Adoption of International Financial Reporting Standards (IFRS) and Enhancement of Financial Reporting in Oman Higher Education Institutions

Rayan Zahran Al-Naabi; Siham Mohammed Al-Rawahi; Shamia Sulaiman Al-Balushi; Mohammed Babiker Mohammed Ahmed

Oman College of Management and Technology

DOI: https://dx.doi.org/10.47772/IJRISS.2024.805027

Received: 04 April 2024; Revised: 26 April 2024; Accepted: 01 May 2024 Published: 29 May 2024

ABSTRACT

The demand for globally harmonized accounting standards has increased as a result of the globalization of capital markets. The International Accounting Standards Board (IASB), which established IFRS, is thought by regulators to produce harmonized financial reporting. Although several empirical studies have looked at the effects of IFRS adoption, their breadth has been constrained. Therefore, the research explored the adoption of international standards for financial reporting in Omani higher education institutions. Through secondary data, we concluded that there are no colleges or universities listed on the Muscat Stock Exchange except for one, which is Majan University College, adopting and implementing of International Financial Reporting Standards among Omani Higher Education Institutions (HEI's) will enhance its financial reporting and lead to register these institutions to financial market such Muscat Securities Market (MSM).

Keywords: IFRS, OHEI, OHEIFR

INTRODUCTION

The IFRS have a forty-year history. The International Accounting Standards Committee (IASC), which later underwent restructuring to become the International Accounting Standards Board, released the first set of IASs in 1971. (IASB). The vast majority of nations that have implemented IFRS is proof that the IASB has completely changed the landscape of financial reporting worldwide. This is true even when one disregards EU adoption, which gave IFRS its initial boost in popularity.

International Financial Reporting Standards (IFRS) is required in 167 jurisdictions and permitted in many parts of the world.The International Accounting Standards Board (IASB), which took over for the IASC in 2001, was given the mandate to create international accounting standards in order to bring about convergence between different national accounting standards. The new Board embraced current IAS and Standing Interpretations Committee standards during its first meeting (SICs).

International Financial Reporting Standards are the new standards that the IASB has continuing to develop (IFRS). When the US Financial Accounting Standards Board (FASB) and the Interagency Standing Committee (IASC) started cooperating closely on their agreement to create uniform, high-quality accounting standards that could be adopted for both domestic and cross-border financial affairs reporting in September 2002, the dominance of IFRS further increased. These organizations are considerably ahead of schedule in achieving the convergence of American generally accepted accounting principles with international financial reporting standards (GAAP). Although many developing nations have followed the lead of the world's most developed economies to either adapt, adopt, or converge with IFRS in order to avoid falling behind. In general, an entity must adhere to each IFRS that is in place as of the reporting date for its first IFRS financial statements in order to comply with the IFRS.

In specifically, the IFRS stipulates that an organization must comply with the following in the opening IFRS balance sheet it creates as a foundation for its (IFRS) accounting. The International Financial Reporting Standards (IFRS) are a collection of accounting guidelines that help Omani higher education institutions improve their financial reporting by describing how specific kinds of transactions and events are recorded in financial statements. Regardless of the organization or nation, reports also aim to achieve consistency and integrity in accounting standards and processes. International Financial Reporting Standards provide comprehensive guidance on how businesses must maintain their books and disclose their costs and income.

They were developed to establish a generally understood accounting language for use by investors, auditors, government regulators, and other interested parties. It was created by the International Accounting Standards Board, a non-profit division of the International Financial Reporting Standards Foundation, which has its headquarters in London. According to the organization, its guidelines are established "to promote transparency, accountability, and efficiency in global financial markets. In additional, for financial years beginning on or after January 1, 2005, the majority of corporations in the EU with securities traded on regulated markets have been required to produce consolidated accounts in accordance with IFRS (as endorsed by the European Commission [EC]).

However, businesses with only publicly listed debt securities were permitted to delay adoption. About the same time, a number of other countries, including Australia and Hong Kong, made the decision to adopt IFRS. Thereafter, a number of other countries did the same.The goals and justification for adopting IFRS the improvement of reporting quality and the improvement of international financial statement comparability are two frequently cited goals of IFRS adoption. Even the European Parliament's Regulation 1606/2002, which mandated that the EU adopt IFRS, reflects this point of view. Proper implementation of IFRSs ensures that organizations operate with honor and build reputable business relationships with stakeholders. Effective accounting disclosures are essential to gaining shareholder confidence, and good applications and practices of International Financial Reporting Standards are essential tools in this regard. On the other hand, these standards define optimal corporate governance standards. In today's competitive age, the application and practice of appropriate IFRS is a more relevant issue for the excellent management of an organization because such applications uphold the respected position of the organization in the corporate world.

