

Factors Affecting IFRS Adoption In Pakistan And Its Impact On Firm Performance

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Article Info	Abstract
Article History Received: April 26, 2021 Accepted: November 30, 2021 Keywords : International Financial Reporting Standards Adoption, Firm Performance, accounting development, Influencing Factors of IFRS Adoption DOI: 10.5281/zenodo.5760053	<i>The main objective of the study was twofold, initially examining the impact of influencing factors of IFRS implementation on firm performance with the mediating role of IFRS adoption and secondly the exploring the perception of the respondents regarding IFRS adoption in Pakistan. To address the study's objective quantitative research method was opted using adapted survey instrument. The data has been collected from 3 respondents of each non-financial firms of 400 firms comprising a total of 1200 sample. After the data collection, initially demographic profile of the respondents was assessed using frequency tables. SEM was performed thereafter to examine both the unmediated and mediated effects among the variables of the study. The results of SEM for unmediated effects revealed that TMS, CIIFRS, CUUIFRS, M_E, TB and CSS has a statistically significant impact on IFRS Adoption while EDULEVEL, TRAINLEVEL, EMS and PB has an insignificant impact on IFRS Adoption. TMS, CUUIFRS, M_E, TB and CSS has a significant positive impact on IFRS Adoption while CIIFRS has a significant negative impact on IFRS Adoption. Additionally, the results of SEM for mediated effects with IFRS adoption revealed that there is a significant impact of determining factors of IFRS such as TRAINLEVEL, TMS, CIIFRS, CUUIFRS, M_E, TB and CSS on IFRSFS with the mediating role of IFRS Adoption while there is an insignificant impact of EDUCLEVEL, EM, and PB on IFRSFS with the mediating role of IFRS Adoption. TRAINLEVEL, TMS, CUUIFRS, M_E, TB and CSS have a significant positive impact on IFRSFS with the mediating role of IFRS Adoption while CIIFRS has a significant negative impact on IFRSFS with the mediating role of IFRS Adoption. Additionally, from the results it was observed that there is a significant impact of TRAINLEVEL, TMS, CIIFRS, CUUIFRS, M_E, TB and CSS on IFRSFIOC with the mediating role of IFRFIOC Adoption while there is an insignificant impact of EDUCLEVEL, EM, and PB on IFRSFIOC with the mediating role of IFRS Adoption. TRAINLEVEL, TMS, CUUIFRS, M_E, TB and CSS have a significant positive impact on IFRSFIOC with the mediating role of IFRS Adoption while CIIFRS has a significant negative impact on IFRSFIOC with the mediating role of IFRS Adoption. From the model fitness indices, it was observed that both the unmediated and mediated models are good fit based on the model fitness indices.</i> <i>After estimating both the unmediated and mediated effects, finally responses on perceptions of executives regarding IFRS adoption were collected and analyzed. Descriptive analysis was performed to assess executives' responses regarding IFRS adoption. It can be observed that the executives were of the opinion that to achieve true and fair view of the financial statements, the adoption of IFRS is appropriate. Likewise, they agreed to the statements that implementation of IFRS will increase the understandability of financial statements, it will provide professional opportunities to Pakistani professional across the globe, it will assure greater accessibility to funds for Pakistani companies, it will bring opportunities like accessing of global market with ease by Pakistani companies, it will increase financial statements comparability, it will increase transparency of the financial statements and it will eliminate the restatement of their companies. Moreover, it was observed that executives were indifferent regarding whether the implementation of IFRS will require too much disclosure which is at times a troublesome task and it will entail huge cost in terms of training</i>

Introduction

Benefits of adopting high quality financial reporting has been figured out different national and multinational organizations namely International Federation of Accountants (IFAC), Institute of Chartered Accountants of Pakistan (ICAP), Security and Exchange Commission Pakistan (SECP), World Bank and United Nations Conference on Trade and Development (UNCTAD). High quality financial reporting improves both the private and public sector growth and minimizes the volatility via enabling incorporation into global capital and financial markets, permitting the investors to assess the prospects of organizations and take useful decisions related to investment via reducing the fences of both borrowing and information cost, smoothening the availability of credits from financial sectors, contributing to portfolio and foreign direct investment (FDI), consolidating the financial design and mitigating the risk of financial crunches alongside negative economic effects (Hegarty, Gielen & Barros, 2004). In specific, the adoption of IFR standards is substantial for developing economies to attract FDI and uplift the living standards and income per capita of its population. Economies that are supported by high quality standards, strong regulatory and statutory framework and governance gains the potential to progress (Wong, 2004). Tarca (2012) provided a brief review of the studies assessing the case for worldwide usage of IFRS and concluded that IFRS has increased the cross-border investment and market operations. Likewise, the advantages of high-quality financial reporting are likely to be experienced when the applications of IFRS is backed via framework which embraces competent experts, ample enforcement and monitoring and legal protections.

