in India tertiary institutions and secondary schools should urgently be reviewed to reflect current realities and actual business practices. The accountancy institutes in India must embark on massive education training of their members through continuing professional development programs.

9. The role and contribution of the ICAI in India were well defined and recognized. However, the role and contribution of the GCC professional auditing and accounting bodies were unclear and less defined. Accordingly, GCC countries should revise the role of their professional auditing and accounting bodies. The experience of the ICAI of India in this regard may be considered.

7.4 Implications of the Study

The main aim of the present study is to investigate the impact of corporate governance mechanisms on compliance with IFRS and financial reporting quality, in the context of India and GCC countries. This section provides a discussion on the implications of the main findings on theory and practice. The theoretical and practical implications of the present study are discussed in the following sub-sections.

7.4.1 Theoretical Research Implications

This study brings reflective insights related to corporate governance mechanisms, compliance with IFRS and financial reporting quality, particularly from developing countries context, i.e. GCC member states and India. It provides a comprehensive investigation of whether the outcome of the impact of corporate governance
mechanisms on IFRS adoption that have been applicable in developed countries are applicable to developing countries or not. The pertinent literature review points to an existing gap in understandings, not only in the issues of corporate governance mechanisms and their impact on IFRS adoption, compliance with IFRS and financial reporting quality but also the developing countries evidence is limited especially in the GCC member states and India. Therefore, the present study adds to this existing stock of knowledge and the body of literature through providing an opportunity to understand the impact of corporate governance on compliance with IFRS and financial reporting quality in different regulatory settings and practices in developing countries. Since developing countries are different from developed countries, the factors that affect corporate governance and IFRS adoption in developing countries could be different than those that operate in developed countries. Accordingly, the present study sheds light on corporate governance determinants that affect the level of compliance with IFRS and financial reporting quality in India and GCC countries. More specifically, this study adds to the pertinent literature by investigating and linking board of directors, audit committee effectiveness, ownership structure and audit quality with compliance with IFRS and financial reporting quality in India and GCC countries.

Prior studies used a number of theories such as agency theory, stewardship theory, resource dependence theory, stakeholder theory and institutional theory to explain corporate governance mechanisms practices. This study used mixed theories of corporate governance and IFRS adoption. Agency, institutional and stewardship theories of corporate governance were used. Further, this study uses the theoretical frameworks of the economic theory of network, isomorphism and positive accounting theories of IFRS adoption to explain the impact of corporate governance mechanisms on compliance with IFRS and financial reporting quality. In addition, this study extends these theories to emerging economies from different business environments. Therefore, this study extends the application of such theories derived from mature and developed business environments which may only partially represent financial reporting quality and corporate governance practices in emerging economies especially with different legal, cultural and institutional settings. This study extends current literature with implications of agency, institutional and stewardship theories, of corporate governance and the economic theory of network, isomorphism and
positive accounting theories of IFRS adoption for developing countries with consideration given to their cultural and institutional differences. Inclusion of some variables of World Wide Corporate Governance Indicator of the World Bank represent the complexity of the role of low and institutional differences between these countries. The use of different theories of corporate governance and IFRS adoption is because that India, Saudi Arabia, Oman and the UAE has a different institutional setting, different legal system and cultures. Further, the factors that affect corporate governance practices and IFRS adoption in India, Saudi Arabia, Oman and the UAE are different from other countries especially developed countries.

The results of the present study reported a significant impact of corporate governance mechanisms on compliance with IFRS and financial reporting quality. However, this impact is different from country to another country depending on institutional setting, legal factors and some other corporate governance and IFRS determinants in each country. In this regard, the results of the current research indicate that no single theory of corporate governance to explain the impact of corporate governance mechanisms on compliance with IFRS and financial reporting quality. In addition, the results signify that corporate governance mechanisms in India and GCC countries complement and substitute compliance with IFRS and financial reporting quality.

