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Research paper

Empirically Exploring Investors' Perceptions Toward IFRS Adoption: Further Evidence from Saudi Arabia

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Abstract

This study investigates investors' perceptions toward IFRS adoption in Saudi Arabia and whether investors in the Saudi Stock Market (Tadawul) value IFRS-based corporate reports for their decision-making purposes. The study employs a web-based questionnaire. The results reveal that investors in the Saudi Stock Market rely on the annual report as an essential source of information. However, they are indecisive regarding the impact of IFRS on the readability of corporate reports. We found that investors are aware of the major features and benefits of IFRS. For instance, they agree on the international comparability of corporate reports to encourage foreign investments as they support fair value measurements for equity valuation. On the other hand, investors comprehend the potential consequences of IFRS adoption, especially in the national context. Investors do not expect uniformity of practice under IFRS. They realize that the inherent latitude in IFRS as principle-based standards undermines the cross-country comparability and gives rise to earnings management. Investors also recognize the threats to the reliability of fair value models. Investors have demonstrated an understanding of the general impact of IFRS adoption on corporate reporting.

Keywords: *IFRS; Saudi Arabia; Investors' Perceptions.*

1. Introduction

Accounting is the most splendid profession ever (Chambers, 1984). For ages, accountancy has given a remarkable advantage through greater cooperation between external and internal users of business firms (Chambers, 1984). Accounting is a product of the world (Gleeson-White, 2011; Hendriksen & Breda, 2001; Mattessich, 1989, 2012). Accounting has emerged as a response to meet business needs (Al-Adeem, 2017a, 2020a , 2020b, 2021, 2022a; Belkaoui, 1995; Boedker & Chua, 2013; Chambers, 1960, 1984; Chatfield, 1977; Cowan, 1968; DR Scott, 1926; Hopwood, 1987; Lehman, 2005; Littleton, 1966; Merino, 1993; Montgomery as cited in Nelson 1949; Vatter, 1963), without a general theory to guide its practice (Hopwood, 1987; McCredie, 1957). Accounting was initially designed to provide internal control by private owners (Al-Adeem, 2015, 2017a). The emergence of giant corporations, however, led to a separation between ownership and management (Berle and Means, 1932). This induced accounting challenge of how to report to the externals about the impact of internal and external events on the wealth of those externals (Al-Adeem, 2017a, 2021, 2022a, 2022b; Al-Hazzani & Al-Adeem, 2020; Merino, 1993; Previts & Merino, 1998). Despite the diligent efforts in developing a theory of accounting that tackles such a challenge not a single attempt has been successful in gaining general acceptance (Al-Adeem, 2017a, 2019a, 2019b, 2019c, 2021, 2022a, 2023c; Alharbi & Al-Adeem, 2022; Al-Hazzani & Al-Adeem, 2020; Alhomaid, 2009; Alshiban & Al-Adeem, 2022; Beaver, 2002; Belkaoui, 2004; Brearey, & Al-Adeem, 2019; Chatfield, 1977; Coetsee, 2010; Gaffikin, 1987; García, 2017; Ijiri, 1967; King, 2006; Lee, 2009; Statement on Accounting Theory and Theory Acceptance (SATTA), 1977). Such a lack of agreement on universally accepted accounting theory justified the founding of the preparation of corporate financial statements and reports on conceptual frameworks for financial accounting, which has become a constitution (Brearey & Al-Adeem, 2019; Gore, 1992; Kieso et al., 2004). Therefore, authoritative bodies have developed conceptual frameworks and business models to temporarily substitute accounting theory in guiding accounting practice (Alhomaid, 2009). Al-Amari (1989) observed a shift from theorization to standardization to guide accounting practices. Professional bodies are to find a conceptual framework. Probably, the first attempt to construct a conceptual framework for financial accounting was that of the Financial Accounting Standards Board (FASB), which developed a conceptual framework that the FASB described as

> "a body of interrelated objectives and fundamentals. The objectives identify the goals and purposes of financial reporting, and the fundamentals are the underlying concepts that help achieve those objectives. Those concepts guide selecting transactions, events, and circumstances to be accounted for, how they should be recognized and measured, and how they should be summarized and reported".

The International Accounting Standards Board (IASB) was founded in 2001 as a successor to the International Accounting Standards Committee (IASC), which had operated since 1973. IASB's mission is to "develop standards that bring transparency, accountability, and efficiency to financial markets around the world" (IASB, 2018, paragraph SP1.5).

Corporate reports are supposedly intended to present faithfully presented and relevant information about the reporting entity's financial position and performance to assist external users in making informed decisions. Corporate reporting has evolved to meet the increasing demand for corporate information. The pioneering work of Ball and Brown in 1968 has fueled the demand for capital market accounting research, primarily for equity valuation, assessing market efficiency, and informing legal regulation (Kothari, 2001). Subsequently, a massive stream of research was dedicated to investigating the relevance of accounting numbers and whether they can communicate information that investors can use as valuable inputs for equity valuation (Holthausen & Watts, 2001; Barth et al., 2001; Kothari, 2001).

Some still view accounting as an 'information system' for decision-making purposes (Davidson & Trueblood, 1961), especially since accounting has endured its originality and usefulness through its adaptability to the increasing business demands (Peragallo, 1938; Al-Adeem, 2017a). However, the prevalent view of decision-making usefulness that has evolved to present accounting as a valuable information provider remains controversial. Financial statement users are in an imaginary construct but not in point of fact (Young, 2006). Board Members of FASB decide on the decision-usefulness and financial reporting objectives (Nurnberg, 2015). FASB's tactic in making reality has been attacked (Lee, 2006a, 2006b; Macintosh, 2006; Mattessich, 2009; Williams, 2006). Decision-usefulness has been criticized (Nurnberg, 2015; Horngren, 1981; Young, 2006), reconsidered (Williams & Ravenscroft, 2015), and it has been decided that it does not result in proper theory formation (Coetsee, 2010).