The UNCTAD is of the belief that high quality financial reporting is fundamental to increase the transparency and smoothening of local and cross-border investment, developing a sound environment for investment, encouraging the confidence of investors and improving the financial stability both on macro and micro level. Moreover, a potential and equivalent reporting method enables the cross-border financial resources flows and simultaneously helping in the minimization of mismanagement and corruption of the resources. The adoption of IFRS also strengthens the cross-border competition of firms by enticing outside funding and promoting from cross-border market opportunities (UNCTAD, 2012).

Though adoption of IFRS has continued equitably fast in West, the rate of adoption has been leisurelier in Pakistan. It has been observed from evaluating a single study conducted in the field in Pakistan on manufacturing firms of Pakistan (Iqbal, 2021). According to a report of Deloitte most of the economies hadn't adopted and permitted IFRS for their listed companies till 2005. But then gradually economies realized its advantages and because of which they started adopting IFRS standards (Deloitte, 2018). ICAP a standard setting body permitted and directed both listed and non-listed organizations to uniformly adopt the standards. With this the study aims to identify factors affecting IFRS adoption in Pakistan and its impact on firm performance.

Research (Chandler & Holzer, 1984; Zeghal & Mhedhbi, 2006; Sharif, 2010; Mir and Rahman, 2005; Aljifriand Khasharmeh, 2006; Chamisa, 2000; Iqbal, 2021; Aljifriand Khasharmeh, 2006; Zaidi & Paz, 2015) have figured out several attributes which are likely to influence the adoption of IFRS. Exploring factors are substantial for several reasons like providing information related an economy's development to the stakeholder's range including government, regulatory bodies, donors' agencies within economies, experts and international organizations namely International Accounting Standards Board (IASB) and IFAC and other preparers and users of the financial reporting and alongside its impact on firm performance to check whether development and growth has been experienced in listed firms of Pakistan.

Problem Statement

Recently, the development of IAS (International Accounting Standards) and the adoption by industrialized economies like Germany, US, Canada and Britain, member economies of UK and South Asian Countries such as India and Pakistan have been a fundamental area of interest among the accounting experts. Beside several studies related to the adoption of IFRS by developed and developing economies around the world, less attention has been provided to developing economy like Pakistan. Practically, no empirical study related to the adoption of IFRS by developing economies and in specific Pakistan exist (Iqbal, 2021). In additional, just one research that is conducted primarily focused on factors affecting IFRS adoption in Pakistani listed manufacturing firms (Iqbal, 2021). This study only considered few factors and no mediating effect of IFRS adoption on financial statements and overall company.

Several studies have been performed to examine the adoption of IFRS in distinct economies of the world. A couple of studies have been performed in relation to its significance, IFRS impact on financial statements and overall company (Iqbal, 2021; Sharif, 2010; Mensah, 2020; Kamarajugadda & Sireesha, 2015; Yayas & Perera, 2019 & Yeboah & Takacs, 2018). Though these studies haven't expressed clearly if the IFRS adoption mediates between determining factors of IFRS adoption and financial statements and overall company or not.

The above stated and several other studies have been performed to examine the adoption of IFRS in several developed economies. Since UK was the prime one to adopt the IFRS across its members countries, most of the studies have been performed in UK. In comparison to that just one study has been conducted in Pakistan and

other developing countries. This study attempted to fill the gap and tried to study the Pakistani data with reference to the determining factors of IFRS adoption, IFRS adoption, IFRS impact on financial statements and overall company. Additionally, perception of professionals regarding the adoption of IFRS has been assessed. This study is thus motivated due to absence of studies in area of IFRS Adoption, its impact on financial statements and overall financials of companies in Pakistan. Additionally, it is significant to observe that the Pakistani environment is distinct from developed economies environment where profession of accounting is more advance and where there is a particular couple of regulations and standards setting organization. Thus, it is important to observe the problems in developing economies specifically in the context of Pakistan to extend and enrich the knowledge of IFRS.

