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ORIGINAL ARTICLE

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) TO ENHANCE FINANCIAL REPORTING IN OMAN

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ABSTRACT – International Financial Reporting Standards (IFRS) are rapidly adopted globally to enhance financial reporting quality. All firms in Oman are required to follow IFRS. In addition, the Accounting Standards Board adopted IFRS in their entirety. This research's objective is to test the relationship between the adoption of IFRS and financial reporting in Oman. This research used a quantitative method. The population of this study were 112 companies at Muscat Stock Exchange (MSX) for the year 2020 in Oman. The sample size of this project was 92 listed companies from three sectors which Financial Sector (30), Industrial Sector (32), and Service Sector (30). The findings show there is a significant positive relationship between the adoption of IFRS and financial reporting in Oman. Firms that were Adopt-IFRS-Effective had high financial reporting quality, while firms that were Adopt-IFRS-Not-Effective did not affect their quality. This is because financial reporting is not solely dependent on these standards. The implications of this research result in better-informed judgments for investors as the information included in the annual reports improves comparisons that facilitate the further flow of investments. Furthermore, this research also provides a significant insight into the International Accounting Standards Board (IASB). This study added to the body of literature by examining the Adoption of IFRS on financial reporting in Oman context. Besides, this might add benefits to many firms related to their current accounting standards practice that might lead to adopting IFRS, to ensure the application of applicable accounting standards to show fair financial statements to its stakeholders. This current research is one of the first works in the context of Sultanate of Oman. It has added a new discussion to the body of knowledge considering the IFRS and their link with financial reporting quality. Furthermore, conducting such research in the accounting field provides new insight into the IFRS literature among both developed and emerging economies including Oman.

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INTRODUCTION

International Financial Reporting Standards (IFRS) are rapidly implemented globally to improve accounting value through a unified set of financial reporting standards (Ismail, 2017). On the other hand, quality of accounting is a result of the business's general institutional context, which includes the political systems and legal of the nation in which the operates of business (Bhattacharjee & Islam, 2009). The globalization of capital markets is an irreversible phenomenon, mutually recognized and agreed that International Accounting Standards (IAS) have the potential to provide various benefits (Gelter, 2021). Adoption of consistent standards eliminates the need for additional information, lowering the cost of cross-border operations. They improve users' ability to examine and analyze financial statements by making information more comparable (Madawaki, 2012). According to Alasbahi and Ishwara (2021), the essential purposes of the International Accounting Standards Board (IASB) stand is to increase and enhance the levels of confidence in financial reporting, for instance, the adoption of IFRS. It is important due to the International Financial Reporting Formula, as it makes businesses and organizations of various activities to be more aware and closer to the international financial market. Moreover, the adoption of IFRS as international standards will help reduce differences among these reports in different countries. This will also strengthen financial information comparability, improve its explanatory capacity to measure company performance, lower costs, improve transparency, and reduce information bias (Hong, 2013). Furthermore, IFRS improves the quality of financial reports as the management provides ample opportunity to reduce profit management practices and fraud (Toumeh & Yahya, 2019). In addition, IFRS contributes to the preparation of clear and understandable financial reporting for many companies and investors in different countries. Also, it enables them to make informed financial decisions (Ashok, 2014).

These standards achieve high efficiency in the market and maintain the financial stability of the Omani economy for long periods (Rotimi, 2012). IFRS adoption will result in higher financial reporting information quality, which will decrease information asymmetry among businesses and investors, in addition to information risk and the capital cost (Beneish & Yohn, 2008). Moreover, investors may have expected that expanding only a set of standards would have