In terms of board and audit committee effectiveness and their impact on compliance with IFRS and financial reporting quality, the results of the present study provide support to the agency theory. The results indicated that an increase in the board and audit committee effectiveness leads to an increase in the level of IFRS compliance and financial reporting quality in order to reduce the agency cost. More especially, the results of the present study revealed that the effect of board and audit committee effectiveness on compliance with IFRS and financial reporting quality could be determined by ideal size, higher percentage of independent member, more frequent of meetings and higher percentage of experts and financially literate members in the board and audit committee. The findings demonstrated that ideal board and audit committee size, higher percentage of independent member in the board and audit committee, more frequent of meetings and higher percentage of experts and financially literate members in the board and audit committee are essential for fully understanding the relationship between the board of directors and audit committee
effectiveness from one hand and the level of IFRS compliance and financial reporting quality from the other.

The results also provide an evidence that in situations where there is high information asymmetry problem, the board will be less effective which may lead to less disclosure. Accordingly, the findings of the present study illustrated that the impact of corporate governance mechanisms on compliance with IFRS and financial reporting quality may require more than one theory to explain this effect. From one hand, the results indicate that agency theory is applicable in India and GCC countries. This is based on the presumption that the separation between ownership and control, managers tend to pursue their own goals at the expense of the shareholders accordingly, the need of non-executive directors on the board substantiated from the agency theory perspective. Thus having non-executive directors in the board, would assist to monitor and control the management. Further, the results indicate that foreign investors are effective to monitor management and solve the agency problem in an environment where there is highly ownership concentration, higher percentage of family ownership and the legal protection of investors is weak.

From the other hand, in situations where the exceptions of independent directors, higher board size, less frequent meetings of board and audit committee and absence of financially literate members in the board and audit committee, the findings are not consistent with the agency theory that board and audit committee mechanisms could mitigate agency problems. This may not lead to decrease agency cost by aligning the interests of controlling owners with those of the company. Thus, these findings can be related to the institutional theory which perceives that board and audit committee mechanisms as practices or regulations resulting from coercion by legislators. Generally, regulators mandate certain practices in order to enhance organizational effectiveness, or as a result of imitation. Thus, the findings of the present study could be explained also by the institutional theory. This theory suggests that companies might adopt practices or regulations as a result of coercion from a legislator who imposes some practices in order to improve organizational effectiveness (AL-Matari, 2013). Further, the results provide support to that firms that work in the same environment will follow the same accounting practice due to the role of isomorphism, whereby organizations follow the actions of other organizations as a result of
coercive, normative, or mimetic pressures, which might reduce any differences regarding disclosing information to outside.

Overall, this study indicates that the use of different theories can better explain the impact of corporate governance mechanisms on compliance with IFRS and financial reporting quality. The results also provide an evidence that individual governance mechanisms need to be aligned and aggregated together to be more effective in increasing compliance with IFRS and enhancing financial reporting quality. These findings demonstrated the importance of complementary and aggregated role of the set of corporate governance mechanisms namely; board of directors (size, independence, diligence and expertise), audit committee (size, independence, diligence and expertise), foreign ownership, audit quality. A combination of board characteristics, audit committee attributes, ownership structure and audit quality is better for higher level of compliance with IFRS and good quality of financial reporting.

7.4.2 Practical Implications

Overall, key practical implications of the present research are to international and regional bodies, board of directors, audit committee members, investors, auditors and other professionals and academicians. Following are the key practical implications of the present study:

7.4.2.1 Implications for International and Regional Bodies

Using the findings from the present study, the following practical implications could be raised for international and regional bodies:

- Based on an evidence from India and GCC countries, IASB could enhance global convergence of national accounting standards with IFRS.
- A lack of understanding of IFRS adoption especially, the artificial compliance with IFRS by adopting countries and companies. Practically, IASB could establish separate group for developing countries to post the global convergence with IFRS and assist countries for better compliance with IFRS and financial reporting quality.
- Another perspective of practical implication of the findings of the present study is that IASB could establish a mechanism for effective collaboration
with different jurisdiction in order to facilitate the different factors that affect IFRS adoption especially the quality of corporate governance system, legal, institutional and firm specific factors.

