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ORIGINAL ARTICLE

IFRS and Saudi accounting standards: a critical investigation

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Abstract Despite a substantial move toward convergence between principles-based International Financial Reporting Standards (IFRS) globally, there has been little research examining the differences between national standards and IFRS. The purpose of this study is to investigate the differences between IFRS and Saudi accounting standards (Saudi GAAP) issued by the Saudi Organization for Certified Public Accountants (SOCPA). Saudi Arabia is a member of G20 and the largest oil exporter in the world. The study finds that there are major differences between Saudi GAAP and the 15 IFRS standards studied: IAS 1 Presentation of Financial Statements; IAS 7 Statement of Cash Flows; Zakat and IAS 12 Income Tax; IAS 16 Property Plant and Equipment; IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; IAS 17 Leases; IAS 19 Employee Benefits; IAS 21 The Effects of Changes in Foreign Exchange Rates; IAS 24 Related Party Disclosures; IAS 34 Interim Financial Reporting; IAS 36 Impairment of Assets; IAS 38 Intangible Assets; IAS 40 Investment Property; IAS 41 Agriculture; and IFRS 9 Financial instruments. To the best of our knowledge, this is the first study on differences between Saudi GAAP and IFRS, and the findings thus make a valuable contribution to accounting regulation literature. The findings are innovative and will be helpful to local standard setters (SOCPA), international standard setters (IASB), and preparers and investors. The findings suggest that urgent training is required for the effective implementation of IFRS in Saudi Arabia.

Keywords IFRS · Saudi GAAP · IASB · Accounting standards · Capital Market Authority · SOCPA

Introduction

International Financial Reporting Standards (IFRS) have been adopted by 143 jurisdictions throughout the world. The IFRS Foundation (2016, p. 4) states the following:

> 93% (133 of 143 jurisdictions) have made a public commitment to IFRS as the single set of global accounting standards; 83% (119/143 jurisdictions) already require the use of IFRS; US$46 trillion combined GDP of jurisdictions that require or permit domestic companies to use IFRS Standards, representing more than 60% of the worldwide GDP; $27 trillion non-EU. While the European Union remains the single biggest jurisdiction using IFRS Standards, the combined GDP of jurisdictions outside the EU using IFRS Standards (US$27 trillion) is now greater than that of the EU itself (US$19 trillion).

Various benefits of adopting IFRS are reported in prior literature including transparency, international comparability, market efficiency, and cross-national investment flow (Alon and Dwyer 2014; Li and Yang 2016; Zeghal and Mhedhbi 2006).

Prior studies have examined the factors that determine the impact of IFRS adoption (Murphy 2000; Nurunnabi 2014, 2015; Rahman et al. 1996; Salter et al. 1994). For instance, Chamisa (2000, p. 348) argues that "[t]he results of both the compliance level and the impact of the IASB

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standards on the reporting practices of listed Zimbabwe companies (a) appear to be significant; and (b) seem to buttress the conclusion that the IASB standards are relevant to Zimbabwe and similar capitalistic developing countries where the 'shareholder/fair view' is paramount". Examining the value relevance and information content of developing countries' accounting standards, Prather-Kinsey (2006) found that earnings and/or equity book value are value relevant in explaining stock prices in South Africa and Mexico. Zeghal and Mhedhbi (2006, p. 373) discuss several factors including economic growth, education level, the degree of external economic openness, cultural membership of a group of countries, and the existence of a capital market which may influence IFRS adoption. Their analysis showed that developing countries with the highest literacy rates, that have capital markets, and that have an Anglo-American culture were the most likely to adopt IFRS. Using a sample of 71 countries, Alon and Dwyer (2014) reported that countries with greater resource dependency, as evidenced by weak governance structures and weak economies, were the early adopters who were more likely to require the use of IFRS. They also argued that resource dependence also trumps nationalistic pressures to resist transnational conformity.

This study is focused upon Saudi Arabia because Saudi Arabia is the leading global oil exporter and is also a member of G20. Prior studies on Saudi Arabia have focused on relevancy or irrelevancy of IFRS issues, the impact of standards, voluntary disclosure, and accounting education issues (Alrazeen 2013; Alkhtani 2012; Almotairy and Stainbank 2014; Almotairy and Alsalman 2011; Alsuhaibani 2012; Khanagha 2011). Recently, the decline in oil prices has had a negative impact on stock market performances across the Middle East as illustrated in Fig. 1. Moves by the Saudi Arabian government to push through an expansionary fiscal policy at the end of 2014 have resulted in a marked improvement in stock market performance (Jadwa Investment 2015, p. 1). In fact, the initial public offering (IPO) of the National Commercial Bank (NCB) on Tadawul (the Saudi Stock Exchange) worth US$6 billion, the second biggest IPO of 2014 globally. The market's liquidity remains an obvious attraction to global investors. Total market capitalization was US$550 billion in 2014. One of the aims for 2015 is to attract long-term investors in the hope that this will steer companies along the path of aligning their practices with global standards. In a recent interview with CNBC, the Arabic economic and finance broadcaster, the former CEO of Tadawul, Mr. Adel Saleh Al-Ghamdi (August 1, 2013 to November 11, 2015) stated that the opening of the market was an effort to modernize business practices rather than to raise funds (CNBC 2015).

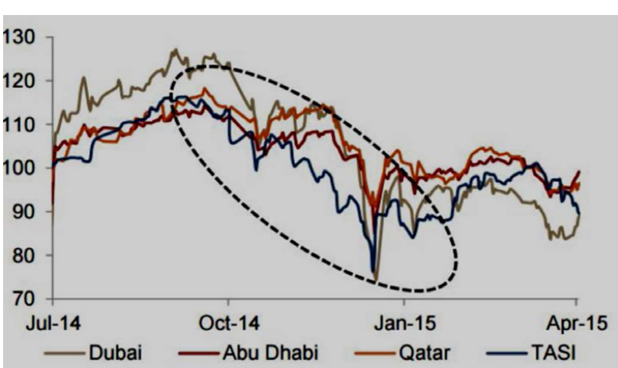

Fig. 1 Stock market performance in the Gulf Cooperation Council (GCC). *Note*: Rebased to 100 at July 2014; Tadawul All Share Index (TASI), Saudi Arabia. *Source*: Jadwa Investment (2015, p. 1)

Until now, there has been limited research on whether accounting standards at a country level in Saudi Arabia are in compliance with international standards. In particular, no prior studies that compare the local accounting standards practices used by companies in Saudi Arabia with IFRS have been identified. Thus, the research question addressed in this study is: To what extent does Saudi GAAP (the Saudi accounting standards) differ from IFRS?