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convergence benefits, such as decreasing the cost of comparing companies' financial positions and performance across nations (Armstrong, Barth, Jagolinzer, & Riedl, 2010). According to Rotimi (2012), the aims and significance of adopting IFRS are intended for the use by profit-seeking organizations. According to IFRS, financial statements must provide an accurate and fair picture of a being's financial health. To grow a unified greater quality, comprehensible and enforced international accounting standards need financial statements to be clear and comparable. This is to assist participants in various capital markets (stockbrokers, investors, and so on) throughout the world in understanding financial statements. To accomplish the aims, actual IFRS adoption necessitates appropriate technical ability among financial statement preparers and users (accountants, regulatory authorities, and auditors) (Pope & McLeay, 2011). IFRS provides a solid foundation for a business plan. Omani corporate sector has shown a strong commitment to international financial standards. As per IFRS Foundation, the Omani jurisdiction has made a commitment towards the public to strive and provide only the usual greater quality of global accounting standards (Hameed, 2014). According to Hameed (2014), the Omani government recognizes the benefits of adopting IFRS for the corporate sector. Thus, Oman has enacted several regulations to facilitate the implementation of IFRS. Capital Market Authority, Central Bank, and the Tax Authority in Oman have issued explicit orders to all firms in Oman to follow IFRS to improve financial reporting (Kaya & Koch, 2015).

The proper implementation of IFRS guarantees that businesses are trustworthy and maintain honest business relationships with their stakeholders. Execution of international financial reporting standards is critical because they create standards for excellent company governance and give effective accounting disclosures to earn shareholders' trust. Accounting professionals in many sectors of the economy currently feel compelled to adopt IFRS published by the International Accounting Standards without modification. This is due to its simplicity and convenience for all relevant stakeholders. Also, it is supported by the code of corporate governance, which mandates firms to generate financial statements in line with IFRS (Camfferman & Zeff, 2018). Oman has a valid jurisdictional profile in the IFRS foundation's application throughout the world publication for general advice. The profile offers a unique professional set of recommendations to accounting professionals working in the Oman market (Hameed, 2014). The adoption of IFRS is one of the few topics in accounting studies that have direct policy implications (Opare, Houqe, & Van Zijl, 2021). According to Agyei Boapeah, Machokoto, Amankwah Amoah, Tunyi, and Fosu (2020), the implementation of IFRS resulted in changes in structures of the nation policy of governance and other institutional contexts. Concerns have been raised concerning the expense of reporting under IFRS, particularly for smaller businesses. IFRS compliance may serve as a significant incentive for international investors (Musah, Adjei, & Ahmed, 2020). Governance quality has an important role, but experiential results propose that the impact of IFRS is more important, indicating that the Gulf Cooperation Council countries (GCC) have met the preconditions in terms of governance (Siriopoulos, Tsagkanos, Svingou, & Daskalopoulos, 2021). According to Musa (2019), due to the pursuit of the comparability, consistency, and reliability of the company's financial reporting, the adoption of IFRS has become a global issue in countries worldwide.

According to Mensah (2020), investigating whether and to what extent accounting rules themselves impact financial reporting quality is the main problem of the standard set because IFRS is adopted in different nations around the world, and various countries may adopt them soon. Previous research has revealed that the IFRS adoption will improve the quality of financial reports. Moreover, IFRS adoption is believed to boost financial reporting quality (Adnan & Khan, 2021). According to Yeboah and Pais (2021), existing research displays that the adoption of IFRS has enhanced the quality of accounting. Nonetheless, Almotairy and Alsalman (2011) conducted a research about implementing IFRS in Saudi Arabia. Some researchers have sought to address the underlying issues that may arise throughout the IFRS implementation process. Lack literature on IFRS in GCC, especially in Oman is raising concerns. As a result of globalization and international commerce, financial information must be prepared and presented so that all users can understand both locally and globally. As a result, the IFRS were created to aid in the comparison and preparation of financial reporting between businesses (Amartey, 2019). Nevertheless, various obstacles have prompted corporations and governments to be unwilling to implement the IFRS, including complexity, accounting capability, government regulation, and compatibility (Ab Abonwara, Ahmad, & Halim, 2021).

LITERATURE REVIEW

International Financial Reporting Standards (IFRS) have increasingly become global accounting standards. According to the International Accounting Standard Board (IASB), almost 100 countries have adopted or made a commitment to adopt IFRS (IASB - 2016). However, questions are raised as to whether companies that claim to be IFRS compliant are, in fact, complying with all IFRS requirements (Beuren, Hein, & Carlos Klann, 2008). Indeed, the IASB and the president of the International Federation of Accountants (IFAC) have criticised auditors who assert that financial statements fully comply with International Accounting Standards (IAS) when the accounting policies and notes indicate otherwise (Tsalavoutas, 2011). Scholars examined this issue by empirically investigating the accounting policies and disclosures of firms from various countries that claimed to comply with IAS (Fasshauer, Glaum & Street, 2008). Their study reveals significant IAS non- compliance, and that the degree of compliance by companies that claim to comply with IAS is mixed and selective.