In Saudi Arabia, the full adoption of international financial reporting standards (IFRS) became effective in 2017. Publicly traded companies in the Saudi Stock Market (Tadawul) have been obliged to account and report their financial results following IFRS since then. IFRS adopts a decision usefulness approach where financial statements are to serve users and meet their needs. Converging to IFRS is a significant milestone that should enhance corporate reporting comparability and transparency in Saudi Arabia. Especially since the Saudi economy has been undergoing distinctive developments and sweeping reforms towards economic diversification by reducing reliance on oil and attracting foreign investments. This study aims to investigate users' perceptions, specifically those of investors, regarding IFRS adoption in Saudi Arabia, and whether these investors value IFRS-based corporate reports for their decision-making processes. Such exploration provides insights that contribute to the success of converging to IFRS in order to bring corporate reporting in Saudi Arabia in line with that of developed countries and supplement the undertaken reforms towards economic prosperity.

The remainder of the paper is organized as follows. Section 2 reviews relevant literature on a brief history of accounting standardization, the rationale behind accounting national differences, the key benefits and challenges of IFRS adoption, and investors' perceptions toward IFRS adoption. Section 3 describes the research method. Research findings and discussion are presented in Section 4. Section 5 concludes the paper.

2. Literature Review

2.1. Standardizing financial accounting: a brief history

Throughout history, countries, societies, and civilizations have contributed to the development of accounting. The scandalous failures of prominent corporations in the US, such as Enron and WorldCom, both of which were audited by Arthur Anderson, have motivated the FASB in the US to move towards more principle-based standards (e.g., IFRS) as opposed to extensively detailed or rule-based standards (e.g., US GAAP) to inhibit aggressive or opportunistic corporate practices (Agoglia et al., 2011). However, although FASB announced a joint convergence project with IASB in 2002, discrepancies between US GAAP and IFRS remain. In Saudi Arabia, neither the company law, enacted in 1965, nor the law of certified accountants, introduced in 1974, provided explicit guidance on the scope and objectives of financial reporting, as they were designed to serve legal rather than professional purposes (Al-Amari, 1989). Despite the economic evolution in Saudi Arabia throughout the 1970s as a key exporter of oil and the increasing demand for accounting information, the lack of definitive accounting regulation and authoritative support was a significant deficiency. However, since the 1980s, Saudi Arabia has taken gradual steps to improve the accounting profession through utilizing heterogeneous locally generated rules and/or importing international standards that used to be applied voluntarily (Al-Amari, 1989).

The Saudi Accounting Association (SAA) was established in 1980 by some members from King Saud University, and many conferences were held devoted to developing accounting and auditing standards for external reporting (Al-Rehaily, 1992). The Saudi Organization of Certified Public Accountants (SOCPA) was established in 1992 as an independent, authoritative standards-setting body under the supervision of the Ministry of Commerce. The literature evidenced "a considerable Americanization of financial reporting" in Saudi Arabia and other developing Arab countries (Kantor et al., 1995, p.37). Therefore, the so-called Saudi GAAP was substantially influenced by US GAAP. However, the worldwide integration of capital markets driven by the decreased communication and information processing costs has made harmonization of financial reporting standards inevitable (Ball, 2006), typically to encourage a worldwide comparability of corporate reports (Jeanjean and Stolowy, 2008). In February 2012, SOCPA was pressured to announce a transition plan to IFRS by 2017 as recommended by the Capital market authority (CMA), mainly to facilitate foreign direct investment (FDI) (Almansour, 2019).

2.2. IFRS and national differences

Despite the intensified efforts towards international harmonization of financial reporting since the 1970s and the widespread adoption of IFRS, national differences in accounting practices are narrowed but not removed (Nobes, 2006). Countries implementing IFRS have supplemented their individual experiences with the standards, thereby undermining the purpose of world-standards (Kotlyar, 2008). National accounting differences can be justified by differences in many factors, such as culture and, more directly, taxation, money providers, the accounting profession (Nobes and Parker, 2016), and economic and political factors (Ball, 2006).

Culture is a "collective programming of the mind that distinguishes the members of one category of people from those of another" (Hofstede & Bond, 1988, p. 6). Cultural traits are transferred and difficult to modify (Kahan as cited in Hofstede and Bond, 1988). According to Hofstede's classification, Arab countries are characterized by low individualism, significant power distance, high uncertainty avoidance, and masculinity. In terms of corporate reporting, Gray (1988) suggests that cultures with low individualism, considerable power distance, and high uncertainty avoidance would provide less emphasis on professional judgment, prefer uniformity over flexibility, and emphasize secrecy and conservatism.

Corporate systems significantly influence local accounting practices. For instance, credit or insider countries that rely on debt for financing (e.g., Germany and France) would emphasize more conservative practices as tax or governmental considerations dictate accounting practices (Nobes, 1998; Nobes and Parker, 2016). In contrast, equity/outsider countries (e.g., the US and UK) are more pressured to provide detailed corporate reports as they emphasize a more flexible and judgmental approach and keep separate tax rules (Nobes, 1998; Nobes and Parker, 2016). The main explanatory factor of national differences in corporate reporting seems to be the strength of the outsider/equity market (Nobes, 2006; Nobes, 2011). Furthermore, unlike code-law countries, common-law countries tend to be more market-oriented and therefore emphasize extensive and timely corporate reporting and disclosures (Ball, 2006)