The adoption of IFRS is designed to produce "a high degree of transparency and comparability of financial statements and, as a result, an efficient functioning of the (EU) Community capital market and of the Internal Market," according to the legislation.Oman is one of those nations that adheres to the principles of international accounting and financial reporting standards in both the public and commercial sectors,(Sarafeim, 2012)

Research Questions

The objectives of this study are structured to:

1. Investigate how can the International Financial Reporting Standards enhance Omani Higher Education Institutions Financial Reporting (OHEIFR)?
2. Determine why it’s an important for Omani Higher Education Institutions (OHEI) to adopt International Financial Reporting Standards?
3. Explore how can the Government monitor Omani Higher Education Institutions complying with International Financial Reporting Standards?

Research Objectives

The objectives of this study are to enhance the Financial Reporting Standard in Omani Higher Education Institutions by adopting International Financial Reporting Standards. The specific objectives of the study are set to:

1. Enhance Oman Higher Education Institutions Financial Reporting based on International Financial Reporting Standards (IFRS) to provide a solid foundation for the strategic planning of the academic institution, (Sarafeim, 2012).
2. Adopt the International Financial Reporting Standards (IFRS) by Omani Higher Education Institutions for better financial reporting, (Sarafeim, 2007).
3. Monitor Omani Higher Education Institutions by the government to ensure that all academic institutions in Oman are complying with International Financial Reporting Standards (IFRS), (Azobi, 2019).

STATEMENT OF THE PROBLEM

The management of higher education institutions seeks to establish laws and guidelines related to each other to reduce conflicts in reporting of their financial statements. If the management of OHEIFR is not supported by reliable government regulations to governor the reporting of Financial Reports by OHEI, the Omani Higher Education Institutions Financial Report will not be effective.

The financial report also plays a role in helping organizations to make the most appropriate financial decisions, for example how to keep their records and report their will and expenses, by using a single accounting language or method in transactions and financial statements. (Sarafeim, 2012).

REVIEW OF LITERATURE

Based on the observation about the financial statement that prepared form SME's by the companies using IFRS are considered more useful and credible comparing to those prepared without complying with IFRS (Business Today, 2009). On January 2013, Oman Business Community was prepared and implement IFRS-9 Instead of IFRS-39(Manayseh, 2015)

Moreover, Wagenhofer& Ewart (2015) concluded that requiring the adoption of accounting standards does not always result in better financial reporting. The justification was that increasing accounting earnings' insight into the underlying events generally affects the smoothness of results across periods. Since it is too expensive to totally eradicate it, managers that are interested in steady earnings engage in earnings management to offset this effect,(Ewart, 2015).

Despite some difficulties, the introduction of IFRS in India increased the transparency of financial reporting, according to Ashok (2014).

The mandated adoption of IAS/IFRS, according to Zicke (2014), has not resulted in an increase in the caliber of financial reporting,(Zicke, 2014).

According to Ms. Archana Petro in Dr. V. K. Gupta's 2012 paper, accounting standards will have a significant impact on how well capital market's function, but investors are currently mostly unaware of this, necessitating the creation of clear and detailed guidelines to make them aware.

According to Christensen et al. (2013), companies who implemented IFRS freely saw a decline in earning management whereas companies that waited until IFRS became required in Germany saw an increase in earnings smoothing,(Christensen, 2013).

Christensen et al. (2013) examined whether the implementation of IAS/IFRS resulted in higher-quality financial reporting. In line with earlier research, they discovered that voluntary adoption was linked to less earnings smoothing and earlier loss realization. They discovered no proof of such financial reporting quality advancements in the necessary settings, however,(Christensen, 2013).

ISSN NO. 2454-6186 | DOI: 10.47772/IJRISS |VOLUME VIII ISSUE V MAY 2024

Christensen (2013) discovered that organizations with incentives to adopt IFRS showed gains in earnings management and prompt loss recognition behavior, indicating that incentives outweigh IFRS in influencing financial reporting quality,(Christensen, 2013).

By proving that businesses adopting IFRS are more likely to smooth earnings compared to businesses not adopting them, Titas Rudra (2012) investigates the fact that the majority of the past results focused on developed countries. These results may cause authorities to consider whether IFRS can effectively reduce opportunistic earnings management in an expanding market like India, particularly at a time when the country's accounting standards are being significantly altered by the gradual adoption of IFRS,(Rudra, 2012).