- The International Organizations such as IOSCO, the World Bank, IMF and the OECD may establish an effective mechanism for communication and work for comprehensive set of protocols and collaborations to promote the use of high-quality standards utilizing the extensive network and worldwide presence of these organizations. IFRS Foundation and IASB may practically enhance their engagement with these organizations for standards development, strengthening standard-setting capabilities, participating in advisory bodies of the IFRS Foundation. Further, capacity development for implementation of IFRS, developing scalable programs, supporting professional development are great fields that needs collaboration.

- IFRS Foundation along with IOSCO, the World Bank, IMF and the OECD may join their efforts in mobilizing resources and funds to support financial reporting reforms and build in-country capacity. It is very important for IFRS Foundation to work effectively with these international bodies in implementation of IFRS, encouraging adoption, supporting accessibility and conducting research.

- Based on the findings of the present study, another possible implication is that international and regional professional bodies may provide guidance and support for adopting countries and companies for better implementation and compliance with IFRS in order to achieve the global convergence and to avoid unreal compliance with IFRS. A problem of uncombitable or sometimes contradiction with the pre-existing laws, rules and regulations pertaining to the governance system of that country may arise. Hence, IASB may consider the governance system of a country or a group of countries on a regional basis to resolve these contradictions.

- A comprehensive and continuous technical capacity-building is also an important aspect that IASB may need to work effectively. Successful implementation of IFRS needs extensive and continual support from IASB. IASB may establish a mechanism at the international and regional levels to
Chapter 7: Conclusions, Suggestions and Direction for Future Work

cooperate with professional accountancy and auditing associations. In this respect, it is also important to recognize the importance of standards issued by the International Accounting Education Standards Board (IAESB) of IFAC.

- Transitioning from national financial reporting standards to IFRS has the potential to create a need for clarification or interpretation of the provisions of certain IFRS in relation to certain country-specific circumstances. IASB should create a regional channels to provide full support for IFRS adoption and conversion. Certain countries require either an additional due process to be followed at a national level or a translation into a national language to be done before IFRS become effective.

7.4.2.2 Implications for Regulators and Policy Makers

A number of useful practical implications for regulators and policy makers can be drawn from the findings of the present study. Firstly, a possible practical implication that can be derived from the findings of the present study is that regulators and policy makers should build a time plan for removing uncombitable and contradiction of the pre-existing laws, rules and regulations that contradicts with IFRS which may pertain to the governance system of a country. Secondly, regulatory and policy makers may work for increasing coherence in the regulatory system of a country and align with all the respected authorities to work together for effective IFRS implementation, compliance and higher financial reporting quality. Thirdly, regulators and policy makers may create a huge awareness capacity building program among investors, professional and companies and they may sponsor a continuous academic activities to enhance IFRS education. Rewriting accounting textbooks to comply with IFRS is an important task. Further, support the translation of IFRS issues into the live languages of a country is also a crucial activity that regulators may need to work on. Practical implementation of IFRS requires adequate technical capacity among preparers, auditors, users and regulatory authorities. Countries that implement IFRS face a variety of capacity-related issues, depending on the approach they take. Regulators should recognize at the early stage of IFRS transition the importance of adequate technical capacity.