However, despite the alleged adoption of IFRS, researchers are skeptical about the feasibility and suitability of uniform international accounting standards, especially for developing countries operating in divergent backgrounds (Al-Amari, 1989; Kantor et al., 1995; Al-Rehaily, 1992; Ball, 2006; Al-Adeem, 2020b). "An effective educational system of one country might poorly serve the educational needs of another country if the nations have drastically different economic systems or social and cultural settings" (Agami and Alkafaji, 1987 as quoted in Kantor et al., 1995, p. 145). Al-Rehaily (1992) argues that Saudi Arabia needs to develop a relevant accounting system rather than importing standards from Anglo-Saxon countries that can be incompatible with its distinctive environmental needs to "furnish information" for probably uninterested shareholders in the stock market (p. 370). Standard-setters need to consider distinctive stakeholders' needs that vary from one country to another (Fox et al., 2013). Indeed, simply imposing higher quality standards can never offset the existing deficiencies in the financial reporting system, signifying the importance of other determinants such as legal enforcement, institutional infrastructure, and corporate incentives, to effectively improve corporate reporting quality (Ahmed, Chalmers, & Khlif, 2013; Barth et al., 2008; Soderstrom & Sun, 2007; Jeanjean and Stolowy, 2008). For example, Almotairy and Stainbank (2014) argue that it is difficult to identify the source of monitoring and enforcement responsibility within the institutional framework of corporate reporting in Saudi Arabia. Abdelqader et al. (2021) found that Saudi Arabia and other Gulf countries have not fully complied with IFRS disclosure requirements, indicating the role of cultural (secrecy) and institutional factors (effective corporate governance) in shaping the actual corporate reporting practices.

2.3. Perceived benefits and challenges of IFRS adoption

IFRS are arguably high-quality, principle-based, and investor-oriented standards (Nurunnabi, 2017) that provide greater scope for professional judgment, greater emphasis on fair value measurement, and encourage additional disclosure requirements. Both firms and investors significantly value the accounting regime that provides the greatest flexibility on relevant accounting items, such as research and development expenditures, increasing the support for IFRS to become a world standard (Van der Meulen et al., 2007). Despite the inconsistency of documented results on the impact of accounting standards' harmonization and IFRS adoption, countries have increasingly adopted IFRS to optimize corporate reporting comparability and relevance, reduce information asymmetry, enhance market efficiency (Ahmed, Chalmers, & Khlif, 2013; Ball, 2006; Horton et al., 2008) and facilitate cross-border investments (Lee and Fargher, 2010; Gordon et al., 2012). Internationally comparable corporate reports are specifically beneficial for investors as they reduce information processing costs to enhance market efficiency (Ball, 2006) and, therefore, to adjust mispricing. However, IFRS adoption can be insufficient to achieve a genuine worldwide comparability of corporate reports that requires collective efforts of legislators, professionals, and academics (Zeff, 2007; Yip and Young, 2012). Al-Adeem (2020b) argues that the employment of greater interpretation and professional judgment required under IFRS as concept-based standards undermines the cross-country comparability. Pre-IFRS practices persist due to the role of deeply rooted cultural and institutional factors that exert substantial influence on actual reporting practices. Thus, it has been a primary concern that even sophisticated investors might be unaware of the substantially uneven implementation and enforcement of IFRS, believing in simply uniformity of practice, which can be misleading (Ball, 2006). Companies adopting IFRS across 120 countries exhibited increased accounting quality as represented through less earnings management, enhanced timeliness, and relevance (Barth et al., 2008). On the other hand, the inherent latitude in IFRS is a double-edged sword (Maines et al., 2003) as IFRS allows for greater managerial discretion, providing greater opportunity to manage earnings and, therefore, decreasing the accounting quality (Barth et al., 2008), especially for countries with weaker local enforcement (Ball, 2006; Ahmed, Neel, & Wang, 2013). For instance, IFRS adoption has led to increased earnings management in China (Li et al., 2013) and France (Jeanjean and Stolowy, 2008). Consequently, accounting regulation and enforcement are of paramount importance for the effective implementation of IFRS (Nurunnabi, 2014).

In the context of Saudi Arabia, studies have revealed that accountants and auditors strongly support the conversion to IFRS, agreeing on the increased corporate reporting quality, transparency, and comparability, as well as cross-border investment opportunities (Almansour, 2019; Nurunnabi et al., 2020). Therefore, the benefits of adopting IFRS in Saudi Arabia are expected to outweigh the costs (Nurunnabi, 2018). On the other hand, preparers of financial statements acknowledged the difficulties of complying with the additional reporting requirements and the substantial costs of convergence, especially if the audit firm is one of the Big 4 (Nurunnabi et al., 2020). In addition to the lack of professional guidance and training, outdated education, cultural factors such as Shariah requirements, and language barriers (Almansour, 2019; Almotairy and Stainbank, 2014; Alzeban, 2016). Further, the adoption of IFRS hurts the readability of corporate reports of public Saudi companies, particularly for inexperienced investors, due to excessive disclosures and translation requirements (Ebaid, 2023).

One of the principal differences between IFRS and Saudi GAAP is that, contrary to Saudi GAAP, IFRS allows for the revaluation of plant, property, and equipment, intangible assets, investment property, and biological assets to fair value after the initial recognition. However, in terms of Saudi Arabia, in December 2019, the CMA allowed the use of the fair value model under IFRS to measure property and investment property, for the first time, starting from January 2022, and obliged listed companies to continue to use the cost model to measure plant, equipment, and intangible assets for five years starting from 1/1/2020. The incremental value relevance of fair values relative to historical costs has been demonstrated in the US and Europe (Barth, 1994; Khurana & Kim, 2003; Liao et al., 2021). Despite its broad criticisms, fair value accounting has not been blamed even during the financial crisis in 2008 (Barth and Landsman, 2010). Even though historical cost can be more readily verifiable than fair value, fair value measures for property, plant, and equipment are superior in terms of predictive value, feedback value, timeliness, neutrality, representational faithfulness, comparability, and consistency (Herrmann et al., 2006, as cited in Al-Adeem, 2020b). Nevertheless, despite its informativeness, fair value accounting can be problematic and unreliable in the absence of liquid market prices (Ball, 2006; Alsuhaibani, 2012) that allow self-interested managers to manipulate fair value estimates (Ball, 2006). Hence, the informativeness of historical costs remains superior to fair values in weak enforcement countries (Liao et al., 2021). According to a statement by a CEO of a large Saudi company, fair value revaluation models under IFRS are not reliably applicable for biological assets in Saudi Arabia due to the absence of an active market (Nurunnabi et al., 2020). "Implementation of the IFRS fair value accounting standards in many countries will encounter problems with illiquidity, wide spreads, and subjectivity in "mark to model" estimates of fair value" (Ball, 2006, p. 32).