The literature review covers studies for the last five years. The majority of studies found a relationship between International Financial Reporting Standards (IFRS), financial reporting, and the impact of IFRS adoption. For example, Siriopoulos et. al., (2021) investigated the variables influencing foreign direct investment in Gulf Cooperation Council

(GCC) nations, emphasizing quality of governance and the implementation of IFRS. They used panel data analysis and implemented three models (the Arellano Bond Dynamic Model, Random Effect, and Fixed Effects). The result indicates that the implementation of IFRS is a major predictor of foreign direct investment. Moreover, Klish, Shubita, and Wu (2021) stated that their research aims to investigate the effect of the IFRS adaptation on the quality of financial reporting of Middle East and North Africa (MENA) area businesses. Accounting quality is assessed using five metrics models to assess the smoothing earnings, earnings management toward a target, and prompt cost recognition. The researcher's primary data was collected from nine nations over ten years (2006 to 2015), yielding 3040 company-year data in the main phase and 2580 company-year notes in the supplementary examination. Their results show that the MENA region's total sample of IFRS adopters benefited from the implementation of IFRS. In addition, Al-Janabi, Hesarzadeh, and Bagherpour Velashani (2021) investigated how the shift to IFRS impacts financial reporting quality. They used a sample of Iraq Stock Exchange-listed companies from 2015 to 2019. They suggested that IFRS implementation had a strong effect on businesses in developing nations. Likewise, Mameche and Masood (2021) tested the influence of the adoption of IFRS on foreign direct investment (FDI) in the GCC area from 1980 to 2017. They used the Autoregressive Distributed Lag (ARDL) technique and the Pooled Mean Group (PMG) estimate using panel data from GCC nations from 1980 to 2017. According to their research, GCC nations adopting IFRS has a short-term positive influence of 3% on inflows of FDI. Besides, Adnan and Khan (2021) stated that the purpose of their research is to offer a thorough picture of the pros and cons of IFRS adoption, as well as the effects this standard has on financial reporting quality. In their research, they used literature to collect the data. The research analyses the literature on the effects of obligatory or optional IFRS implementation and the influence on the quality of reporting in accounting that is expected to arise from the transition. According to the review results, IFRS adoption is likely to improve financial statement consistency, including earnings control and value relevance.

Subsequently, Roca (2021) investigated how the adoption of the IFRS affects the value of accounting data in Argentina. In this research, the author used the Ohlson Model to analyze the empirical relationship between two major variables of accounting and prices equity. Panel information from quarterly financial reports provided by the Buenos Aires Stock Exchange (BCBA) for 40 firms is studied for a duration of 23 years. According to the findings, Argentina's mandated IFRS adoption has no influence on the relevance value of the examined variables. On the contrary, after the change in accounting rules, the accounting figures have a weaker relationship on the price stock. Alternatively, Desalegn (2020) tested the adoption of IFRS and the financial reporting quality by commercial banks in Ethiopia. Primary data and secondary data sources were used to obtain information. The real data was collected by questionnaire, while the minor data was collected from different sources of documents. The study's findings show that IFRS adoption increased the quality of the financial reports as assessed by understandability, faithful representation, relevance, and comparability. According to Alshetwi (2020), the purpose of this study was to see if using IFRS is linked to better financial reporting quality. The analysis indicates that IFRS adoption is not substantially related to improved quality of financial reporting comprising a sample of 465 non-financial businesses listed. Correspondingly, Ekwe, Abaa, and Okrolor (2020) examined the IFRS adoption and the financial performance of Nigeria's listed deposit money banks. They used secondary data to collect the data from annual reports of the Nigeria Stock Exchange. According to the findings, the adoption of IFRS has a substantial influence on the profit after tax of deposit money institutions in Nigerian. Also, they found that the adoption of IFRS had no discernible effect on return on equity, earnings per share, or return on assets. Apart from that, Nguyen, Dao, and Pham (2020) analyzed the variables influencing IFRS adoption in Vietnam. They employed qualitative and quantitative techniques for this study's methodology. According to their findings, the higher the profitability of an enterprise's debt ratio and company size, the extra probable it is to use IFRS.