Fourthly, rigorous enforcement of standards should be made. The institutions responsible for enforcing IFRS need to realize that, as a result of the growing
globalization of financial markets, their enforcement efforts often protect both domestic and international investors. Accordingly, regulators and policy makers could focus on corporate governance regulations and make IFRS issues as a part from these regulations. Fifthly, regulators and policy makers should revise the existing regulations of corporate governance and increase the disclosure and compliance levels with these regulations. Some companies still have some deviations from the requirements of corporate governance regulations. For example, the number of board size or audit committee size, the percentage of independent members in the board and audit committee, disclosure of the ownership structure in some companies were not disclosed properly and sometimes no compliance with corporate governance codes by some companies were made. Accordingly, regulators and policy makers could give more consideration for compliance and disclosure with these codes. Sixthly, a possible implication is also with regard to ownership structure. Regulators and policy makers should create awareness among investors about IFRS. They may also increase the level of protection for investors by mandating more provisions in corporate governance regulations regarding disclosure and compliance with IFRS and corporate governance codes. Finally, regulators and policy makers could encourage the local auditors to benefit from the experience of the Big-Four auditors.

7.4.2.3 Implications Regarding Board of Directors

Regarding board of directors mechanisms; the finding of this study could recognize the role that can be played by board of directors as an important mechanism of corporate governance. Policy makers and regulators especially stock market authorities in India, KSA, Oman and the UAE should give more role to the independent board members. Policy makers and regulators should not assume that board of directors as a monitoring body protect the interests of stakeholders. Further, they should consider the opportunistic behavior of the board and management as a result of application of agency theory. Thus, the policy makers should look to other mechanisms that can be used to protect the interests of shareholders. Accordingly, independent board members in the board should be given more consideration by policy makers and regulators in order to improve the protection of stakeholders’ interests. The present study finds a positive association between the number of independent board members and compliance with IFRS. However, there is a low percentage of independent board members in some companies especially in the case
of Indian companies. Therefore, policy makers and regulators could introduce some improvements to the existing codes of corporate governance in the respective countries for better compliance with IFRS and to avoid the artificial compliance with IFRS.

Furthermore, policy makers and regulators should look to board effectiveness through activating their monitoring role. In this line, the findings from this study provide evidence for regulators and policy makers that board diligence and meetings in some companies are week. It seems that meetings and diligence in some companies are artificial which make the monitoring role of the board of directors ineffective. Thus, policy makers and regulators especially stock markets could give more focus on board meetings and diligence. Some improvements should be made by regulators and policy makers to enhance the current codes and guidelines of corporate governance in the respected countries by extending the requirements to disclose more information about the proposals and issues discussed in the board meetings, especially when the matter is regarding financial reporting practices.

The study finds a positive association between boards expertise and IFRS compliance. Further, the results from this study indicates a positive relationship of board expertise and the quality of financial reporting quality. Suggesting that policy makers and regulators could introduce more rules and regulations to increase the board expertise. More importantly, the positive association between board expertise, IFRS compliance and financial reporting quality could inform policy makers and regulators about the importance played by financially literate members in the board. If board of directors’ personnel do not have the same level of IFRS understanding, thus, they are unable to perform monitoring activities. This might allow financial fraud to occur. However, policy makers and regulators should be cautious about the financially literate members in the board especially in companies where more executive financially literate members are more than independent financially literate members which may could lead to manipulation of accounts and opportunistic behavior. The findings of this study revealed a poor disclosure of board of directors’ qualifications in the annual reports of the Indian companies. In this regard, policy makers and regulators should make some amendments to the existing rules and guidelines of corporate governance codes of the respected countries to disclose more details about the qualifications of board members. Overall, policy makers and regulators should learn from the findings.
of the present study that relying only on the board mechanism to protect the interests of shareholders is not effective in monitoring management.

For the Indian standard setters, the results provide a signal that more effort is required to effectively and consistently enforce accounting and disclosure standards if the convergence with international accounting practices is to bring the expected benefits to investors and other users. ICAI should make more efforts towards conversion of the Ind. ASs with IFRS. Similarly, the Saudi standard setters ought not to utilize effort to fulfill the process of IFRS adoption. However, policy makers and regulators in the KSA should be precious about the religious and cultural factors that may affect the implementation of IFRS. They should develop a mechanism and road map for issues that are not included in IFRS such as ZAKAT. Consistently, KSA, Oman and the UAE policy makers and regulators should make influential effort towards the development of accounting profession especially in Oman and the UAE.