2.4. Investors' perceptions toward IFRS adoption

Capital market research in accounting has focused on examining the usefulness of accounting information to market participants, particularly investors. The seminal papers of Beaver (1968) and Ball & Brown (1968) have demonstrated the relevance of accounting information. On the other hand, Ball (2013) refutes the widespread belief that the value of accounting is derived from its relation with stock price adjustments, known as the "informativeness fallacy", ignoring its other valuable contributions in contracting and confirmatory roles. While corporate reports may lack informational value due to measurement errors and the delivery of accounting information through more timely sources (Beaver, 1968), accounting information remains crucial to capital markets, particularly in light of stronger governance regulations, such as the Sarbanes-Oxley Act (Shao et al., 2021). Beaver et al. (2018) confirm the considerable increase in the informativeness of accounting information from 2001 onward. However, such studies have been conducted in relatively efficient markets and may not be generalizable to other markets. The market efficiency works theoretically; market efficiency should serve as a safeguard mechanism against distortions caused by information asymmetries (Jamaani & Roca, 2015). Although Al-Faryan and Dockery (2020) have documented an improvement in the informational efficiency in the Saudi Stock Market, which might be attributable to the evolution of corporate governance in Saudi Arabia since 2006, evidence does not support the efficient market hypothesis in the Saudi Stock Market (Al Ashikh, 2012; Jamaani and Roca, 2015; Lamouchi, 2020). Researchers in Saudi Arabia conjecture the weak form of market efficiency (Alabaas, ***2008***; Al-Adeem & Al-Sogair, 2019; Al-Salman, 2007; Alshiban & Al-Adeem, 2022; Alzahrani, 2010).

Listed corporations are mandated to publish their audited financial statements, and the CMA oversees publicly traded corporations. The Saudi Company Law was initially issued in 1965. It was reissued in 2015 and 2022. The Corporate Governance Regulations were first issued in 2006. The new Corporate Governance Regulations were issued in 2017. Information about the past performance of publicly traded corporations is freely accessible in the Saudi capital market.

Corporate reports may be a monopoly source of information for investors in poorly regulated markets, highlighting their importance to investors. Stakeholders in Saudi Arabia, including investors, place more importance on the annual report as opposed to other corporate information sources (Al-Razeen & Karbhari, 2004). However, the Saudi Stock Market is an emerging market with a relatively weak corporate governance and regulatory environment that aggravates information asymmetry (Alturki, 2014). Institutional elements other than IFRS adoption in Saudi Arabia, such as the heavy reliance of the Saudi economy on oil, lack of institutional investors, weak legal enforcement, corporate opacity, and investors' fallibility, can arguably impede the improvement of market efficiency and the practical implementation of IFRS in Saudi Arabia (Alnodel, 2015).

The value relevance of accounting information in Saudi Arabia has increased since the inception of SOCPA and CMA (Albarrak, 2011; Khanagha, 2011). The value relevance of accounting information to investors has been demonstrated by examining the statistical association between accounting numbers and the market value of equity (Beisland, 2009, as cited in El-Diftar & Elkalla, 2019). Joos and Leung (2013) reported a positive market reaction to the adoption of IFRS in the US. Reduced information processing costs and enhanced comparability have been the significant perceived benefits of converging to IFRS from the perspective of non-US investors (Joos & Leung, 2013). European investors expect IFRS adoption to increase accounting quality (Armstrong et al., 2010). However, the impact of IFRS adoption on the value relevance of accounting information has been ambivalent in the literature. For example, while IFRS adoption has led to more value-relevant accounting information to investors in Canada (Okafor et al., 2016), Germany (Jermakowicz et al., 2007), the UK (Horton & Serafeim, 2008), and Belgium (Jermakowicz, 2004), other studies found contradictory results (e.g., Babalyan, 2001; Niskanen et al, 2000; Callao et al., 2007; Lin and Chen, 2005).

El-Diftar and Elkalla (2019) argue that the adoption of IFRS in the Middle East and North Africa (MENA) region has an adverse impact on the value relevance of accounting information due to the region's weak legal enforcement and investor protection, resulting in higher implementation costs and lower stock returns. Hence, theoretically, IFRS adoption should be backed up by stronger implementation and enforcement mechanisms (Nurunnabi, 2014). Alomair et al. (2022) and Chehade and Prochazka (2024) demonstrated that the value relevance of IFRS-based accounting information for public non-financial Saudi companies has eventually improved. Alnodel (2018) highlighted the significance of institutional (e.g., regulation and monitoring systems) and environmental (e.g., demand for accounting information) factors in studying the value relevance of accounting in emerging markets. Consistent with Alsalman (2003), who asserted that institutional factors, and not adopted standards, are the main drivers of the value relevance of accounting and corporate reporting practices. Institutional and cultural differences can hamper the anticipated benefits and the practical implementation of IFRS. Therefore, the adoption of IFRS alone would not necessarily improve accounting informativeness for investors.

International accounting diversity has been perceived as a barrier to foreign investment (Choi & Levich, 1991). IFRS are investor-oriented standards that have been adopted internationally under the pressures of capital markets to facilitate cross-border investments and to enable international comparability of corporate reports. However, do investors in the Saudi Stock Market value IFRS features and comprehend the potential consequences of its adoption? Especially in light of national differences and market inefficiency, which would add to the complexity of implementing IFRS in Saudi Arabia. In other words, this study investigates the perceptions of investors in the Saudi Stock Market (Tadawul) in terms of whether they value IFRS-based accounting information for their decision-making purposes. Van der Meulen et al. (2007) suggest that it can be challenging for public investors to comprehend the attribute differences between US GAAP and IFRS. Therefore, they are not fully valued by them. Exploring investors' perceptions towards IFRS adoption can contribute to assessing the demand for IFRS-based corporate reports and justifying the resulting cost-benefit tradeoffs.