Financial reporting is a crucial component of the regulations and standards that the capital market needs to operate effectively (Oketola, 2012). The importance of establishing IFRS the world involves assisting investors in the international stock markets in comprehending financial statements, according to Fowokan (2011), referenced in Ezeani and Oladele (2012). This could be accomplished if Nigerian businesses submit timely, accurate corporate financial reports that concentrate on important market issues,(Oketola, 2012).

Ezeani and Oladele (2012) noted that one of the benefits of adopting IFRS in Nigeria and other nations is that it will make it easier for people to understand financial statements when trading on international stock exchanges. This could be accomplished if Nigerian businesses produce timely, accurate corporate financial reports that concentrate on important market issues,(Oladele, 2012)

Using information from the Institute for Management Development's Annual Executive Opinion Survey, Kim et al. (2012) compute regulatory reform metrics at the national level. 88 Despite the survey's primary goal of providing quantifiable measures of management practices, labor relations, and corruption, respondents are explicitly asked to rate how effectively auditing and accounting procedures are implemented in their organizations and how well corporate boards oversee company management. The authors use the variations in these scores between the pre- and post-IFRS periods to gauge changes in regulatory levels,(al., 2012).

Wen Qu (2012) used a sample of 309 Chinese listed companies to examine whether IFRS convergence improves the quality of financial reporting. They discovered that earnings per share, relative to book value of equity, is a significant predictor of market return in both the pre- and post-IFRS convergence periods, indicating that investors heavily rely on earnings reported by listed companies when setting security prices in the capital market. The findings also imply that throughout the post-IFRS convergence phase, investors' dependence on financial information for investment decisions increases.These results corroborated those of (Chalmers et al. 2011), who discovered that the adoption and convergence of IFRS increase the informational value of earnings. Gordon (2012) also discovered that for Chinese listed businesses, earnings smoothing decreased post-convergence compared to pre-convergence, showing that the IFRS have improved the caliber of financial reporting,(Gordon, 2012).

Sarafeim, (2012) make the similar claim and express future confidence in the ability of financial regulations to persist in the capital market and eventually enhance the caliber of financial reporting. Its indicators of quality, such as forecast accuracy, showed that the information environment had improved as a result of the requirements. Additionally, they discovered a small difference between local GAAP and IFRS, as well as more advancements in forecast accuracy, all of which point to shared influences on financial reporting quality,(Sarafeim, 2012).

Sellhorn (2012) also acknowledged the abundance of evidence showing a correlation between financial regulations and the capital market as well as other flow-on benefits to the economy demonstrating that financial regulations produce generally higher quality financial information. Also, they contended that the influence of legal frameworks and corporate incentives varies the effect of financial regulations on the caliber of reporting. However, based on the latest research by Ahio (2015), there is clashing evidence about the quality of financial reporting value and the impact of the financial laws, these consequences may vary depending on the influences of the company's overall the institutional arrangements(Sellhorn, 2012).

This indicates that for public corporations to operate effectively, consistency and adherence to relevant norms are required,(Donwa, 2011).

Ezeani and Oladele (2012) assert that the PIMM theory, which is founded on the behavioural element of accounting, necessitates adherence to the laws, regulations, standards, and rules that apply to every type of organization(Sellhorn, 2012).

Therefore, if the management of businesses or institutions uses the PIMM of accountability properly, it will have a good impact on public accountability,(Oladele, 2010)

The main reason for the improbable progression of IFRS adoption is to address global accounting issues, but there are still many challenges to be overcome in addition to national and regional variations in the interpretation and application of accounting principles and standards (Gujarat, 2008). Another major concern is the arbitrary degree of transparency in the IFRS adoption process,(Gujarat, 2008).

According to Kim Nilson (2008), the process of disseminating accounting information to various stakeholders will be significantly impacted by the incorporation of the International Financial Reporting Standard during the preparation of financial statements. Although steps have already been taken to integrate IFRS and IAS into the accounting system, there are still a number of obstacles that need to be removed,(Nilson, 2008).

Barth et al. (2008) also looked at accounting quality for a sample of 327 companies that voluntarily adopted IAS from 1994 to 2003 before and after the mandated adoption of IFRS. In comparison to the local GAAP accounting used before to the changeover, they discovered indications of reduced earnings management, more value relevance, and more prompt loss recognition after the mandated introduction of IFRS.Their findings are in line with improved financial reporting quality across nations following the adoption of IFRS. Additionally, it is anticipated that the adoption of more IFRS-compliant accounting standards will increase disclosure, lower the risk associated with foreign investments, and remove a significant source of uncertainty surrounding the comparison of financial reporting from China and other nations (Ryan, 2008).