7.4.2.4 Implications Regarding Audit Committee

The findings from this study could be of potential interest to policy makers and regulators (capital market authorities and stock markets), especially when the matter is regarding audit committee issues as an important mechanism of internal corporate governance. The findings of the present study indicates that audit committee leads to better compliance and financial reporting quality. Accordingly, capital market authorities and stock markets in India, KSA, Oman and the UAE should pay more attention to the role of audit committee.

Given, the findings of this study regarding the size of audit committee members; the results indicate that there is an impact of audit committee size on compliance with accounting standards and financial reporting quality in India, KSA, Oman and the UAE. Regulators in these countries should keep the optimum size of audit committee members to increase its effectiveness. Further, the findings of audit committee show a positive significant impact of audit committee independence on financial reporting quality and compliance with accounting standards India, KSA, Oman and the UAE. This findings have potential implications to regulators and policy makers in India, KSA, Oman and the UAE for enhancing the role of audit committees by increasing the number of the independent audit committee members. The more independent audit committee members the higher financial reporting quality and better compliance with
accounting standards. Regulators and policy makers in India, KSA, Oman and the UAE should not rely on board of directors to protect the interests of shareholders, they must increase the effectiveness of audit committee that have a monitoring role on financial aspects in firms and will lead to high effectiveness.

Based on the findings of this study; the results suggest that the important thing is not only audit committee independence, but rather audit committee should have an optimum mix of financially literate members with the necessary skills to evaluate the risks faced by the firm to enable them to play their supervisory and monitoring role effectively. If the audit committee members do not have the same level of IFRS understanding, thus, they will be unable to perform supervisory activities effectively. This might allow financial fraud to occur. Regulators and policy makers in India, KSA, Oman and the UAE should focus on the disclosure of companies regarding the financial expertise of audit committees. They should even increase the portion of financially literate members in the audit committee to increase its effectiveness.

Finally, the findings of this study also provide evidence for regulators and policy makers that the functions of the audit committee need to be strengthened especially when the matter is concerned its diligence and meetings. The results show that the important thing is not only the frequent meetings of audit committee members, but rather audit committee should disclose the meetings proposals that have been discussed in the meetings. Regulators and policy makers in India, KSA, Oman and the UAE ought to make sure that firms have established an audit committee to meet the listing requirements. They should insure that firms comply with listing rules and firms need to substantially disclose further information about the meetings of the members of the committee. Therefore, audit committees in these countries still developing and the regulators and policy makers in India, KSA, Oman and the UAE need to strengthen and enhance the role of audit committees.

7.4.2.5 Implications Regarding Investors

The findings of this study give policy makers and regulators an indication that in firms under which foreign ownership is high, there is better compliance with accounting standards especially in situations where companies adopt IFRS. The lack of a relationship between concentrated ownership and in situations where family ownership is dominated implies that both concentrated ownership and family
ownership, unlike foreign ownership, do not work as a good mechanism to protect the shareholders’ interests. The findings indicate a positive role of foreign ownership in enhancing the level of compliance and financial reporting quality in India, KSA, Oman and the UAE. Thus, the findings of this study provide evidence for policy makers and regulators in India, KSA, Oman and the UAE to reduce the restrictions on maximum limits to foreign ownership to allow for foreign investors to monitor the management and improve the internal corporate governance, and, consequently, lead to an increase in the level of compliance and the quality of financial reporting.