3. Research Method

Investors have increasingly gained vital influence in capital markets worldwide, with the number of investors in the Saudi Capital Market rising significantly to 6.6 million by the end of 2024. The Saudi Capital Market has experienced unprecedented growth in the value of foreign investments by 300% since 2018 (CMA, 2023).

Investors, in comparison to lenders, require more comprehensive and timely corporate reports that IFRS promises to encourage. Investors' appreciation of IFRS-based corporate reports for decision-making purposes can be indicated by investigating their awareness about the significant benefits, features, and consequences of IFRS adoption. To achieve the objective of the study, we developed a web-based questionnaire targeting investors in the Saudi Stock Market (Tadawul). In Saudi Arabia, survey-based studies have focused on the perceptions of financial statements' preparers towards IFRS adoption (e.g., Nurunnabi et al., 2020; Almansour, 2019; Ebaid, 2021). In contrast, this study sheds light on the perspective of investors that remains unexplored. The research instruments used in this study survey have two sections. The first section comprises 19 items that consider the benefits, features, and potential consequences of IFRS adoption in the context of Saudi Arabia, which are expected to influence investors' demand for corporate reports. The survey content was developed based on documented findings and proposed arguments from the reviewed literature. Appendix A presents all studies relied upon in the development of the study items. The 5-Point Likert scale was used, where (5) indicates strongly agree and (1) strongly disagree to measure the variation of perceptions among sampled investors.

The second section gathers demographic data on gender, age, nationality, qualification, field of study, years of trading experience, and industry. The questionnaire was created in both Arabic and English to maximize participation. Additionally, four accounting academics reviewed the instrument, focusing on translation accuracy and providing feedback to improve its effectiveness in capturing investors' perceptions of IFRS adoption. A pilot study was then conducted with three accounting researchers assessing the readability of the items. Afterwards, the questionnaire was distributed via social media platforms.

4. Research Findings and Discussion

4.1. Demographic data of the sample

102 investors in the Saudi Stock Market participated in the survey. Table 1 presents the demographic data of the sample. The majority (93%) preferred to take the questionnaire in Arabic. 65% of the participants were male. The participants ranged in age from less than 30 years to 60 years. Specifically, 23% are less than 30, 29% are between 30 to 35 years, 24% are between 35 to 40 years, 7% are between 40 to 45 years, 5% are between 45 to 50 years, 8% are between 50 to 55 years and the rest are between 55 to 60 years. 92% of the subjects were Saudi. Almost half of the sample hold a master's degree, 38% of the participants have a bachelor's degree, and only 7% have a Doctorate. More than half of the sample are specialized in accounting, 11% are majoring in finance, 15% in management administration, and 18% from other fields. 25% of surveyed investors have more than 10 years of trading experience, 21% have 5 to 10 years of experience, 37% have less than 5 years of experience, and 19% have no experience yet. The sampled individuals are well-educated and generally possess accounting knowledge.

In terms of the work sector, 36% work for life sciences and health care (e.g. public sector and education), 14% work for financial services (e.g. banking, insurance and real estate), 12% work for consumer and industrial products, 7% work for energy and resources and 6% work for Technology, Media and Telecommunications with the rest working for other sectors.

Table 1: Demographic Data

Category	Frequency	Percentage (%)
Gender		
Male	66	65%
Female	36	35%
Age		
Less than 30 years	23	23%
More than 30 years but less than 35 years	30	29%
More than 35 years but less than 40 years	24	24%
More than 40 years but less than 45 years	7	7%
More than 45 years but less than 50 years	5	5%
More than 50 years but less than 55 years	8	8%
More than 55 years but less than 60 years	5	5%
Nationality		
Saudi	94	92%
Non-Saudi	8	8%
Qualification		
Bachelor's degree	39	38%
Master's degree	52	51%
Doctorate degree	7	7%
Other (Diploma or high school)	4	4%
Field of study		
Accounting	58	57%
Finance	11	11%
Management administration	15	15%
Other	18	18%
Trading experience		
None	19	19%
Less than a year	12	12%
From 1-5 years	25	25%
From 5-10 years	21	21%
More than 10 years	25	25%
Industry		
Consumer & Industrial Products	12	12%
Energy & Resources	7	7%
Financial Services	14	14%
Life Sciences & Health Care	36	35%
Technology, Media & Telecommunications	6	6%

4.2. Responses to the survey items

Table 2 displays the descriptive statistics of respondents' answers to the survey. The mean score was calculated to explore investors' awareness about the primary features, benefits, and challenges pertaining to IFRS adoption in Saudi Arabia and, therefore, to assess their appreciation and demand for IFRS-based corporate reports to make decisions.