This paper proceeds as follows. "IFRS convergence timeline in Saudi Arabia" section outlines the IFRS convergence timeline in Saudi Arabia. "IFRS approval by thematic categories" section explains IFRS approval by thematic categories with reference to the Saudi Organization for Certified Public Accountants (SOCPA) transition plan. The key differences between Saudi GAAP and IFRS are critically discussed in "Key differences between Saudi GAAP and IFRS" section. "Critical reflections" section provides critical reflections, and "Conclusions and contributions" section covers conclusions and contributions.

IFRS convergence timeline in Saudi Arabia

The SOCPA operates under the supervision of the Saudi Ministry of Commerce and Investment (formerly known as Ministry of Commerce and Industry), and its responsibilities include reviewing, developing and approving accounting and auditing standards. The SOCPA issued 22 accounting standards, 15 auditing standards and various accounting and auditing interpretations and professional opinions up until 2015 (SOCPA 2015). In reviewing, developing and approving accounting standards, the SOCPA follows international best practices as set out in US, UK and international standards. The steering committee of the SOCPA [which includes representatives of the Ministry of Finance, the Saudi Arabian Monetary Authority (SAMA) and Tadawul] submits recommendations with respect to convergence of Saudi standards with the international standards to the board for approval.

The SOCPA has required public listed companies in Saudi Arabia to apply all endorsed IFRS standards for the financial period beginning January 1, 2017. Figure 2 shows the convergence timeline for IFRS adoption in Saudi Arabia. Listed companies will be required to start preparing IFRS interim financial statements for Quarter 1 (Q1) 2016 in order to have comparative figures for 2017 interim financial statements. However, in 2016 companies will still issue SOCPA interim financial statements for Q1–Q3. Companies also need to prepare annual reports complying with IFRS from December 31, 2016, in order to have comparative figures for December 31, 2017. As illustrated in Fig. 2, dual reporting and reconciliation will be required between January 1, 2016, and December 31, 2016. Recently, the Capital Market Authority (CMA) made a resolution which obligates listed companies in Saudi Arabia to adopt the IFRS as endorsed by the SOCPA (see "Appendix") (CMA 2016).

Currently, SAMA (which is the Saudi Arabian central bank) requires banks and insurance companies in Saudi Arabia (both listed and unlisted) to report using IFRS standards. SOCPA standards currently apply to all other companies, listed and unlisted. The CMA issued a resolution that exempts listed and unlisted banks and insurance companies from preparing their interim and annual accounts in accordance with SOCPA standards, as mandated under the listing rules and allows them to use IFRS standards instead (IFRS Foundation 2017).

IFRS for Small- and Medium-Sized Entities (SMEs) will be the financial reporting framework for unlisted companies starting in 2018 (IFRS Foundation 2017).

The decision to move toward convergence with IFRS standards in Saudi Arabia was agreed by the SOCPA Board in February 2012. Its transition plan, *SOCPA Project for Transition to International Accounting and Auditing Standards*, aims to achieve convergence with IFRS by 2017. The SOCPA's stated goal for the project is to make a transition toward IFRS standards after assuring their suitability to the Saudi environment through SOCPA's independent standard-setting process (SOCPA 2015). The transition plan involves the SOCPA reviewing each individual IFRS standard (including interpretations). As a result of the review, the SOCPA's decisions to date are as follows:

- Additional disclosure requirements will be added to some standards, mainly to reflect Sharia or local law.
- Where IFRS permits optional treatments for a type of event or transaction, SOCPA may remove one of the options. However, for the IFRS Standards for which the review has been completed, SOCPA has decided not to remove any options.
- SOCPA may decide to amend any IFRS requirement that contradicts Sharia or local law, taking into consideration the level of technical and professional preparedness in the Kingdom. However, for the IFRS Standards for which the review has been completed, SOCPA has decided not to make any amendments (IFRS Foundation 2015b, p. 1).

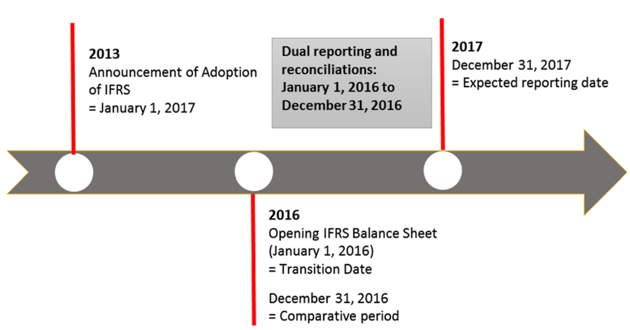

Fig. 2 IFRS adoption in Saudi Arabia: convergence timeline. *Source*: Author's own depiction

IFRS approval by thematic categories

The SOCPA transition plan categorized the standards into 14 groups. These cover 40 standards (27 IAS and 13 IFRS) and related interpretations (see Table 1). The first group of standards was released in 2014 following approval by the SOCPA accounting committee, Groups 2–4 were issued without approval, and Groups 5 and 8 are still under consultation.

It appears that the purpose of issuing these standards ahead of the convergence deadline is so that, in the absence of a SOCPA standard/opinion on a particular accounting matter, the relevant standard (IFRS) issued by the IASB can be considered, according to guidance in the current Saudi Accounting Framework (SAF). If the necessary guidance is not available under IFRS, the SAF advises that the professional opinion/application approved by the SOCPA should be considered. A new exposure draft is being issued by the SOCPA as part of its due process regarding this.

Key differences between Saudi GAAP and IFRS

In this section, I will explain the key difference between Saudi GAAP and IFRS:

Principal statements and order of statements

The names and the order of the financial statements differ between Saudi GAAP and IFRS (see Table 2). For instance, under Saudi GAAP, there is only one income

