

Determinants Of Financial Instruments Disclosure Under IFRS 7: The Case Of Qatari Listed Banks

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Abstract

In recent years, the growth of economics and development of technology in the banking and finance sectors have led to a significant increase in the use of financial instruments (Grbhradt et al., 2004). Accordingly, the accounting regulators particularly standard setters must take these developments into considerations and issue new or emend the existing standards to adopt with this changing environment. However, in 2004, International Accounting Standard Board (IASB) decide to expand the disclosure aspects of IAS 32 and IAS 39 by issuing the Exposure Draft of IFRS 7. After receiving comments and feedback, in August 2005, the IASB issued "International Financial Reporting Standard (IFRS) 7 Financial Instruments: Disclosures which supersede International Accounting Standard (IAS) 30 and a part of IAS 32 (Disclosure Provisions), the IFRS 7 effective year is 2007. The main aim of this study is to investigate determinants of IFRS 7 disclosures and its implementation impact on Qatari listed banks. The un-weighted disclosure index (DI) and multiple regression analysis employed to conduct this study. The DI is developed based on the requirement of the IFRS 7 and includes ten categories with total of 46 Items. Sample of study includes only Qatari listed bank (8 banks) and the years of investigation are from 2007 (the first year of implementation) to 2012. The banks characteristics employed are Company Size (log size), Existence of Risk Management Committee (RMC), Net Assets Value (NAV), Cost to Income ratio (CTI), Earning per Share (EPS) and Price Earning (PE).

The result from DI indicates quite high level of disclosure of financial instruments provided by Qatari bank. The overall disclosure was 58% in 2007 in the first year of implementation, this figure increased gradually year by year and reached to 78% by the end of 2012. This indicates that IFRS 7 implementation has a positive impact on the financial instruments disclosure in Qatar. Nonetheless, when we review the result for each dimension in the disclosure index, it is clear that the disclosure for some categories such as accounting policies, balance sheet, income statement and the fair value declined slightly in 2008, this could be the impact of financial crisis which financial instruments was the main reason for it on that year. Moreover, the study proved that the level of financial instruments disclosure is significantly and positively associated with the bank size and RMC. In addition, this research suggests that establishment of risk management committee which would help banks to improve disclosure related to the financial instruments.

This study contribute to the knowledge in numerous way, it provide a great insight about the current situation of IFRS 7 in Qatar. It indicates that how well IFRS 7 implementation impacts the firms' financial instruments disclosure. In addition, it provides the factors that influence the level of financial instruments disclosure.