Table 2: Descriptive Statistics of Survey Answers

Statement	Strongly agree NO	%	Agree NO	%	Don't know NO	%	Disagree NO	%	Strongly disagree NO	%	Total responses NO	%	Max	Min	Mean	Standard Deviation
1- The annual report of the reporting entity is an important source of corporate data for decision-making purposes.	56	55%	42	41%	2	2%	-	-	2	2%	102	100%	5	1	4.47	0.72
2-IFRS provide greater scope for professional judgment.	40	39%	52	51%	6	6%	2	2%	2	2%	102	100%	5	1	4.24	0.81
3-IFRS provide greater emphasis on fair value measurements.	38	37%	56	55%	6	6%	-	-	2	2%	102	100%	5	1	4.25	0.73
4- Contrary to Saudi GAAP, IFRS allow for the revaluation of plant, property and equipment, intangible assets, investment property and biological assets to fair value after the initial recognition.	27	26%	43	42%	26	25%	5	5%	1	1%	102	100%	5	1	3.88	0.89
5-Fair value measurements under IFRS are more informative than historical costs for equity valuation.	28	27%	56	55%	12	12%	4	4%	2	2%	102	100%	5	1	4.02	0.85
6- IFRS encourage additional disclosure requirements to enhance corporate transparency.	41	40%	54	53%	3	3%	2	2%	2	2%	102	100%	5	1	4.27	0.78
7- IFRS are investor-oriented.	27	26%	60	59%	9	9%	5	5%	1	1%	102	100%	5	1	4.15	0.65
8- IFRS adoption by Saudi publicly traded corporations has enhanced the international comparability of corporate reports.	47	46%	43	42%	7	7%	3	3%	2	2%	102	100%	5	1	4.27	0.86
9- IFRS adoption by Saudi publicly traded corporations has facilitated cross-border investment.	46	45%	44	43%	11	11%	-	-	1	1%	102	100%	5	1	4.31	0.74
10- IFRS adoption has reduced information processing costs in capital markets.	35	34%	37	36%	27	26%	-	-	3	3%	102	100%	5	1	3.99	0.93
11- IFRS adoption has accelerated incorporating information into stock prices, enhancing market efficiency.	28	27%	50	49%	16	16%	7	7%	1	1%	102	100%	5	1	3.95	0.89
12- Enhanced market efficiency motivated by IFRS adoption adjusts mispricing of market securities.	24	24%	46	45%	21	21%	8	8%	3	3%	102	100%	5	1	3.78	0.99
13- IFRS adoption has enhanced the quality/usefulness of corporate reports.	34	33%	62	61%	4	4%	1	1%	1	1%	102	100%	5	1	4.25	0.66
14- The effective implementation of IFRS is contingent upon the effectiveness of enforcement and monitoring mechanisms.	40	39%	50	49%	9	9%	1	1%	2	2%	102	100%	5	1	4.23	0.80
15- IFRS-based corporate reports are difficult to read.	10	10%	28	27%	10	10%	40	39%	14	14%	102	100%	5	1	2.80	1.25
16- IFRS adoption does not lead to	16	16%	54	53%	16	16%	12	12%	4	4%	102	100%	5	1	3.65	1.01

uniformity of practice among IFRS-adopting countries due to distinctive cultural and institutional factors that substantially influence actual corporate reporting practices.															
17- The inherent flexibility in IFRS as principle-based standards that require interpretation and judgment, along with national differences of corporate reporting practices, hamper the expected cross-country comparability of corporate reports.	14	14%	47	46%	18	18%	16	16%	7	7%	102	100%	5	1	3.44	1.12
18- The inherent flexibility in IFRS as principle-based standards that require interpretation and judgment provides an opportunity for earnings management.	12	12%	53	52%	26	25%	5	5%	6	6%	102	100%	5	1	3.59	0.96
19-Fair value accounting is unreliable in case of the absence of liquid market prices because fair value estimates are subject to errors and manipulation.	16	16%	58	57%	17	17%	9	9%	2	2%	102	100%	5	1	3.75	0.89

Investors in the Saudi Stock Market strongly agree that the annual report is an important source of corporate data for decision-making purposes. However, investors are not sure whether IFRS adoption has made corporate reports more difficult to read (mean response is 2.80). This might be attributable to the fact that IFRS has not yet been fully absorbed in the Saudi corporate environment. Investors in the Saudi Stock Market agree that IFRS are investor-oriented, as they strongly agree that IFRS provide a greater scope for professional judgment, place a greater emphasis on fair value measurement, and encourage additional disclosure requirements to enhance corporate transparency. The international comparability of corporate reports can be the primary motivation for IFRS adoption. Consistent with the viewpoint of professionals in Saudi Arabia (Almansour, 2019; Nurunnabi et al., 2020), surveyed investors strongly agree that IFRS adoption has enhanced the international comparability of corporate reports, particularly to facilitate cross-border investment. Further, investors agree that internationally comparable corporate reports reduce information processing costs to enhance market efficiency and to address mispricing. Nevertheless, investors agree on the compromised cross-country comparability of corporate reports due to the inherent flexibility of IFRS and the impact of national differences. Investors also recognize that the adoption of IFRS does not lead to uniformity of practice among countries that adopt it, due to the influence of national factors. In line with professionals in Saudi corporations (Almansour, 2019; Nurunnabi et al., 2020), investors strongly agree that IFRS adoption enhances the quality/usefulness of corporate reports. On the other hand, IFRS are loose standards that require greater managerial discretion, making them more susceptible to local factors. We find that investors agree on the opportunity for earnings management under IFRS. Therefore, investors agree that the effective implementation of IFRS is contingent upon the effectiveness of enforcement and monitoring mechanisms. Although permission to use fair value models is currently limited to property and investment property in Saudi Arabia, investors agree on the incremental informativeness of fair value measurements under IFRS relative to historical costs for equity valuation, as they are aware of the asset accounts that can be subsequently revalued using fair value according to IFRS. On the other hand, investors agree that fair value accounting is unreliable in the case of the absence of liquid market prices because fair value estimates are subject to errors and manipulation. Contrary to our expectations, the results indicate that investors in the Saudi Stock Market are, in fact, aware of the significant features, benefits, and consequences related to IFRS adoption in Saudi Arabia. Investors' understanding of the general impact of IFRS implicitly suggests that they value IFRS-based corporate reports for decision-making purposes. Moreover, as the demographic data have shown, 25% of investors have more than 10 years of trading experience. Therefore, those investors are expected to incrementally value IFRS-based accounting information compared to its prior, namely Saudi GAAP.

5. Conclusion

This study investigates the perceptions of investors in the Saudi Stock Market (Tadawul) towards IFRS adoption in Saudi Arabia. We have examined investors' awareness about IFRS-related features, benefits, and challenges that should be of interest to them, to assess their appreciation and demand for IFRS-based corporate reports to make decisions.