There is a huge impact of foreign shareholders on financial reporting quality and compliance with the International or the International equivalent Financial Reporting Standards where they can impact directly on the demand for the International or the International equivalent Financial Reporting Standards or indirectly by influencing the governance mechanisms in the company. This is very important especially to mitigate the agency conflicts, the regulators should use appropriate corporate governance mechanism to control this conflict and strengthening the internal governance structure. Where ownership is highly concentrated, or in companies that have high percentage of family or government ownership; regulators and policy makers in India, KSA, Oman and the UAE should concentrate on the enforcement of legal protection of shareholders.

**7.4.2.6 Implications for Auditors and other Professionals**

In terms of audit quality by Big-Four as an substantial mechanism of internal governance mechanisms, this study provides a contribution to regulators and policy makers (stock market authorities, stock exchanges and professional accounting and auditing bodies) in India, KSA, Oman and the UAE in understanding the role of audit quality. The results of this study indicate that audit quality play a pivotal role in the adoption and convergence with IFRS both in the early IFRS adopters and recent ones. The results show that there is a significant role of audit quality by Big-Four in the adoption process of IFRS in the KSA but an impotent role in the convergence process in India. This is logically because in the KSA firms consult with experienced auditors in IFRS to help them in the adoption process regardless of the audit fees. This is because the legal enforcement of IFRS in the KSA which made the local auditors willing to adopt IFRS but not ready to embrace full adoption of IFRS. Differently from the KSA, the issue of convergence with IFRS in India is less complicated as
India has gone for convergence with IFRS rather than full adoption of IFRS which left less effect on local auditors. Therefore, regulators and policy maker should consider the auditors expertise to achieve a successful adoption and convergence with IFRS. In addition, the findings might also alert the regulatory bodies and policy makers to consider the importance of training as a complementary path worthy in the process of IFRS adoption and convergence with IFRS.

The impact of audit quality as an important mechanism of the external governance can complement rather than substitute the other mechanisms of corporate governance. The complementary role of audit quality arises where the ownership is concentrated and in situations of ineffective enforcement and the regulatory regime is incapable. Even though, audit quality may lead to high audit fees but the complementary role of audit quality from one side and an effective board of directors, diversified and unconcentrated ownership structure and an effective supervisory role of audit committee may decrease the audit fees. So, regulators and policymakers in India, KSA, Oman and the UAE must consider the complementary view of internal corporate governance mechanisms with audit quality.

7.4.2.7 Implications to Academia and Training

The results of this thesis could be essential for to the academic and research communities, basically with the lack of formal studies addressing the issues of the impact of corporate governance mechanisms on compliance with accounting standards and the quality of financial reporting. Therefore, the results of the current study will provide the academic and research communities with substantial information about CG mechanisms and IFRS adoption and convergence in India, KSA, Oman and the UAE. This study alerts academic institutions, professional bodies and universities to improve accounting curriculum. Universities and professional bodies should combine IFRS into course curriculum in such a way to help students and professionals to acquire significant competitive advantages in the career market.

The results of this study could be of potential interest to the academic and research communities about the importance of training and education in accounting standards and corporate governance. The results of this study also warn accounting and auditing bodies and academic institutions about their roles towards the development of accounting profession and accounting education especially when the matter is
regarding IFRS or IFRS converged accounting standards. The results from this study could enlighten universities and professional accounting and auditing bodies about their role, they should encourage students and experts to actively contribute their expertise to the journey towards IFRS compliance and financial reporting quality. The results also provide a signal to universities and professional accounting and auditing bodies that more effort is effectively and consistently required IFRS education. The coverage of IFRS content in university education’s accounting curriculum is inadequate to provide knowledge for the future generation of accountants.

The results imply an urgent need for a rigorous IFRS capacity-building program to be embarked across these countries in order to provide the needed resources for IFRS implementation. The program requires cooperation and efforts by all professional bodies, regulatory bodies, firms and training institutions. The accounting professional bodies, in conjunction with universities, should address both the needs of IFRS training for current practitioners and for future accountants.