Meanwhile, Abdullahi and Yelwa Abubakar (2020) investigated the effect adoption of IFRS on quality reporting in Nigeria. They used minor data from financial reports for 79 quoted Nigerian companies. Their paper indicates that the adoption of IFRS has resulted in a considerable improvement in reporting quality. On the other hand, Wahyuni, Puspitasari, and Puspitasari (2020) studied the influence of IFRS adoption in Indonesia by completing a systematic literature review using data from 168 studies published during the study period. According to their findings, adopting IFRS enhances the quality of financial statements. Also, Albu, Albu, and Gray (2020) reviewed the influence of IFRS on the institutional framework of European Union member nations from Central and Eastern Europe (CEE). They polled Big 4 experts in 10 CEE countries who work as auditors or advisors in the use of IFRS. According to their study of micro-level institutional variables, the auditing profession and accounting were the most useful resources in the IFRS implementation method in Central and Eastern Europe. According to Mensah (2020), the goal of his paper was to test the effect of the adoption of IFRS on the quality of financial reporting before and after the IFRS adoption. The author collected the data from audited annual reports for 11 manufacturing companies. According to the results of the research, the adoption of IFRS improves the financial reporting quality in the capital market in Ghanaian, which is expected to promote investors' trust and attract more investment. Likewise, Audu (2019) analyzed the influence of IFRS adoption on the financial reporting quality in Nigeria. He collected data from surveys on a sample of respondents, which was then evaluated using a regression model. The findings indicate that adopting IFRS enhances financial report transparency and comparability. According to Musa (2019), the purpose of his project is to test the influence of IFRS on the quality of financial reporting and worldwide convergence. His research found that IFRS adoption lowers the capacity for gains management, which is linked to further timely cost recognition and takes the lead in further value-relevant accounting processes. Additionally, Osasere and Ilaboya (2018) research sought to evaluate the revolution in Financial Reporting Quality (FRQ) following the introduction of IFRS in Nigerian Money Deposit Banks (MDBs). The data was collected from annual reports and accounts of all quoted MDBs. Their findings indicate that the financial reporting quality in Nigeria after and before the implementation of the IFRS is statistically significant. Furthermore, financial reporting quality improved across the board following IFRS adoption.

Subsequently, Cardona Montoya (2018) studied the influence of the adoption of IFRS on the FRQ. Quality of accounting is examined from 2006 to 2014 using five measurement proxies relating to the size of absolute discretionary accruals. Simultaneously, the impact of institutional variables and management incentives on the usage of such accruals as a method for earnings management were investigated. The findings demonstrate that firms report smaller magnitudes of absolute discretionary accruals throughout the time of IFRS adoption, showing the relationship among these two variables. These findings reflect fewer management earnings, which is similar to the greater quality of the financial report. In addition, Eleng and Bassey (2017) investigated IFRS adoption as a panacea for enhancing financial reporting credibility with special emphasis. The authors used a survey style for primary data and an expo facto style for secondary data. The questionnaires were sent to a sample group of forty (40) randomly selected respondents from Niger Mills Plc whole employees, and financial statements were reviewed from 2012 to 2015. The data were tabulated and analyzed using IBM SPSS 20. They found that companies should try to take advantage of the opportunity offered by the implementation of IFRS to enhance their company's processes and procedures. Other than that, Peña and Franco (2017) tested the influence of the IFRS adoption on the FRQ accessible for publicly traded firms in France and the United Kingdom (UK). Their study examined the relationship between the risk idiosyncratic of stock returns and the opacity of financial reporting after and before the required implementation of IFRS, using panel regressions. As a robustness test, opacity estimates incorporate several earnings management proxies based on the methods used in the studies for the estimation of discretionary accruals. The effect of IFRS in the UK is influenced by business size, while the financial information of larger enterprises appears to have improved after IFRS implementation. However, in the instance of France, the data shows no rise in the financial data quality following the IFRS implementation.