The study results have shown that investors in the Saudi Stock Market continue to rely on the annual report as a primary source of information. However, they are indecisive regarding the impact of IFRS adoption on the readability of corporate reports. Surprisingly, survey responses demonstrated that investors are actually aware of the significant benefits and features of IFRS as they comprehend the potential consequences of its adoption in Saudi Arabia. Therefore, investors in the Saudi Stock Market have implicitly proven to value IFRS-based corporate reports for decision-making purposes. Investors perceive IFRS as investor-oriented standards because it encourages fair value measurements, professional judgment, and transparency. Consistent with professionals' perceptions, investors believe that IFRS adoption encourages cross-border comparability and, therefore, foreign investment opportunities. Investors find that IFRS adoption reduces information processing costs, thereby enhancing market efficiency to address mispricing. On the other hand, they recognize the limitations of cross-country comparability under IFRS, given that it is a principle-based standard that can be implemented differently. Moreover, investors realize that IFRS adoption is not expected to yield uniform corporate practices due to the substantial influence of institutional and cultural factors. Although investors perceive IFRS to promote the quality of corporate reports, they understand that IFRS, as inherently flexible standards, can give rise to opportunistic corporate behaviors. Therefore, they support the significance of enforcement and monitoring mechanisms as a condition for the effective implementation of IFRS. Investors find fair values under IFRS to be more informative than historical costs for equity valuation, and they acknowledge the restrictions on the reliability of fair value models.

Our study should provide insights for CMA and other policymakers on IFRS-related perceptions from the perspective of investors in the Saudi Stock Market, for whom IFRS were adopted in the first place. The study findings reasonably emphasize investors' demand for IFRS-based corporate reports and contribute to justifying the costs of converging to IFRS, supporting its adoption in Saudi Arabia to satisfy investors' demand. However, while professionals need to be aware of IFRS to ensure its proper implementation, investors also need to be educated about IFRS, particularly on a national level, to reinforce rational decision-making. The CMA and other policymakers are advised to place more emphasis on accounting regulation to strengthen enforcement, monitoring, and governance in the Saudi corporate environment as key drivers of accounting quality and to implement IFRS and realize its required benefits effectively.

The study is subject to some limitations that restrict its generalizability. In addition to the inherent limitations in the survey design and wording, the sample is limited to 102 investors. Further, although the sample is diversified by gender, age, industry, and experience, more than half of the sample are majoring in accounting. Therefore, they should be exposed to IFRS-based knowledge regardless of their trading experience or demand for IFRS-based accounting information. Hence, future studies should seek wider and more diversified samples to conclude more accurate results. Finally, further studies should incorporate other financial statements' users, such as lenders and analysts, to explore and view users' perceptions more comprehensively.

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Appendix A

Appendix A: Reviewed Literature Supports Developing Survey Items

Developed Items	Reviewed Literature
Item 1: The annual report of the reporting entity is an important source of corporate data for decision-making purposes.	The seminal work of Beaver (1968) and Ball and Brown (1968) demonstrated the relevance of accounting information for investors. Accounting information might be value relevant, but not decision relevant if it is superseded by other timely information sources (Holthausen and Watts, 2001). Although corporate failures and the evolution of information disseminating sources have posed a challenge to the informational value of corporate reports, Beaver et al. (2018) confirm the considerably increasing informativeness of accounting information from 2001 onward. The value relevance of accounting information in Saudi Arabia has increased since the inception of SOCPA and CMA (Albarrak, 2011; Khanagha, 2011). According to Al-Rrazeen & Karbhari (2004), Saudi stakeholders, including investors, place more importance on the annual report as opposed to other corporate information sources. Is this conclusion still valid?
Item 2: IFRS provide greater scope for professional judgment. Item 3: IFRS provide greater emphasis on fair value measurements.	IFRS are typically labeled as concept-based while U.S. GAAP are categorized as rule-based (Van der Meulen et al., 2007). Differences between IFRS and Saudi GAAP arise from the fact that IFRS are more investor-oriented and Saudi GAAP are driven by rules (Nurunnabi, 2017), since they were derived mainly form US GAAP. Both firms and investors significantly value the