IFRS in India requires substantive changes in the accounting education and training. Most business schools and accounting programs lack experienced and qualified trainers to teach IFRS. Except for auditors working for Big-Four accounting firms, many auditors working for the local and private accounting firms are not yet fully equipped to perform audit of IFRS compliant reports.

As an important implication for this study is it’s highlighting and concentrating on capacity-building programs, professional bodies in conjunction with Big-Four focus on translating and modifying the training programs available at the IFAC’s Education Committee to develop high quality IFRS training programs for the specific needs of these countries. Upon achieving sufficient international and national support, Big-Four and professional bodies in the respective countries should participate in delivering these training programs to the public accountants, financial and managerial personnel of all enterprises, including all size, industry, listed or non-listed companies. Moreover, this thesis contributes to academic knowledge in a distinctive aspect of corporate governance and accounting standards. In addition, this thesis introduces a uniqueness of India, KSA, Oman and the UAE and how each country deals with IFRS and the role of corporate governance in each country.
7.5 Limitations of the Study

This study is subject to certain limitations, the findings of this study should be evaluated in the context of this limitations. **First**, the study examined a wide range of variables. It has classified corporate governance mechanisms into four categories; board effectiveness, audit committee effectiveness, foreign ownership and audit quality which has been taken as independent variables. Further, two dependent variables; compliance with IFRS and financial reporting quality have been regressed in the regression models by the four categories of corporate governance mechanisms. Leaving some other important variables of corporate governance mechanisms such as institutional ownership, family and government ownership, audit fees and some others due to presence of multicollinearity between some omitted variables and the complexity of the regression models.

**Secondly**, as this study was conducted on some different developing countries; India, KSA, Oman and the UAE; the results should be interpreted in light of some factors that may put some limitations such as currency changes and the translation of the local currencies to the US dollar, legal codes of corporate governance, cultural variations and some other factor.

**Thirdly**, one of the limitations of this study is excluding financial companies as they have different nature, different financial reporting system and are more regulated than other sectors. Therefore, the findings of the present study cannot be generalized to banks, insurance companies and other financial institutions.

**Fourthly**, another possible limitation of this study is that the present study uses the annual reports of the selected firms from India, KSA, Oman and the UAE stock exchanges as a main source of data collection; so the data of this study is quantitative in nature rather than qualitative data. The sampled companies is drawn from big companies by capitalization as the enforcement of the new accounting standards is limited in its initial stage to the big capitalized companies. Further, this study covers only three years (2014-2015 and 2016-2017) which may not be generalizable for other periods, where IFRSs enforced in KSA in 2016 and the Ind. ASs were enforced in India in 2015. Furthermore, different financial years is also a limitation in this study where the financial year of some firms ended as on 31st Dec. but some other firms have their financial year ended as on 31st March of every year.
Finally, this study is also limited to the disclosure index which is constructed by one of the Big-Four. The disclosure index is a comprehensive index which may not be used by some auditors especially, local auditors.

Despite the above limitations, the current study provides comprehensive understanding of the impact of corporate governance mechanisms on IFRS adoption in India, KSA, Oman and the UAE. These limitations should not detract from the value of this research as a rigorous process is followed to achieve its objectives, the usefulness of this research is undeniable. The above limitations highlight scope for improvement in future.

7.6 Directions for Future Research

Based on the findings and the limitations of this study along with the research gap in previous research discussed in literature review of chapter three and the gaps around the theory and practice regarding the impact of corporate governance mechanisms on the adoption of IFRS; it is possible for future research to extend the current study in several ways:

1- Although a sample of 146 firms is considered to be relatively large and is adequate for many statistical analyses, future research may use a larger sample size with a greater number of firms, years, sectors, countries and cluster to improve the generalizability of the current study’s results. Such as multiple regression, a larger sample size would have been desirable for the results of the study to be more representative. As discussed earlier, using data from more than 146 firms was not possible due to unavailability of data. Hence, future studies should explore the feasibility of conducting similar research in countries that are located in the same region, Gulf Corporation Council (GCC), such as Bahrain, KSA, Kuwait, Qatar, Oman and the United Arab Emirates, in order to increase the size of the sample.