Fasshauer et al. (2008) supported the IFAC's view in which auditors often assert that financial statements comply with IAS, when, in fact, the accounting policy footnotes, and other notes indicate otherwise. Their results show that while many firms are anxious to seek the international investment status that comes with adopting IAS, they are not always willing to fulfill all the requirements and obligations that are required in order to do so. An enterprise whose financial statements comply with International Accounting Standards should disclose that fact. Financial statements should not be described as complying with International Accounting Standards unless they comply with all requirements of each applicable Standard and each applicable Interpretation of the Standing Interpretations Committee. Inappropriate accounting treatments are not rectified either by disclosure of the accounting policies used or by notes or explanatory material (Alrawahi & Sarea, 2016). Recent changes and reforms on IFRS adoption in the worldwide accounting literature have uncovered several critical gaps that still need to be filled. Concerning the contribution played by corporate governance in the adoption of IFRS, notably in Oman, many questions remain unresolved. Nearly all earlier research on the effects and connections between the adoption of IFRS was done in developed nations (Bayerlein & AlFarooque, 2012; Cieslewicz, 2013; Persakis & Iatridis, 2016), however, there is not much studies that has been done in Oman.

The Relationship Between Adoption of International Financial Reporting Standards (IFRS) and Financial Reporting

According to Wahyuni, Puspitasari, and Puspitasari (2020), IFRS adoption has a positive influence on the quality of financial reporting, as shown by improved value relevance, accounting data quality, quality of profitability, the firm's earnings performance, and declining management earnings techniques. Therefore, there is a positive impact of adopting IFRS (Ekwe et.al., 2020). IFRS adoption has attracted a lot of attention in recent years because of its favorable impact on financial reporting quality. As a result, it improves the capital market efficiency (Mensah, 2020). Moreover, Al-Janabi et. al., 2021) demonstrated that even in undeveloped countries, IFRS adoption has a positive influence. The decision of the GCC countries to adopt the IFRS had a 3% positive influence on FDI inflows in the short term (Mameche & Masood, 2021). According to Eleng and Bassey (2017), there is a positively significant relationship between IFRS adoption and the company's financial reporting quality and credibility. The cost implications of IFRS adoption impact manufacturing businesses' financial reporting credibility. The global increase in the adoption of IFRS demonstrates the relevance of IFRS and its influence on profit quality. Musa (2019) claimed that the IFRS adoption resulted in improved quality of financial reporting and increased FDI across nations. According to Alshetwi (2020), the analysis indicates that IFRS adoption is not substantially linked with enhanced quality of financial reporting. Therefore, the hypothesis proposed is:

H1: *There is a positive relationship between the adoption of International Financial Reporting Standards (IFRS) and Financial Reporting.*

Virtue Theory

Lail, MacGregor, Marcum and Stuebs (2017) recommended virtue-based professionalism as a critical step in restoring effective financial reporting systems. Their case study of the accounting profession found that economic and legal pressures have resulted in a systemic erosion of the professional ideal of accounting. Regulatory solutions like Sarbanes-Oxley were required, but they did not put an end to big crises following Enron, nor did they succeed in restoring public trust. According to the virtue theory of ethics, for businesses to comply with IFRS, MFIs should contain specific virtues such as sanction ability, clarity, management congruency, and discuss the ability to improve the functioning of internal control, which effects compliance with IFRSs. This shows that agency theory alone may not provide a meaningful framework for understanding IFRS compliance in the absence of an adequate organizational ethical culture, and that this culture should be founded on virtue ethics (Nalukenge, Nkundabanyanga, & Ntayi, 2018).