Table 1 SOCPA IFRS transition: thematic groups

Group	Standards	Year of review
Group 1	Presentation of financial statements	
	IAS 1 Presentation of Financial Statements	1
	IAS 7 Statement of Cash Flows	1
	IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1
	IAS 10 Events after the Reporting Period	1
	IAS 24 Related Party Disclosures	1
	IAS 33 Earnings Per Share	1
	IAS 34 Interim Financial Reporting	1
	IFRIC 10—Interim Financial Reporting and Impairment	1
	IFRS 8 Operating Segments	1
	IFRIC 17—Distributions of Non-cash Assets	1
Group 2	Employee benefits	
	IAS 19 Employee Benefits	2
	IAS 26 Accounting and Reporting by Retirement Benefit Plans	2
	IFRS 2 Share-based Payment	2
	IFRIC 14—IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	2
Group 3	Non-current assets—I	
	IAS 2 Inventories	2
	IAS 16 Property, Plant and Equipment	2
	IAS 23 Borrowing Costs	2
	IAS 38 Intangible Assets	2
	SIC 32—Intangible Assets—Web Site Costs	2
Group 4	Group accounts	
	IAS 27 Separate Financial Statements (revised)	2
	IAS 28 Investments in Associates (revised)	2
	IFRS 10 Consolidated Financial Statements	2
	IFRS 11 Joint Arrangements	2
	IFRS 12 Disclosure of Interests in Other Entities	2
	IFRS 3 Business Combinations	2
Group 5	Non-current assets—II	
	IAS 40 Investment Property	3
	IAS 36 Impairment of Assets	3
	IAS 41 Agriculture	3
	IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	3
	IFRS 13 Fair Value Measurement	3
Group 6	Revenue recognition	
	IAS 11 Construction Contracts	3
	IAS 18 Revenue	3
	IAS 20 Accounting for Government Grants and Disclosure of Government Assistance	3
	IFRIC 13—Customer Loyalty Programs	3
	IFRIC 15—Agreements for the Construction of Real Estate	3
	IFRIC 18—Transfers of Assets from Customers	3
	SIC 10—Government Assistance—No Specific Relation to Operating Activities	3
	SIC 31—Revenue—Barter Transactions Involving Advertising Services	3

Table 1 continued

Group	Standards	Year of review
Group 7	Leasing	
	IAS 17 Leases	4
	IFRIC 4—Determining whether an Arrangement Contains a Lease	4
	IFRIC 12—Service Concession Arrangements	4
	SIC 15—Operating Leases—Incentives	4
	SIC 27—Evaluating the Substance of Transactions Involving the Legal Form of a Lease	4
	SIC 29—Disclosure—Service Concession Arrangements	4
Group 8	Financial instruments	
	IAS 32 Financial Instruments: Presentation	4
	IFRS 7 Financial Instruments: Disclosures	4
	IFRS 9 Financial Instruments	4
	IFRIC 2—Members' Shares in Co-operative Entities and Similar Instruments	4
	IFRIC 19—Extinguishing Financial Liabilities with Equity Instruments	4
	IFRIC 16—Hedges of a Net Investment in a Foreign Operation	4
Group 9	Foreign currency	
	IAS 21 The Effects of Changes in Foreign Exchange Rates	5
	IAS 29 Financial Reporting in Hyperinflationary Economies	5
	IFRIC 7—Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	5
Group 10	Income taxes	
	IAS 12 Income Taxes	5
	SIC 25—Income Taxes—Changes in the Tax Status of an Entity or its Shareholders	5
Group 11	Provisions	
	IAS 37 Provisions, Contingent Liabilities and Contingent Assets	5
	IFRIC 1—Changes in Existing Decommissioning, Restoration and Similar Liabilities	5
	IFRIC 5—Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	5
	IFRIC 6—Liabilities Arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment	5
Group 12	Insurance	
	IFRS 4 Insurance Contracts	5
Group 13	Mineral assets	
	IFRS 6 Exploration for and Evaluation of Mineral Assets	5
Group 14	First-time adoption	
	IFRS 1 First-time Adoption of IFRS	5

Table 2 Order of principal statements

Saudi accounting standards (Saudi GAAP)	IFRS [IAS 1.10]
Balance sheet	Statement of financial position (balance sheet)
Statement of income	Statement of profit or loss and other comprehensive income for the period (presented as a single statement, or by presenting the profit or loss section in a separate statement of profit or loss, immediately followed by a statement presenting comprehensive income beginning with profit or loss)
Statement of cash flows	Statement of changes in equity
Statement of changes in shareholders' equity	Statement of cash flows
Notes to the financial statements	Notes to the financial statements

statement and therefore no reporting of "other comprehensive income." Under IFRS, the statement of profit or loss and other comprehensive income for the period can be presented as a single statement, or by presenting the profit or loss section in a separate statement, immediately followed by a statement presenting comprehensive income beginning with profit or loss (as per paragraph 10 of IAS 1). Under Saudi GAAP, the statement presenting the financial position of the company continues to be called the "balance sheet," rather than the "statement of financial position" as it is under IFRS. Under Saudi GAAP, the statement of changes of equity is known as the "statement of changes in shareholders' equity" and is presented after the statement of cash flows rather than before, as it is under IFRS.

Fair presentation

The IASB's conceptual framework as well as IAS 1 Presentation of Financial Statements require that the application of IFRS will lead to fair presentation. Paragraph 15 of IAS 1 states:

> Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRS, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

In addition, according to the Association of Chartered Certified Accountants (ACCA) (2014, p. 1):

> The true and fair override, as noted by the [Financial Reporting Council (FRC) 2014], is enshrined in both FRS 102 and IFRS (specifically IAS 1 Presentation of Financial Statements) which both require departure from the requirements of a specific standard when compliance would conflict with the objective of financial statements…The FRC therefore concludes that the true and fair override is fully applicable under IFRS and points out that there have been examples of its application under IFRS both inside and outside the UK.

Although there is no such presumption underlying Saudi GAAP, in practice, there is usually confirmation from auditors in the annual report that the statements "present fairly," in all material respects, the consolidated financial position of the group of companies concerned at a particular date (year-end). For example, the 2013 annual report and accounts of the Saudi British Bank refer to "fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control" (The Saudi British Bank 2013, p. 48). A similar example can be found in the annual report of the Saudi Electricity Company (2014).

IAS 1 Presentation of Financial Statements

Classification of liabilities

Under Saudi GAAP, liabilities for which contractual arrangements have been made for their settlement other than by using current assets should be removed from current liabilities before issuing the financial statements. Examples of these liabilities are short-term loans which will be paid using the proceeds from long-term loans, and commercial debts agreed to be settled by issuing capital stocks. Deferred taxes are presented as current or non-current based on the nature of the related asset or liability.

Under IFRS, when a long-term debt is expected to be refinanced under an existing loan facility, and the entity has the discretion to do so, the debt is classified as non-current, even if the liability would otherwise be due within 12 months as stated in paragraph 73 of IAS 1 Presentation of Financial Statements. Another difference is that deferred taxes are presented as non-current under IFRS as stated in paragraph 54 of IAS 1.

Classification of expenses in the income statement

Under Saudi GAAP, expenses recognized in profit or loss should be analyzed based on function only (such as cost of sales or administrative expenses). Under IFRS, expenses recognized in profit or loss can be analyzed either by their nature (e.g., raw materials, staffing costs, depreciation) or by function (cost of sales, selling, administration) as stated in paragraph 99 of IAS 1. If an entity categorizes by function, then additional information on the nature of expenses—at a minimum depreciation, amortization and employee benefits expense—must be disclosed according to paragraph 104.