According to Aisbitt (2006) and Cordazzo (2008), the impact of IFRS adoption has a bigger impact on net income when compared to shareholder equity. Some studies were unable to provide a clear picture of how IFRS affected earnings (Jaruga et al., 2007). Nominal profit and business size have no bearing on the profit adjustment (Perramon and Amat, 2006). The implementation of IFRS has resulted in a decrease in the cost of capital and an increase in equity valuation. Additionally, analysis reveals that the nations that have previously embraced IFRS have higher levels of liquidity,(al, 2008).

Dr. K. Shankaraiah argues in 2004 that the use of accounting standards is crucial for corporate governance since it increases management's confidence and makes disclosures more effective. Despite some difficulties, the introduction of IFRS in India increased the transparency of financial reporting, according to Ashok (2014). Synchronization of accounting standards will be essential to improving regional cooperation in the area of cross-border trade among GCC nations,(Joshi, 2003).

RESEARCH METHODOLOGY

This research uses only secondary data, which is data collected by researchers from other sources, and this data is analyzed and interpreted from various sources such as books, articles, online libraries, newspapers, previous studies, and websites of Institutions that use International Financial Reporting Standards, those information that are found on these websites, for example but not limited: Muscat Securities Market and the

Oman Ministry of Higher Education, Research and Innovations,Oman Ministry of Commerce and other different government publications related to IFRS. This study uses secondary data to collect the information because it is easy to find it from different sources and obtainingIFRS data.

FINDINGS

Although the impact of cross-border business activities and capital outflows is currently being identified worldwide, and the reason for adoption of International Financial Reporting Standards (IFRS) is becoming increasingly apparent, IFRS refers to one set of accounting standardsto help institutions communicate useful financial or accounting information to the various stakeholders to make rational investment decision. The benefits of adopting International Financial Reporting Standards (IFRS) and enhancing financial reporting in Omani higher education institutions and proper implementation of international standards is important not only for industries but for higher education sector as well as it will lead and open the door for HEI's entities to be listed under in the local or international financial markets. Therefor, adoption of theses standards in the Oman HEI's it's crucial in leveraging financial reporting of these institutions and this automatically led to increasing number of listed institutions in the Muscat Securities Market (MSM)

CONCLUSION

A conclusion that describes how different types of transactions and events are presented in the financial statements of higher education institutions in the Sultanate of Oman and outside the Sultanate, based on research and papers on international accounting. The International Accounting Standards Board drafts and publishes the International Standards for Use in Institutions of Higher Education (IFRS). It sets out in detail the procedures accountants use to manage their records and accounts. Any educational institution that uses contemporary technologies to increase business efficiency can make business continuity and expansion a top priority. We can note that one of the unique innovations that make higher education institutions effective with customers and enables the institution to operate smoothly is international accounting. The accounting system has evolved into international accounting for higher education institutions, which is characterized by immediate access to data and processing at any time. All information is now stored in a storage unit, making it easy to register to access it and make the best possible decision. However, there are a lot of potential problems higher education institutions can encounter when using international accounting. These dangers result from the basic features of technology and the Internet. International Accounting complies with the requirements of the new training model for the advancement of financial accounting in educational institutions. Also, due to the high cost of maintaining and updating programs, especially those that provide financial and accounting services, which has led to increased competition between different educational institutions. In order for all educational institutions to function better than ever before, international accounting can be adopted for higher education institutions around the world.

According on the study's findings, the following conclusions were made:

1. Oman's institutions' current level of public accountability needs to be saved. It has been difficult to successfully persuade such institutions' frequently corrupt management to change their behavior in line with the accountability principle and financial reporting rules and norms.
2. In carrying out their jobs, accountants and auditors must concentrate on a variety of accounting-related subjects. When a professional accountant or auditor has a wide range of abilities, he or she can carry out their duties effectively and efficiently.
3. When adopting IFRS in Omani institutions, there are a lot of implications.
4. Excludes workers who have a substantial involvement in IFRS financial instruments, such as financial controllers, security analysts, auditors, and accountants.

