

The impact of IFRS adoption on value relevance of accounting information in Saudi Arabia

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Overview

- Value relevance (VR) of book value of equity (BVE) and earnings
 - Saudi Arabia
 - 2015-2016; 2016 adoption IFRS Standards; 2017-2018
- Research questions
 - Joint and relative VR of BVE and earnings
 - Did this change around adoption
 - Impact firm specific characteristics
- Findings - accounting information is value relevant overall but
 - No change in VR pre-post adoption
 - Positive change in VR of BVE
 - Higher VR for firms that are larger, more profitable, audited by Big 4 auditor.

Contributions

- The authors contribute to literature by examining VR in Saudi Arabia
- Agree single-country studies contribute to knowledge due to distinctive country features which impact on adoption (p.4)
 - Investors have limited access to financial information – accounting information is the main source of information for equity investors
 - Strength of enforcement
 - National Standards used UK GAAP, US GAAP and IFRS Standards
 - Finance sector firms using IFRS Standards (give the date)
 - Transition to IFRS Standards over five years (from 2012)

Suggestions re interpreting the results (1)

- Reasons why no change observed in VR
 - Transition was gradual – there is no hard pre/post
 - Prior standards are based on IFRS Standards (and standards with similarities to IFRS Standards)
 - Accountants and auditors have experience of principle-based standards and IFRS Standards (finance sector)
- Recognise that the study is not about quality of IFRS Standards *per se* but rather about effects of implementation in a specific setting

Suggestions re interpreting the results (2)

- More consideration of your claims by looking at the company data (financial data from databases)
- VR BVE: a fair value orientation in IFRS?
 - Examine where FV is used by companies; limits have been imposed
- VR Earnings: absent due to volatility
 - Examine whether there is change in volatility of earnings in the study period.

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