METHODOLOGY

This is a quantitative cross-sectional research in which the quantitative data was gathered from secondary sources. Financial reporting was the dependent variable in this project. Independent variables are the elements that influence the adoption of International Financial Reporting Standards (IFRS). Selected companies listed in Muscat Stock Exchange (MSX) made up the population of this study for the year 2020. Due to their importance in Oman, this study focused on the financial, industrial, and service sectors. In the Sultanate of Oman, the industrial sector is regarded as one of the most important drivers of economic and social growth because it is one of the most important avenues for achieving economic diversification and real estate development (Alyaarubi, Alkindi, & Ahmed, 2021). Additionally, the services and financial sectors are crucial to the thriving and trendy Omani economy. Therefore, accomplishing the micro-foundations of wealth creation and economic development of the Sultanate of Oman requires the development of sectors. So, it is critical to decide which industries should receive investment and continued development because manufacturing, finance, and service activities have become crucial to achieving high efficiency growth. The sample size of this study was 92, from three sectors of listed companies as shown in Table 1.

Table 1. Population and Sample Size

Sector	No. of Companies	Sample
Financial	35	30
Industrial	40	32
Service	37	30
Total	112	92

MEASUREMENT OF VARIABLES

For the measurement of Financial Reporting Quality (FRQ), this research used disclosure index for the dependent variable (adapted from Taddesse, (2020)) which was constructed based on relevant requirements of IFRS for disclosure of information on fair values of different assets and liabilities. The index is composed of 43 disclosures connected to fair value according to the accounting standard. The structure of the index is shown in the Table 2 below:

Table 2. Disclosure Index

Standard	Name of the Standard	Number of Discloures
IFRS 2	Share-based Payment	5
IFRS 3	Business Combinations	4
IFRS 7	Financial instuments:disclosurs	16
IAS 1	Presentation of Financial Statements	1
IAS 16	Property, Plant and Equipment	2
IAS 19	Employee benefits	2
IAS 28	Investments in Associates	1
IAS 36	Impairments of Assets	2
IAS 38	Intangible assets	3
IAS 40	Investment property	7
	Maximum Number of Disclosures	43

The following formula is used to describe the result of the index as a dependent variable at each company:

$$Index = \frac{Actual\ result\ in\ disclosures\ of\ the\ company}{Maximum\ result\ of\ applicable\ results\ for\ the\ company}$$

The current study used content analysis to measure IFRS adoption disclosure as shown in the Table 3, and the literature review shows that this approach is also applied in social disclosure. The average score was calculated by dividing the number of IFRS standards disclosures for a particular item by the total number of items.

Table 3. Disclosure of the Items of IFRS Adoption

	Items			
	Disclosure of the Items of IFRS Standards (Effective)	Disclosure	Number of Disclosure	Index
1	IFRS 1	√		
2	IFRS 2	√	XXX	XXX
3	IFRS 3	√		
4	IFRS 4	√		
5	IFRS 5	√		
6	IFRS 6	√		
7	IFRS 7	√		
8	IFRS 8	√		
9	IFRS 9	√		
10	IFRS 10	√		
11	IFRS 11	√		
12	IFRS 12	√		
13	IFRS 13	√		
14	IFRS 14	√		
15	IFRS 15	√		
16	IFRS 16	√		
17	IFRS 17	√		
	Items			
	Disclosure of the Items of IFRS Standards (Not Effective)	Disclosure	Number of Disclosure	Index
1	IFRS 1	√	XXX	XXX
2	IFRS 2	√		
3	IFRS 3	√		
4	IFRS 4	√		
5	IFRS 5	√		
6	IFRS 6	√		
7	IFRS 7	√		
8	IFRS 8	√		
9	IFRS 9	√		
10	IFRS 10	√		
11	IFRS 11	√		

12	IFRS 12	√
13	IFRS 13	√
14	IFRS 14	√
15	IFRS 15	√
16	IFRS 16	√
17	IFRS 17	√

RESULTS

Descriptive Statistics

The dependent variable, Financial Reporting Quality (FRQ), was found to have a level of 0.498 percent, with a standard deviation of 0.084, according to the findings of the descriptive statistics as shown in the Table 4. Also, FRQ was found to have 0.280 percent and 0.670 percent value respectively, according to the minimum and maximum values. Adopt-IFRS-Effective has an average of 0.213 percent value with a standard deviation of 0.079. The minimum and maximum values indicated that Adopt-IFRS-Effective is 0.059 percent and 0.412 percent in value respectively. Adopt-IFRS-Not-Effective has an average value of 0.180 percent with a standard deviation of 0.123. The minimum and maximum values indicated that Adopt-IFRS-Not-Effective is 0.000 percent and 0.471 percent in value respectively.