Item 4: Contrary to Saudi GAAP, IFRS allow for the revaluation of plant, property and equipment, intangible assets, investment property and biological assets to fair value after the initial recognition. Item 5: Fair value measurements under IFRS are more informative than historical costs for equity valuation. Item 6: IFRS encourage additional disclosure requirements to enhance corporate transparency. Item 7: IFRS are investor-oriented.	accounting regime that provides the most excellent flexibility on relevant accounting items, such as research and development expenditures, thereby increasing support for IFRS to become a global standard (Van der Meulen et al., 2006). For example, IFRS offers the possibility to capitalize development costs, while Saudi GAAP generally do not. IFRS are investor-oriented standards as they provide greater scope for professional judgment, greater emphasis on fair value measurement, and encourage additional disclosure requirements. Are surveyed investors aware of IFRS features? There has been a significant shift in accounting toward the use of fair values, particularly for financial assets. Barth (1994) found that fair value accounting of banks' investment securities in the US is more value relevant than historical cost for equity valuation. Despite criticism of fair value accounting, particularly during the 2008 financial crisis, Barth and Landsman (2010) did not hold fair value accounting responsible. Although historical cost can be more readily verifiable than fair value, fair value measures for property, plant, and equipment are superior in terms of predictive value, feedback value, timeliness, neutrality, representational faithfulness, comparability, and consistency (Herrmann et al., 2006 as cited in Al-Adeem, 2020b). Are surveyed investors aware of the asset accounts that can be revalued to fair value under IFRS and do they support the informativeness of fair value against historical cost in terms of equity valuation?
Item 8: IFRS adoption by Saudi publicly traded corporations has enhanced the international comparability of corporate reports. Item 9: IFRS adoption by Saudi publicly traded corporations has facilitated cross-border investment.	Comparability can be the primary motivation for IFRS adoption. SOCPA was pressured to adopt IFRS mainly to facilitate foreign direct investment (FDI) (Almansour, 2019). This is expected to serve the country's vision towards economic diversification. Preparers of financial statements in Saudi Arabia have agreed on the increased corporate reporting comparability that should allow foreign investment opportunities (Almansour, 2019; Nurunnabi et al., 2020). Enhanced comparability has been one of the perceived benefits of converging to IFRS from the perspective of non-US investors (Joos & Leung, 2013). Do surveyed investors recognize such benefits?
Item 10: IFRS adoption has reduced information processing costs in capital markets. Item 11: IFRS adoption has accelerated incorporating information into stock prices enhancing the market efficiency. Item 12: Enhanced market efficiency motivated by IFRS adoption adjusts mispricing of market securities.	Ball (2006) discussed the benefits of IFRS adoption for investors. Internationally comparable corporate reports should reduce information processing costs for investors, accelerating the incorporation of information into stock prices, to enhance the market efficiency that would benefit investors (2006) since market inefficiency can exacerbate mispricing. How do investors perceive the impact of IFRS adoption on market efficiency?
Item 13: IFRS adoption has enhanced the quality/usefulness of corporate reports.	IFRS presumably contribute to enhancing the quality of financial information. High-quality financial statements provide helpful information for investors (Ball, 2006). Barth et al. (2008) concluded that companies adopting IFRS across 120 countries exhibited increased accounting quality as represented through less earnings management, enhanced timeliness, and relevance. Professionals in Saudi Arabia agree on the increased reporting quality under IFRS (Almansour, 2019; Nurunnabi et al., 2020). Enhanced reporting quality is particularly beneficial for small investors who are less capable of utilizing information from sources other than the annual report (Ball, 2006). European investors expect IFRS adoption to increase the accounting quality (Armstrong et al., 2010). How do investors perceive the impact of IFRS adoption on accounting quality?
Item 14: The effective implementation of IFRS is contingent upon the effectiveness of enforcement and monitoring mechanisms.	Imposing higher quality standards can never offset the existing deficiencies in the financial reporting system, signifying the importance of other determinants such as legal enforcement, institutional infrastructure and corporate incentives, to effectively improve corporate reporting quality (Ahmed, Chalmers, & Khlif, 2013; Barth et al., 2008; Soderstrom and Sun, 2007). Alnodel (2015) argues that institutional elements other than IFRS adoption in Saudi Arabia, such as the heavy reliance of Saudi economy on oil, lack of institutional investors, weak legal enforcement, corporate opacity and investors fallibility can significantly impede the improvement of market efficiency and the practical implementation of IFRS in Saudi Arabia. El-Diftar and Elkalla (2019) argued that the adoption of IFRS in Middle East and North Africa region (MENA) hurts the value relevance of accounting information due to the weak legal enforcement and investor protection in the MENA region, resulting in higher implementation costs and lower stock returns. Therefore, IFRS adoption should be supported by stronger implementation and enforcement mechanisms (Nurunnabi, 2014). Jeanjean and Stolowy (2008) argue that institutional factors that shape corporate incentives are the key drivers of corporate reporting quality, rather than the adopted standards. Especially that IASB and other standards-setters ("toothless watchdogs") encourage IFRS adoption but don't have enforcement power, and therefore, countries may adopt IFRS in name to signal quality (Ball, 2006, p. 34). Since ineffective implementation and enforcement of IFRS can exacerbate manipulative corporate practices (Armstrong et al., 2010). Are investors aware of the role of implementation and monitoring mechanisms that should determine the extent to which they can rely on IFRS-based corporate reports?
Item 15: IFRS-based corporate reports are difficult to read.	Ebaid (2023) found that IFRS adoption has made corporate reports of public Saudi companies more difficult to read, especially for inexperienced investors due to excessive disclosures and translation. How do investors perceive the impact of IFRS adoption on the readability of corporate reports?
Item 16: IFRS adoption does not lead to uniformity of practice among IFRS adopting countries due to distinctive cultural and institutional factors that substantially influence actual corporate reporting practices.	Nobes' work has propagated the persistence of pre-IFRS practices due to the impact of national factors (e.g. Nobes, 1998, 2006, 2011). It has been a major concern that even sophisticated investors might be unaware of the substantially uneven implementation and enforcement of IFRS, believing in simply uniformity of practice, which can be misleading (Ball, 2006). Are investors aware of these discrepancies?
Item 17: The inherent flexibility in IFRS as principle-based standards that require interpretation and judgment along with national differences of corporate reporting practices hamper the expected cross-country comparability of corporate reports.	Achieving a genuine worldwide comparability of corporate reports requires collective efforts of legislators, professionals, and academics (Zeff, 2007), especially in the light of national differences and the shift towards principle-oriented standards. Yip and Young (2012) found that IFRS adoption is insufficient to fully enhance the cross-country comparability in the EU. Al-Adeem (2020b) argues that the employment of greater interpretation and professional judgment required under IFRS as concept-based standards compromises the claimed comparability. Do investors comprehend the restrictions on the cross-country comparability?
Item 18: The inherent flexibility in IFRS as principle-based standards that require interpretation	IFRS are looser standards (principle-based) as they emphasize fair value measures and allow more options that require greater discretion, which makes them more susceptible to local factors

and judgment provides an opportunity for earnings management.	(institutional and cultural). Therefore, IFRS adoption may decrease accounting quality, even in countries with vigorous enforcement (Ahmed, Neel, & Wang, 2013). For instance, IFRS adoption led to increased earnings management in China (Li et al., 2013) and France (Jeanjean and Stolowy, 2008) emphasizing the importance of enforcement and monitoring tools, especially for emerging markets (Nurunnabi, 2014). Do investors recognize the opportunity for earnings management under IFRS?
Item 19: Fair value accounting is unreliable in case of the absence of liquid market prices because fair value estimates are subject to errors and manipulation.	"Implementation of the IFRS fair value accounting standards in many countries will encounter problems with illiquidity, wide spreads and subjectivity in "mark to model" estimates of fair value" (Ball, 2006, p. 32). Fair value estimates are subject to errors and manipulation (Ball, 2006; Alsuhaibani, 2012). Many IFRS adopting countries have inadequate asset pricing markets to revalue corporate assets directly and reliably (Zeff, 2007). Do investors realize the threats to the reliability of fair value models?