

ARC '16

مؤتمر مؤسسة قطر
السنوي للبحوث
QATAR FOUNDATION
ANNUAL RESEARCH
CONFERENCE

Towards World-class
Research and Innovation



Social Sciences, Arts and Humanities Pillar

<http://dx.doi.org/10.5339/qfarc.2016.SSHAPP2468>

IFRS Suitability to Emerging Markets: Empirical Evidence from Qatar

Roula Salman Wadi, Ghassan H. Mardini

Qatar University, QA

Email: roula.s@qu.edu.qa

Most of the countries in GCC region (except Saudi Arabia) have adapted IFRS in 1990s except Oman who was the first to adopt in 1986. Therefore, it can be concluded that, Qatar is one of the countries which adopted IFRS since long time ago. However, no serious discussion was there so far to see whether IFRS adoption in emerging economy country like Qatar is feasible or it has been taken as granted. The adoption of IFRS at country level has sparked two contrasting, but not mutually exclusive viewpoints. One view, which favors IFRS adoption, is that IFRS produces better financial reporting since it is superior accounting standards in comparison to domestic accounting standards (Barth 2008). Additionally, convergence to a singular accounting standard ensures greater comparability that helps investors to make their investment decisions. It results improvement of information environment in a country and hence contribute towards lowering the cost of capital (Barth 2008). The opposite view is that, the accounting quality is shaped by political and economic forces (Ball 2006) and therefore Accounting standard solely will not translate into higher quality reporting. The main objective of the study is to assess the suitability of International Financial Reporting Standards (IFRS) for emerging market such as Qatar; specifically, the current research explore advantages and disadvantages of IFRS implementation in Qatar.

From the prior studies perspective, we found that IFRS is suitable for Qatar for many reasons. First of all, most of the companies in Qatar are characterized by insider dominated ownership structure. Therefore, majority of the shares are owned by the family owners. Also, the influences of institutional investors are in a greater margin in Qatari Stock Market. Moreover, the code of corporate governance in Qatar was just implemented three years back in 2009. As discussed earlier, the law system in Qatar is also very weak in regard to financial reporting. In these circumstances, IFRS can play a big role in Qatar since it is an advanced reporting standard developed and it could ensure that all the information are there for the shareholders and no asymmetric information situation could happen and ensures the rights of individual shareholders. Since Qatar is undergoing major development for the World Cup 2022 and National Vision 2030, it is important for Qatar to attract foreign investors for capital market. IFRS implementation will help Qatar to ensure foreign investors in gaining confidence in Qatari capital market. Furthermore, Qatar has adopted

Cite this article as: Wadi RS, Mardini GH. (2016). IFRS Suitability to Emerging Markets: Empirical Evidence from Qatar. Qatar Foundation Annual Research Conference Proceedings 2016: SSHAPP2468 <http://dx.doi.org/10.5339/qfarc.2016.SSHAPP2468>.

IFRS in 1995 and before that no specific requirement was that which is more established and strictly adopted by the companies. Therefore, Qatar didn't face a lot of issues while the adoption process. However, countries like Australia, Spain who were having their own developed standard faced a lot of issue since they were having their own standard practiced for a period of time.

Thus, the current study concluded that IFRS implementation is suitable for the economy of Qatar considering its benefits, Qatari corporate ownership structure and commercial law of Qatar. Although, Qatar is following IFRS without any amendments by considering their own culture, economic environment and corporate governance, however, their implementation was very strong with the existence of big four international audit firm and regulation from Qatar Central Bank and Qatar Financial Market Authority. Furthermore, many of the Qatari companies such as QTEL, QNB are listed in internationally in various stock exchanges because they are following IFRS for their financial report. Finally, we conclude saying that, despite come short coming are there, it is beneficial to adopt IFRS for an emerging country like Qatar.