Table 4. Descriptive Statistics of variables

	Mean	Minimum	Maximum	Standard-D
FRQ	0.498	0.280	0.670	0.084
Adopt-IFRS-Effective	0.213	0.059	0.412	0.079
Adopt-IFRS-Not-Effective	0.180	0.000	0.471	0.123

Discriminant Validity

Some standards were used in PLS to test the validity of discriminant as shown in the Table 5. The square root of each average variance extracted (AVE) for each construct, including the other constructs, must have a high correlation level. Fornell and Larcker (1981) stated that the square root of each construct in its AVE must be compared to the constructions' correlations for all various constructs to manage discriminant validity.

Table 5. Discriminant Validity Constructs

	FRQ	Adopt-IFRS-Effective	Adopt-IFRS-Not Effective
FRQ	1.000		
Adopt-IFRS-Effective	0.495	1.000	
Adopt-IFRS-Not-Effective	0.096	0.089	1.000

Once the measurement model was analyzed and satisfied all requirements, the structural-model analysis was completed. The assessment of the determination coefficient (R^2) was measured as shown in the Table 6. Throughout this work, a variable that is endogenous shows an R^2 value of 0.248. FRQ suggests that 24 percent of the variance in FRQ will be explained by the predictors (Adopt-IFRS-Effective and Adopt-IFRS-Not-Effective).

Table 6. Discriminant Validity Constructs

Matrix	R Square	R Square A
FRQ	0.248	0.231

Hypothesis Testing

Table 7 shows the results from the hypothesis testing, where it was found that the hypothesis related to Adopt-IFRS-Effective was accepted, while the Adopt-IFRS-Not-Effective was rejected. The result revealed that the Adopt-IFRS-Effective was positively significant about financial reporting quality, with P<0.000, t = 5.810. This finding indicates that Adopt-IFRS-Effective has a significant effect on financial reporting quality. On the other hand, the finding showed that

Adopt-IFRS-Not-Effective was positively insignificant about financial reporting quality, which was P<0.605, t = 0.518. This result indicates that Adopt-IFRS-Not-Effective does not influence the level of quality of financial reporting.

Table 7. Path Coefficients

	Original Sample	Sample Mean (M)	Standard Deviation	T Statistics (O/STDEV)	P Values	Accepted/Rejected
Adopt-IFRS-Effective -> FRQ	0.490	0.494	0.084	5.810	0.000***	Accepted
Adopt-IFRS-Not-Effective - > FRQ	0.052	0.052	0.101	0.518	0.605	Rejected

Note: levels of Significance: *p < 0.05 (t >1.605), **p < 0. 01 (t >2.33), *** P < 0. 001 (t >3.33).

DISCUSSION

The adoption of IFRS is a global issue among different countries due to the need for uniformity, reliability, standardization, and comparability of financial statements of firms (Madawaki, 2012). IFRS adoption is one of the few topics of accounting research that has direct policy implications (Opare et al., 2021). Adopting IFRS is a significant thing because it is an international financial reporting formula. It makes companies and institutions of various activities to be more aware and closer to the global financial market. IFRS enhanced the quality of financial reporting, hastening the transition from a planned to a market economy (Maradona & Chand, 2018). Furthermore, empirical investigations on the factors influencing IFRS adoption have shown conflicting findings. As Yip and Young (2012) and Jones and Finley (2011) aimed to improve the comparability of financial reporting, Bischof (2009) concluded that there is a drop in incomparability.