Saudi GAAP requires disclosure for extraordinary items. IAS 1 (paragraph 87) prohibits any items to be disclosed as extraordinary items.

Under Saudi GAAP, there is a separate standard on administrative and marketing expenses (presentation is based on "function") which requires such expenses to be disclosed separately. IFRS does not have such a standard and does not require administrative and marketing expenses to be disclosed.

IAS 2 Inventories

In terms of the measurement of inventory, Saudi GAAP recommends the weighted average method as a preferable method for similar items. However, the "first in first out" (FIFO) or "last in first out" (LIFO) methods may be used provided the reasons for this are disclosed and the difference between the result of the method used and the weighted average are disclosed. A consistent cost formula for all inventories of a similar nature is not explicitly required.

IFRS does not allow the LIFO method, although an entity can choose the FIFO or weighted average cost method for valuing inventories. The same cost formula should be used for all inventories with similar characteristics with regard to their nature and use by entity. For groups of inventories that have different characteristics, different cost formulas may be justified, according to paragraph 25 of IAS 2.

IAS 7 Statement of Cash Flows

Saudi GAAP allows both direct and indirect methods in the presentation of the statement of cash flows. IFRS encourages the direct method of presentation for operating cash flows while also accepting the indirect method according to paragraph 18 or IAS 7.

Zakat and IAS 12 Income Tax

"Zakat" (which can be seen as a form of income tax or charitable contribution) is collected from individuals and companies holding Saudi citizenship at a rate of 2.5%, in accordance with Islamic law and royal decree. The ministerial resolution which followed the royal decree includes instructions for organizing, auditing, and collecting Zakat from all Saudis obligated to pay it, and later on, from all citizens of member states of the Gulf Cooperation Council. It is administered by the Department of Zakat and Income Tax, which falls within the Ministry of Finance.

Under Saudi GAAP, Zakat is charged to the income statement if the company is wholly owned by Saudi (local) shareholders. Income tax is charged to the income statement if the company is wholly owned by non-local shareholders. Deferred tax requirements are similar to IFRS, although the detailed guidance differs considerably.

Under IFRS, there is no separate standard available to deal with Zakat. The tax consequences of transactions and other events are recognized in the same way as the items giving rise to those tax consequences. Paragraph 58 of IAS 12 indicates that current and deferred tax should be recognized as income or expense and included in profit or loss for the period the tax arises from except where the following apply:

- "A transaction or event which is recognized, in the same or different period, outside of profit or loss either in other comprehensive income or directly in equity"—in which case the related tax amount is also recognized outside of profit or loss (paragraph 61A).
- "A business combination (other than the acquisition by an investment entity, as defined in IFRS 10 Consolidated Financial Statements, of a subsidiary)"—in which case the tax amounts are recognized as identifiable assets or liabilities at the acquisition date, and accordingly effectively taken into account in the determination of goodwill when applying IFRS 3 Business Combinations (paragraph 66).

IAS 16 Property, Plant and Equipment

Measurement subsequent to initial recognition

Under Saudi GAAP, the revaluation of fixed assets, intangible assets, investment property or biological assets is not allowed. Losses are only recognized when they become receivables. Unrealized gains are not recognized. Under IFRS, IAS 16 Property, Plant and Equipment, permits two accounting models:

> Cost model: The asset is carried at cost less accumulated depreciation and impairment as per paragraph 30.
> Revaluation model: The asset is carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment, provided that fair value can be measured reliably as per paragraph 31.

IFRS Foundation (2017, p. 2) state:

> On 16 October 2016, the Capital Market Authority (CMA) [Saudi Arabia] decided that the options to use the revaluation model for property, plant, and equipment and intangible assets in IAS 16 and IAS 38 and the option to use the fair value model for investment property in IAS 40 will not be available for the first three years post transition (2017 to 2019) for listed companies. Upon completion of the aforementioned period, the CMA will study whether to continue to require the cost model or whether to allow the application of the fair value/revaluation models.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors/IAS 16 Property, Plant and Equipment

Change in depreciation method Under Saudi GAAP, a change in depreciation method is considered as a change in accounting policy as opposed to a change in estimate as under IFRS. Under IFRS, depreciation should be reviewed at least annually and, if the pattern of consumption of benefits has changed, depreciation should be changed prospectively as a change in estimate according to paragraph 36 of IAS 8 and paragraph 61 of IAS 1.

IAS 17 Leases

According to Saudi GAAP, the four conditions which an entity has to meet to be classified as a finance lease are: (a) valuation—90% of the value of the assets; (b) duration—75% of the life of the assets; (c) bargain purchase option; and (d) transfer of ownership at the end of the lease term.

However, under IFRS, classification of a lease as either a finance lease or an operating lease depends on the substance of the transaction rather than the form. According to paragraph 10 of IAS 17, situations that would normally lead to a lease being classified as a finance lease include the following:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable [and] that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is for the major part of the economic life of the asset, even if title is not transferred at the inception of the lease, [and] the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- The lease assets are of a specialized nature such that only the lessee can use them without major modifications being made.

IAS 19 Employee Benefits

Recognition and disclosures for post-employment benefits

There is no Saudi GAAP on employee benefits, so the basic principles contained in IAS 19 are applicable. In practice, companies account for "end of service benefits" liabilities based on an employee's last drawn salary according to the requirements set out in Saudi Labour Law (Article 84 of Saudi Labour Law, Royal Decree No. M/51, dated 27/09/2005). Article 84 states: "Upon the end of the working relationship, the employer shall pay the worker an end of service award of a half month wage for each of the first 5 years and a month wage for each of the following years. The end of service award shall be calculated on the basis of the last wage and the worker shall be entitled to an end of service award for the portions of the year in proportion to the time spent on the job." Actuarial valuations are not required under Saudi GAAP.

IAS 19 provides detailed guidance on the treatment of post-employment benefit plans. The accounting treatment for a post-employment benefit plan depends on the economic substance of the plan and results in it being classified as either a "defined contribution plan" or a "defined benefit plan." According to paragraph 52 of IAS 19, "contributions to a defined contribution plan which are not expected to be wholly settled within 12 months after the end of the annual reporting period in which the employee renders the related service are discounted to their present value." With regards to the measurement of defined benefit plans, paragraph 66 states that "the measurement of a net defined benefit liability or assets requires the application of an *actuarial valuation method*, the attribution of benefits to periods of service, and the use of actuarial assumptions."