2- Second, using other sources of data, such as interim reports and/or different methods of data collection, such as primary data, in addition to annual reports, could improve the quality and quantity of information. Other sources of data were extremely difficult to obtain due to issues of accessibility, funding and time. Again, the uses of both quantitative and qualitative methods are appropriate and will lead to a better understanding of the relevance of IFRS in
emerging economies like India, KSA. The current study uses a quantitative approach without considering other qualitative factors. Future studies might examine this issue to get in-depth insight into the impact of governance mechanisms on IFRS adoption by employing a qualitative method such as interviews.

3- The thesis provides a foundation for further studies. Therefore, a replication of the research in other emerging transition economies is required to substantiate the findings and foster possible generalizability of the developed model and its measures.

4- This study focused only on the variables that are related to board of directors, audit committee, foreign ownership and audit quality. The model presented in this study could also be enhanced by incorporating other potential variables. For example, other variables of B.O.D, audit committee, ownership structure, audit quality and other mechanisms of corporate governance may include. Further, moderating or mediating variables of country specific and firm specific such as sector, World Wide Governance Indicators and export orientation may also include.

5- Future research could explore empirically the factor affecting IFRS adoption in these countries. Coercive, memetic and normative isomorphism could be investigated to get in-depth-insight of the factors affecting IFRS adoption in these countries.

6- Future research could also investigate IFRS education in these countries. Accounting profession and accounting education especially IFRS education in countries shifting to IFRS needs more focus from future research especially in emerging economies. This would provide better understanding to what extent professionalization affect the accounting practice in emerging economies where a lack of professional bodies, weak enforcement and very short history of the accounting profession are exist.

7- Despite the current study providing a comprehensive evidence on the impact of corporate governance mechanisms on IFRS adoption for non-financial companies from India, KSA, Oman and the UAE, future research may further explore this impact for financial sector.
8- Future studies could also investigate the issue of earning management and income smoothening in the context of IFRS in these countries.

9- A worthwhile area of research would be to consider a comparison of financial reporting quality under IFRS or converged IFRS standards with the local previous GAAP.

10- Another possible area of research for future studies is a comparison of the value relevance of accounting information under the old accounting standards and IFRS or converged IFRS standards.

7.7 Conclusion

The present study investigates the impact of corporate governance mechanisms on IFRS adoption in the context of India, KSA, Oman and the UAE. Corporate governance mechanisms included board of directors’ attributes (size, independence, diligence and expertise), audit committee characteristics (size, independence, diligence and expertise), foreign ownership and audit quality by Big-Four. The study examined the impact of corporate governance mechanisms on compliance with IFRS and financial reporting quality. Two stages of analysis were undertaken. First, the impact of corporate governance mechanisms on compliance with IFRS (model 1). Second, the impact of corporate governance mechanisms on financial reporting quality (model 2). Both stages of analysis have statistically functioned on a collective and country wise basis. The findings revealed the effect of corporate governance mechanisms on compliance with IFRS and financial reporting quality differ from country to another country based on corporate governance characteristics and practices of the companies in the respected country. Overall, the results reveal that board of directors’ attributes (lower board size, higher percentage of independent members, more frequent meetings and greater number of financially literate board members), audit committee characteristics (lower audit committee size, higher percentage of independent members in the audit committee, more frequent meetings and greater number of financially literate members in the audit committee), higher foreign ownership and a company audited by a Big-Four have a positive and significant impact on compliance with IFRS and financial reporting quality. The results highlighted the complementary role of corporate governance mechanisms in achieving better compliance with IFRS and financial reporting quality. Further, the
results show that no single theory of corporate governance and IFRS to highlight the practices of corporate governance and its relation with compliance with IFRS and financial reporting quality.