RECOMMENDATIONS

1. A center of excellence for IFRS should be built in order to achieve the efficient training and capacity building needed for efficient implementation of IFRS. In other words, training should be totally devoted to IFRS education, fusing classroom instruction with real-world scenarios.
2. Our tertiary schools' curriculum should be reviewed to include IFRS so that our accountants and auditors will be familiar with its principles and requirements.
3. In order to prepare accounting graduates for the anticipated increase in demand for standards professionals in international financial reporting, there will be a linking program between NASB, NUC, and professional accountancy bodies to design a fast-track IFRS teaching and learning program in higher education institutions in Oman.
4. The government should promote websites on IFRS and related topics on a repository of knowledge as it relates to financial reporting or solutions to challenges connected to SAS. Also, the Train the Trainer curriculum ought to be suggested for lectures at higher education institutions. In order to impart knowledge of IFRS to students, lecturers from these accounting graduates must also be divulged on the present trend of IFRS at Oman's higher education institutions. Knowledge must be shared, and knowledge itself must be present.
5. Also, the Train the Trainer curriculum ought to be suggested for lectures at higher education institutions. In order to impart knowledge of IFRS to students, lecturers from these accounting graduates must also be divulged on the present trend of IFRS at Oman's higher education institutions. Knowledge must be shared, and knowledge itself must be present.
6. The management of the institutions should support the attendance of Required Continuing Professional Education workshops, conferences, and seminars by their accountants and auditors. Since this is how our instructors, accountants, auditors, and aspiring accountants would stay current with the new accounting world and properly carry out their tasks.

REFERENCES

1. Ramanna, K. and Sletten, E., 2009. Why do countries adopt international financial reporting standards? *Harvard Business School Accounting & Management Unit Working Paper*, (09-102).
2. Kaya, D. and Koch, M., 2015. Countries' adoption of the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)–early empirical evidence. *Accounting and Business Research*, *45*(1), pp.93-120.
3. Alnodel, A., 2016. The effect of the adoption of international financial reporting standards on Capital market integration in the Gulf cooperation council countries. *Risk Governance & Control: Financial Markets & Institutions*, *6*(4), pp.464-474.
4. Taiwo, F.H. and Adejare, A.T., 2014. Empirical analysis of the effect of international financial reporting standards (IFRS) adoption on accounting practices in Nigeria. *Archives of Business Research*, *2*(2), pp.01-14.
5. Nurunnabi, M., 2017. Auditors' perceptions of the implementation of International Financial Reporting Standards (IFRS) in a developing country. *Journal of Accounting in Emerging Economies*, *7*(1), pp.108-133.
6. Alanezi, F.S., Alfaraih, M.M., Alrashaid, E.A. and Albolushi, S.S., 2012. Dual/joint auditors and the level of compliance with international financial reporting standards (IFRS-required disclosure): The case of financial institutions in Kuwait. *Journal of Economic and Administrative Sciences*, *28*(2), pp.109-129.
7. Zori, S.G., 2015. *To adopt or not to adopt? The transnational adoption of international financial reporting standards (IFRS) in africa* (Doctoral dissertation, University of Cologne Cologne).
8. Zahid, R.A. and Simga-Mugan, C., 2022. The impact of International Financial Reporting Standards adoption on the integration of capital markets. *International Journal of Finance & Economics*.
9. Herath, S.K. and Alsulmi, F.H., 2017. International financial reporting standards (IFRS): The benefits, obstacles, and opportunities for implementation in Saudi Arabia. *International Journal of Social Science and Business*, *2*(1), pp.1-18.

10. Azeez, O.A., 2021. A REVIEW OF AFTER INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTION IMPACT ON FINANCIAL STATEMENTS OF COMPANIES: EVIDENCE FROM NIGERIA. *Zbornikradova*, (XVII), pp.149-163.
11. Irvine, H. and Lucas, N., 2006. The rationale and impact of the adoption of International Financial Reporting Standards: the case of the United Arab Emirates. In *Proceedings of the 18th Asian-Pacific Conference on International Accounting Issues* (pp. 1-22). California State University, The Sid Craig School of Business.
12. Abdelqader, M., Darwish, T.K. and Nimer, K., 2022. *Corporate Governance and IFRS in the Middle East: Compliance with International Financial Reporting Standards*. Taylor & Francis.
13. Roberts, C.B., Weetman, P. and Gordon, P., 2005. *International financial reporting: a comparative approach*. Pearson Education.
14. Al-Aamri, A.K., Al-musallami, F.H., Ahmed, E.R. and Qazi, M., 2021. Impact of audit committees on quality of financial Reporting: A Study in Oman. *International Journal of Business and Management Invention (IJBMI)*, *10*(10), pp.35-43.
15. Shiyanbola, A., Adeyemi, S.B. and Adelakun, O.J., 2015. Issues and challenges in the adoption of