IAS 21 The Effects of Changes in Foreign Exchange Rates

Foreign currency transactions

Saudi GAAP requires foreign currency transactions to be recognized and reported in Saudi Riyals only. In other words, although Saudi GAAP defines the functional currency, the focus is on the reporting currency and it does not address cases where the reporting (i.e., presentation) currency is different from the functional currency.

Paragraphs 21–22 of IAS 21 state that "a foreign currency transaction should be recorded initially at the rate of exchange at the date of the transaction (the use of averages is permitted if they are a reasonable approximation of the actual)." The entity is required to report the effects of such translation and therefore reporting the foreign currency transaction in the functional currency in accordance with paragraphs 20–37 of IAS 21.

IAS 24 Related Party Disclosures

Under Saudi GAAP, the accounting for related parties is more transaction oriented—e.g., disclosures to identify controlling parties are not needed as long as there are no transactions. External auditors are considered to be related parties. There is no mention of disclosure for management compensation.

According to paragraph 9 of IAS 24, "a related party is a person or entity that is related to the entity that is preparing

Table 3 Interim reports for a company with December 31, 2015, year-end and June 30, 2015, half yearly reporting under IFRS

Primary statement(s)	Current period	Comparative period
Balance sheet (statement of financial position)	June 30, 2015	December 31, 2014
Statement of comprehensive income (and where presented the income statement)	6 months ended June 30, 2015	June 30, 2014
Statement of changes in equity	6 months ended June 30, 2015	June 30, 2014
Statement of cash flows	6 months ended June 30, 2015	June 30, 2014

its financial statements" (referred to as the "reporting entity"). A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. As per paragraph 16, "regardless of whether there have been transactions between a parent and a subsidiary, an entity must disclose the name of its parent and, if different, the ultimate controlling party. External auditors are not related parties and detailed disclosures are required for management compensation (for instance, short-term employee benefits, post-employment benefits, other long-term benefits, termination benefits, and share-based payment benefits)."

IAS 34 Interim Financial Reporting

Minimum content of an interim financial report

Saudi GAAP requires the following minimum components for an interim financial report: balance sheet, income statement, cash flow statement and selected explanatory notes. A condensed statement of changes in equity is not required as a minimum component. Under Saudi GAAP, entities preparing consolidated financial statements are required to include a sentence to the effect that the statement shows results for the interim period but may not give an accurate indicator of the annual operating results. See, for example, the interim consolidated financial statements of Etihad Etisalat Co. for 2014 Quarter 1 (2014, p. 7, sec. 2.1—"Significant Accounting Policies"). IFRS does not require such a statement.

According to paragraph 8 of IAS 34, the minimum components specified for an interim financial report are:

- A condensed balance sheet (statement of financial position)—either:
  - A condensed statement of comprehensive income; or
  - A condensed statement of comprehensive income; and
- A condensed income statement;
- A condensed statement of changes in equity;
- A condensed statement of cash flows; and
- Selected explanatory notes.

Comparative period

According to Saudi GAAP, the comparative balance sheet reflects the balance as at the end of the corresponding period. For instance, the comparative balance sheet for the financial statements for the interim period ended June 30, 2015, will show the balance as at June 30, 2014.

According to paragraph 20 of IAS 34, an interim financial statement should include: a balance sheet (statement of financial position) as at the end of the current interim period and a comparative balance sheet as at the end of the immediately preceding financial year. An example of an interim report for a company that has a December 31, 2015, year-end and reports half yearly (June 30, 2015) is presented in Table 3.

IAS 36 Impairment of Assets and IAS 16 Property, Plant and Equipment

Impairment testing

Under Saudi GAAP, impairment testing is assessed by comparing the gross undiscounted cash flows from an asset with its carrying value. If gross cash flows are greater than the carrying value, there is no impairment; if gross cash flows are less than the carrying value, there is impairment which is recognized based on discounted cash flows. Saudi GAAP only allows disclosure of fair value information in the notes to the financial statements.

Under IFRS, at the end of each reporting period an entity is required to assess whether there is any indication that an asset may be impaired (i.e., its carrying amount may be higher than its recoverable amount). As per paragraph 12 of IAS 36, there are both external and internal sources which provide indications of impairment. IAS 16 requires impairment testing and, if necessary, recognition for property, plant and equipment. An item of property, plant or equipment should not be carried at more than recoverable amount (the higher of an asset's fair value less costs to sell and its value in use). Gross carrying amounts, accumulated depreciation and impairment losses are required be disclosed.

IAS 38 Intangible Assets

Under Saudi GAAP, incorporation costs should be capitalized whereas IFRS does not permit this. Further, Saudi GAAP requires that subsequent to acquisition, entities should measure intangible assets at historical cost less accumulated amortization.

IFRS requires intangible assets to be initially measured at cost as per paragraph 24 of IAS 38. For measurement subsequent to acquisition, both the cost model and the revaluation model are allowed for each class of intangible asset as per paragraph 72.

IAS 40 Investment Property

Measurement subsequent to initial recognition

Under Saudi GAAP, an entity's investment property is required to be valued at cost. The SOCPA allows disclosure of fair value information only in notes to the financial statements.

Under IFRS, IAS 40 permits entities to choose between a fair value model and a cost model as per paragraph 30. One method must be adopted for all of an entity's investment property.

IAS 41 Agriculture

Under IFRS, biological assets within the scope of IAS 41 are measured on initial recognition and at subsequent reporting dates at fair value less estimated costs to sell, unless fair value cannot be reliably measured as per paragraph 12. Saudi GAAP does not allow this.

IFRS 9 Financial Instruments

Trade-based instruments

Instruments of Islamic finance are trade based and designed to finance the purchase and sale of tangible and intangible, as opposed to financial, assets. This was the conclusion drawn by the IASB's consultative group on Sharia-compliant instruments and transactions following meetings in September 2014 which found that "Islamic financial instruments do not include explicit interest (Riba)" (IFRS Foundation 2014, p. 9). Instead, a financier earns returns from trade-based transactions which broadly include:

- Markups on purchase and sale contracts with deferred payment (Murabaha, Tawarruq, Musawama, Salam, Bai' Bithman Ajil, Bai-Al-Einah, and Bai' Al-Dayn, Istisn'a);
- Profit shares in joint ventures and other "partnership-like contracts" (Musharaka, Mudaraba);
- Rent from lease contracts (Ijarah);
- Fees from agency contracts (Wakalah);
- Profit, profit shares, rent or fees from undivided pro-rata ownership contracts in various Sukuk (Sharia-compliant bonds) shared according to agreed profit sharing ratios;
- Non-contractual discretionary gifts on social welfare or benevolent contracts (Qard).