The results show a significant positive relationship between the Adopt-IFRS-Effective and quality of financial reporting (P<0.000, t = 5.810). This indicates that the adoption and application of more IFRS standards will lead to giving a high quality of financial reporting. This finding is consistent with a study by Wahyuni, Puspitasari, and Puspitasari (2020). IFRS adoption has a positive effect on financial reporting quality. The adoption of IFRS has gained increased attention in recent years due to its favorable influence on the quality of financial reporting and on capital market efficiency (Mensah, 2020). Findings are consistent with Eleng and Bassey's (2017) results. There is a favorable relationship between IFRS adoption and the company's financial reporting quality and credibility. The cost implications of IFRS adoption impact the financial reporting credibility of manufacturing enterprises. In addition, Musa (2019) stated that IFRS adoption results in improved quality of financial reporting and increases foreign direct investment across nations. For the Adopt-IFRS-Not-Effective and quality of financial reporting, the results show that there was a positively insignificant impact on financial reporting quality where the value was P<0.605, t = 0.518. This result indicates that Adopt-IFRS-Not-Effective does not influence the quality of financial reporting level. This result is consistent with a study by Alshetwi (2020). The analysis indicates that IFRS adoption is not substantially associated with improved financial reporting quality. Firms that employed Adopt-IFRS-Effective had high financial reporting quality, while firms that did not employ Adopt-IFRS-Not-Effective did not affect their quality. This is because financial reporting is not solely dependent on these standards. Also, this study advises scholars and researchers in the Sultanate of Oman to explore this topic more because there is little literature on IFRS in the Gulf Cooperation Council (GCC), especially in Oman, and its impact on financial reports for other factors such as relevance, transparency, comparability, corporate governance, performance, industry type, and others.

IMPLICATIONS OF THE STUDY

The theoretical significance of the current study stems from an attempt to study IFRS and link it with financial reporting, by providing an integrated theoretical framework for these variables, and identifying the nature of the theoretical relationship between them, which will lead to filling the research gap in the theoretical literature regarding the relationship nature between the variables. The practical significance of the current study derives from the results that it will present to stakeholders, shareholders, and Omani firm management regarding the level of IFRS, and how it influences financial reporting, as these outcomes will provide an enhanced understanding with respect to the relationship between the variables and how they interact with each other.

CONCLUSION

The objective of this research was to explore the relationship between International Financial Reporting Standards (IFRS) and financial reporting in the Omani context for year 2020. It is surely useful for firms in Muscat Securities Market in Oman. The findings of this work indicated that the adoption of IFRS has a significant positive impact to the financial reporting in Sultanate of Oman listed companies. Due to the existence of a gap in the literature and a lack in examination of IFRS adoption in Oman, the present work contributes by adding thoughts and knowledge to the existing literature in Sultanate of Oman. The content examination was a way for measuring disclosure on standards of IFRS adoption and financial reporting quality for each company. In addition, the results indicated there is an influence of IFRS adoption on financial reporting quality. Thus, this research found that as IFRS adoption increases, the quality of financial reporting increases. Moreover, Adopt-IFRS-Not-Effective does not impact the level of quality of financial reporting.This findings will give investors and users of financial statements the awareness on the impacts of IFRS adoption on the financial reporting quality. Thus, they can do the best assessment and evaluation of financially indigent companies.

RECOMMENDATION AND LIMITATIONS

Many recommendations for further research are included in this project. This research examined the direct relationship between the adoption of IFRS and financial reporting in Oman. The researcher proposes that all firms embrace the IFRS for quality financial reporting. Given the result, this research suggests that more studies based on recent data on IFRS adoption are needed, as several standards have undergone major adjustments and novel standards have been established. Furthermore, future studies should look at the influence of corporate governance, audit quality, and other variables on IFRS implementation. In addition, the tertiary institutions' curriculum ought to be revised to include IFRS so that the accountants and auditors are familiar with the standards and rules. Also, the institutions' managers should encourage their accountants and auditors to participate in mandatory Continuing Professional Education courses, conferences, and seminars on adopting IFRS. This will lead to an awareness effort to guarantee that IFRS is fully implemented in the corporate world.

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CONFLICT OF INTEREST

As stated previously, the authors certify that they have no affiliations or involvement with any organization or institution in which they have any financial interest (e.g., honoraria, educational grants, participation in speakers' bureaus, memberships, employment, consultancies, coverage of this manuscript stock ownership or other interest in the subject matter or materials, expert testimony or patent arrangements) or non-financial interest (such as personal or professional relationships, affiliations, experience or beliefs).

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