Substance over form: application of IFRS to Islamic finance

Although financial instruments are outside the scope of IFRS 15 Revenue from Contracts with Customers, further conclusions from the IASB's consultative group on Islamic finance indicate that "substance over form" plays a significant role in the application of IFRS to Islamic financial instruments which in turn implies that IFRS 15 should first be applied to these instruments (IFRS Foundation 2015a). According to the report *Issues in the Application of IFRS 9 to Islamic Finance*, "Murabaha and similar instruments are contractually a sale with a mark-up that compensates the lender for deferred payment" (IFRS Foundation 2015a, p. 4). The existence of a contract under Murabaha and similar instruments would seem to suggest that the entities should first apply IFRS 15, before applying IFRS 9.

Industry concern over application of IFRS 9 Financial Instruments

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the IASB held an outreach meeting in April 2015 with members of the international Islamic finance industry to increase levels of understanding on all sides on these issues. According to Zawya (2015), the participants represented "central banks and regulatory authorities, national accounting standards boards from a number of countries including Saudi Arabia, United Arab Emirates, Indonesia, Malaysia, and Turkey, in addition to financial experts from Islamic financial institutions, accounting and auditing firms, academics and other Islamic finance industry stakeholders from over 15 countries across the major Islamic finance markets." Concerns were raised by Islamic financial institutions regarding the implementation of IFRS 9 Financial Instruments should they be required to apply it.

Other differences between Saudi GAAP and IFRS 9 Financial Instruments:

(a) Initial recognition is at cost under Saudi GAAP
(b) Classification
(c) Fair value measurement methodologies
(d) Impairment assessment

(e) Limited guidance on hedge accounting under Saudi GAAP
(f) Limited guidance on derivatives under Saudi GAAP.

Although the SOCPA has issued a separate standard dealing with investment in securities, there is a lack of guidance on the classification, measurement and impairment of financial instruments. Loans and receivables are also not mentioned under Saudi GAAP.

Classification, measurement and impairment differences between IAS 39 and Saudi GAAP

Iqbal (2012) argues that there are some key gaps between Saudi GAAP and IFRS regarding classification, measurement and impairment.

Classification Under Saudi GAAP, financial instruments can be classified as trade securities, available for sale or held to maturity. Loans and receivables are specifically not mentioned as the SOCPA standard deals with investment in securities only. Transfers between classes are ordinarily permissible. Under IAS 39 Financial Instruments: Recognition and Measurement, financial instruments can be classified as being at fair value through profit or loss (which includes trading and designated instruments) or as available for sale, held to maturity, or as loans and receivables. Transfers between classes are permissible if certain conditions are met.

Measurement Under Saudi GAAP, on acquisition, securities should be measured and recorded at cost. The cost includes the purchase price and all the expenses incurred by the enterprise for the purpose of acquiring the securities. Under IAS 39, financial assets and liabilities should be measured at fair value (including transaction costs for assets and liabilities not measured at fair value through profit or loss) (Iqbal 2012).

Impairment Under Saudi GAAP, a decline in fair value is considered not to be temporary if there are certain indicators proving continuity or if these indicators are able to explain the nature of the decline. The significance of the decline and period over which it has taken place has to be considered when determining whether the decline in fair value is to be considered as impairment. Under IFRS, declines in fair value are considered permanent and the security is considered impaired if the decline in its fair value below cost is significant or prolonged. Other qualitative factors should also be considered (Iqbal 2012).

Critical reflections

In this section, I will provide critical insights on why differences between SOCPA and IFRS were created in the first place, the new era of IFRS and opportunity for foreign direct investment:

Why differences between SOCPA and IFRS were created in the first place

Discussing financial reporting practices in selected Arab countries (Egypt, Saudi Arabia and the United Arab Emirates), Kantor et al. (1995, p. 31) argue that "[f]inancial reporting practices arise from the need to inform the participants in the society in which they are developed. It is therefore not unreasonable to expect that accounting and reporting practices will generally reflect the environmental factors that influence business practice in that society."

The Arab countries are largely homogeneous in cultural, legal and religious terms (Abdulmalik 2012; Hofstede and Bond 1988). Within the Arab world, on May 25, 1981, similar economic, social and political goals drove six oil rich Arab countries—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates—to establish the Gulf Cooperation Council (GCC). One of the GCC's priorities was the introduction of regional accounting and auditing regulation across these countries (Abdulmalik 2012). Prior research argues that accounting practices in the Arab countries examined are remarkably similar (Kantor et al. 1995; Al-Sehali and Spear 2004). According to Al-Sehali and Spear (2004, p. 200):

> The Qur'an, the holy book of Islam, is the most important source of legislation, followed by the Sunna, the teachings of the Prophet Mohammed. As a matter of Islamic law, if an authoritative legal statement from the Qur'an or the Sunna (collectively referred to as Sharia) can be cited, it is binding and supersedes all other sources of legislation…. Other sources of law in Saudi Arabia include Royal and Ministerial Decrees and Departmental Circulars.

According to Gray's (1988) accounting classification, societal culture or values will impact upon both the institutions of any society and the values of accountants, which will in turn affect accounting systems. Hofstede (1991) describes Saudi Arabia as highly masculine and uncertainty-avoidant with a large power distance and low individualism. Gray (1988) argues that a country whose culture is characterized by high uncertainty avoidance, large power differential and low individualism would be expected to have an accounting system that was generally secretive, conservative and based upon statutory control, with little professional judgment exercised by accountants.

Historically, the Saudi Companies Act of 1965, which prescribed regulations for professional accounting and auditing in Saudi Arabia, is based on the Egyptian Code. According to Shinawi and Crum (1971), the Companies Act 1965 requires the board of directors in a company to prepare the inventory, balance sheet and profit-and-loss account, and to make them available to the auditor at least 25 days before the shareholders' annual meeting. Furthermore, the Act provides for the principle of consistency in preparing the financial statements and in valuing assets and liabilities. However, Merei (1985) reviewed accounting and auditing practices in Saudi Arabia and found them to be heterogeneous. For example, the companies were using mixed accounting practices and not consistent. Later, the SOCPA was established in 1992 (Royal Decree No. M/12 dated 13.05.1412H (1992 G) authorizing the passage of the new CPA (Certified Public Accountant) regulations. Article 19 of the CPA Regulations 1992 states that the SOCPA is responsible for reviewing, developing and approving accounting and auditing standards in Saudi Arabia. In essence, Sharia or local law was the key to being consistent with IFRS. For instance, SOCPA added disclosure requirements to several standards, mainly to reflect Sharia or local law (IFRS Foundation 2017).

A way forward: a new IFRS era from 2017 onwards

The mandatory adoption of IFRS by Saudi listed companies from 2017 certainly indicates a new era of financial reporting practices. Al-Razeen and Karbhari (2004) earlier find the corporate annual report was the most important source of corporate information for stakeholders (user groups, in particular) in Saudi Arabia. They also point out that "[i]ndividual investors were found to attach lower importance to obtaining information directly from companies than the other groups…creditors valued direct information from companies more importantly than the other groups [and this] is perhaps because creditors in Saudi Arabia are in a much stronger position to demand formal information from companies." (Al-Razeen and Karbhari 2004, p. 41)

There are various challenges ahead in the new era of IFRS in Saudi Arabia. Deloitte (2016, p. 9) for example reported that:

> …challenge is the unique national practices of the country. Compliance with strict local laws and Sharia' law may not always be in accordance with IFRS. Additional disclosure requirements have been added to some standards, mainly to reflect Sharia' or local law. Also, going forward, SOCPA may from time to time decide to amend any IFRS requirement that contradicts Sharia' or local law, also taking into consideration the level of technical and professional preparedness in the Kingdom. Adding disclosures or removing an option from a standard would not normally prevent an entity following the standards from asserting compliance with IFRS. However, amending the requirements would generally prevent an entity following the standards from asserting compliance with IFRS if the amendment has a material effect.

Further, in terms of the sustainable implementation of IFRS, key stakeholders should be given training in order to interpret and apply the requirements of IFRS.

Translation could be a further issue; for example, there might be pressure on "Arabic speaking qualified accountants to ensure that compliance with IFRS is, literally, not lost in translation" (Deloitte 2016 p. 9).

Furthermore, the integration of user groups and prospective investors in awareness programmes (e.g., the benefits of IFRS) will be a critical to the successful implementation of IFRS in Saudi Arabia (PwC 2015).

The opportunity for foreign direct investment

Foreign direct investment (FDI), net inflows (% of GDP—gross domestic product), in Saudi Arabia was at 1.26 in 2015 (The World Bank 2016), representing a significant shift from 1971. FDI figures were −1.55 in 1971; −1.94 in 1980; 1.59 in 1990; −0.99 in 2000; and 5.55 in 2010 (see Fig. 3).

Over the last 7 years, there has also been a significant shift in terms of the contribution made to GDP by non-oil sectors (see Fig. 4). Both the oil and non-oil sectors have contributed to overall growth in Saudi Economy. For instance, the oil sector accounted for 28% of GDP in 2015 compared to 44.6% in 2010. The non-oil private sector which has developed through economic diversification—accounted for 50% of overall GDP in 2015 compared to

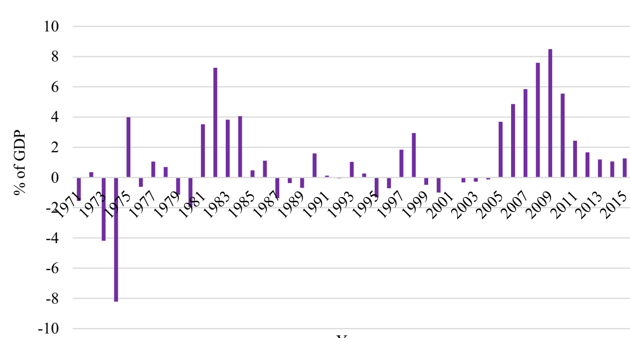

Fig. 3 Foreign direct investment, net inflows (% of GDP). *Source*: The World Bank (2016)

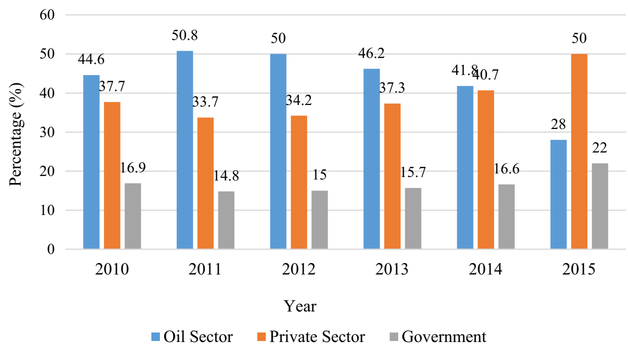

Fig. 4 GDP by institutional sectors (at current prices). *Source*: Saudi Arabian General Investment Authority (SAGIA) (2016)

37.3% in 2010. The government sector has remained relatively steady in its contribution to GDP (e.g., 22% in 2015 compared to 16.9% in 2010).

As part of the FDI initiative, the CMA in Saudi Arabia announced its "Rules for Qualified Foreign Financial Institutions Investment in Listed Securities,"[1] issued by the Board of the CMA pursuant to its Resolution Number 1-42-2015, dated 15/7/1436H and corresponding to 4/5/2015G. The main purpose was to increase foreign participation in the market and to boost its liquidity from international investors. Saudi Arabia's main stock index, Tadawul, climbed by 1.3% prior to the opening of the stock market in 2015 (Jeddah Chamber 2015, p. 12).

Again, according to the law on FDI in Saudi Arabia, foreign investors in a number of sectors are no longer required to take local partners, may own real estate for company activities and may transfer company money outside the country. Foreign investors can sponsor foreign employees, subject to certain criteria in accordance with the Nitaqat (Saudization)[2] Program. In order to facilitate investment in the Kingdom, the Saudi Arabian General Investment Authority (SAGIA) set up an Investment Services Centre (ISC) which must make a decision to grant or refuse a licence within 30 days of receiving an application from an investor (https://en.portal.santandertrade.com/establish-overseas/saudi-arabia/foreign-investment).

The introduction of IFRS in Saudi Arabia (the largest market in the Arab world) will provide greater disclosures and, thus, make the market more transparent. This will build investor confidence and accelerate foreign investment in Saudi Arabia.

Conclusions and contributions

This study critically examines the difference between IFRS and Saudi GAAP, as issued by the SOCPA, the Saudi Arabian national accounting standard setter. The efforts of the SOCPA go hand-in-hand with efforts to converge accounting practices with IFRS and will play an important part in encouraging FDI, private sector development and a competitive capital market (Zeghal and Mhedhbi 2006).

Given the importance of convergence, the innovative findings of this study will be helpful to local standard setters in Saudi Arabia (SOCPA), international standard setters (IASB) and preparers and investors, and will contribute to the international accounting regulation literature in four ways. Firstly, the convergence plan and transition issues observed in Saudi Arabia may provide a road map for other countries in the Middle East to implement IFRS effectively. In either case, the aim is that the financial reporting practices of Saudi companies will be aligned with those of companies from the UK, US and elsewhere in the world (Murphy 2000). The conclusions of this study are consistent with those of the study of Alon and Dwyer (2014) who argue that among "early adopters," countries with higher levels of resource dependency were more likely to *require* the use of IFRS. Saudi Arabia is a G20 member country and is less resource dependent, but adopted IFRS later. Secondly, the significant differences between IFRS and Saudi GAAP require urgent attention from local and international regulators to minimize the identified gaps. Most of the prior studies have focused on the impact of IFRS adoption in the market. Hence, this study offers a critical analysis of the differences between IFRS and Saudi accounting standards. It is true that there is

[1] *Rules for Qualified Foreign Financial Institutions Investment in Listed Securities* This rule is based on the Capital Market Law of Saudi Arabia issued by Royal Decree No. M/30 dated 2/6/1424H and amended by Resolution of the Board of the Capital Market Authority Number 3-104-2016 dated 5/11/1437H, corresponding to 8/8/2016G. (https://cma.org.sa/en/Market/QFI/Documents/QFI-EN-amended.pdf).

[2] *Nitaqat (Saudization)* Saudization is the replacement of foreign workers with Saudi nationals in the private sector. Nitaqat is a Saudization program introduced by the Saudi Ministry of Labor and Social Development in 2011 which evaluate the performance of the registered entities in Saudi Arabia. The program classifies the entities into the four "ranges" or "zones" (Nitaqat): Platinum, Green, Yellow and Red. Premium and Green categories include the companies with high Saudization rates, while Yellow and Red include the ones with low rates. The companies with less than 10 employees are exempt from the program.

Nationalization of the telecommunications sector comes into effect from March 2016, making certain roles (e.g., all sales and maintenance roles pertaining to telecommunications) available to Saudi nationals only. In 2016, the amendments of the Nitaqat Saudization program provide the new classification of registered entities in Saudi

Footnote 2 continued
Arabia. Under this amendment, the balanced Nitaqat program is based on the points scored by each firm according to five factors: the percentage of Saudization, the average salaries of Saudi workers, the percentage of Saudi women workers, job sustainability for Saudis, and the percentage of Saudis with high salaries. (http://saudigazette.com.sa/saudi-arabia/changes-nitaqat-program-approved/).

still a long way to go to achieve effective implementation for Saudi Arabia, but providing training and increasing awareness among the regulators may be helpful (Nurunnabi 2015). Thirdly, the IASB needs to be proactive in its discussions and efforts in order to make IFRS 9 compatible with Islamic finance (Sharia-based finance). Finally, the number of players involved in the enforcement of standards may create pressure on local companies to implement IFRS quickly. For instance, SAMA requires IFRS compliance from all listed and unlisted banks and insurance companies while the SOCPA requires all other listed and unlisted companies to adopt IFRS from January 1, 2017. The CMA should coordinate with all relevant institutions to implement IFRS and create effective enforcement mechanisms. However, it is important to mention that the adoption of IFRS does not guarantee effective enforcement and implementation.

This study has several limitations. The number of IFRS standards examined was limited to 15. The availability of data was also a concerning issue. In addition, standards have been translated from Arabic to English. This was a major obstacle since SOCPA documents are all produced in Arabic, the official language of the organization. Future research could explore the application of the 15 standards discussed here in a group of companies following IFRS financial reporting practices. Future research could also be conducted on the role of the regulators and standard setters in Saudi Arabia.

Appendix: The CMA resolution on transition to IFRS, 2016 (three phases)

In 2016, the CMA announced the Board of Commissioners' resolution which obligates listed entities to adopt IFRS as endorsed by the SOCPA who had announced that entities listed on the Saudi stock exchange should implement IFRS starting from January 1, 2017. Reporting requirements relating to progress on IFRS transition phases were as follows:

Phase one:

During the period from 21/8/2016 to 1/9/2016, listed entities should disclose the following on the Tadawul website:

1. Whether an IFRS transition plan—which should include as an example, the determination of the target date to approve the accounting policies—had been prepared. Where a plan had not been prepared, the listed entity should determine the target date for preparing the plan. Such target dates should be set to assure the transition to IFRS before 1/1/2017.
2. Whether an IFRS experienced and specialized external consultant had been hired. Where a consultant had not been hired, the listed entity should disclose if it has a plan to hire a consultant and determine the target hiring date. Such target dates should be set to assure the transition to IFRS before 1/1/2017. If there is no plan to hire an external consultant, the listed entity should disclose the reasons for not hiring a consultant
3. Whether an entity's internal team responsible for the IFRS transition plan and its implementation had been formulated. Where a team had not been formulated, the listed entity should disclose the reasons for not doing so
4. IFRS transition process difficulties, if any, which the listed entity is facing
5. The target date for the preparation of the first set of IFRS financial statements and the periods covered by such financial statements

The aforementioned board resolution exempts those entities that are ready for IFRS transition from making these disclosures, stipulating that such entities instead disclose (i) that they have readily available IFRS financial statements, and (ii) any significant effects experienced as a result of implementing the IFRS

Phase two:

During the period from 30/9/2016 to 30/10/2016, listed entities should disclose the following on the Tadawul website:

1. Phase one disclosures updates
2. Whether the accounting policies necessary for the preparation of IFRS financial statements had been approved. Where the accounting policies had not been approved, the listed entity should determine the target date for approving the aforementioned accounting policies. Such target dates should be set to assure the transition to IFRS before 1/1/2017

Where the entity is ready to implement IFRS, it would be exempted from the above disclosures, stipulating that the entity should disclose (i) that it has readily available IFRS financial statements, and (ii) any significant effects experienced as a result of implementing IFRS

Phase three:

During the period from 1/1/2017 to 31/1/2017, listed entities should disclose the following on the Tadawul website:

1. Phase one and two disclosures updates
2. Whether an IFRS financial statement had been prepared, and the periods over which such financial statements had been prepared. Where an IFRS financial statement had not been prepared, the listed entity should disclose the reasons for not doing so, and the target date for preparing such financial statements
3. The significant effects experienced by the entity as a result of implementing IFRS, the moment the entity can determine such effects. Where the effects of implementing IFRS are immaterial, the listed entity should disclose so
4. Any hindrances that might affect the listed entity's ability to prepare IFRS financial statements
5. The extent of the listed entity's readiness to prepare IFRS financial statements for 2017 Quarter 1 within the applicable regulatory period

The Authority might request the listed entities to make any additional disclosures the Authority finds to be necessary in relation to the IFRS transition plan

Source: CMA (2016)

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