The rest section of this study is organized in a format that initially prior studies on the development of accounting has been evaluated together with factors that affect the IFRS adoption in Pakistan and then its impact on firm performance. Thereafter, it is followed by hypotheses development, research methodology, findings and discussion and conclusion, limitation and implications.

Research Hypotheses

H1: There is a significant impact of factors influencing IFRS implementation on IFRS adoption

H2: There is a significant positive impact of IFRS adoption on firm performance

H3: IFRS adoption significantly mediates between factors influencing IFRS adoption and firm performance

Literature Review

Since UK was the pioneer in developing the accounting standards and was the one setting a standard body thus UK is enriched with the studies related to accounting development. Whittington (2005) argued that the key reason for accepting IFRSs is the requirement of universal language of accountancy and the essentials of internationalization of financial markets. Frey and Chandler (2007) showed that IFRS assist in comparison of financial statements and reports between companies in the same industry, even if they were functioning in other markets. Furthermore, any countries which do not have own accounting standards, would enable and promptly improving their accounting standards and practice which would able them to get entrée into global capital market (Whittington, 2005). Frey and Chandler (2007) reported that implementing IFRS in emerging economies would save time and effort for these economies of the world establishing their own accounting standards. Additionally, the IFRSs adoption would lead to increase the quality of accounting standards and practices which will increase competitiveness in the market (Saudagaran and Diga, 2003). The IFRS adoption in some emerging countries, therefore, has become obligatory due to the effect of the universal organizations such as the World Bank and the IMF (Hooper and Morris, 2004). Sucher and Alexander (2004) highlighted that the International accounting firms (IAFs) played a major role in developing economies to get encourage them to implement IFRSs in order to recognized their firms globally. Saudagaran and Diga (2000) revealed that developing countries implement IFRSs to becoming acceptable in the global market. Conversely, they do not want to get central changes to their economic and political strategies which could be required to implement IFRS more professionally (Hussain et al., 2002). Various national and international organizations want to implement IFRS to achieve the international acceptability of the financial reports. Abd-Elsalam (1999) documented that Egypt has implemented IASs financial standards in 1993.

Nevertheless, the Egyptian accounting board in 1996 issued national standards. In 2003, the Gulf Co-Operation Council Accounting and Auditing Organization (GCCAAP) decided to implement IFRS in their listed companies (Al-Shammari, 2005). All of the GCC member's countries, except Saudi Arabia, not developed their own accounting standards; therefore it has been rational to accept IFRSs. Irvine and Lucas (2006) showed that UAE forced its listed companies to make their financial statements under IFRSs. Vinayagamoorthy. (2015) documented IGAAP is converging with IFRS in recent years, but differences still exists and these differences are challenges for IFRS. The study noted that IFRS is principles based than IGAAP, and therefore IFRS is more 'liberal' and early transition would be a challenge given opposite measurement and recognition standards for assets and liabilities.

Songlan P. et al. (2008), revealed improvement in IFRS compliance and consistency of the accounting methods of the Chinese firms used in annual reports. They also noted a decline in the incomes gap from 1999 to 2002. Conversely, they found that Chinese listed companies' compliance with IFRS is notably lower as compare to Chinese GAAP. John Goodwin, Kamran Ahmed and Richard Heaney (2007) showed that IFRS raises total liabilities and leverage ratio, declines equity and earnings. They also observed that the changes to accounting for intangibles, impairment components, and share-based payment provisions were value significant. Sofie Van Der Meulen, Ann Gaeremynck, Marleen Willekens (2006), found in their article titled "The Influence of Specific Accounting Differences on the Choice Between IFRS or US GAAP". Those firms choose that accounting rule that deals them the leading flexibility, less disclosure on relevant accounting items. Moreover, the measurement flexibility appears to effect in accounting numbers that are considerably valued by stockholders.

Factors Affecting IFRS Adoption

Iyoha and Faboyede, (2011), the study showed that the adoption of IFRS is forced by both internal and external factors. Internal factors are the demand of professionals, and preparers to work with global trends while

external factors are pressure from international audit firms and other leading organizations. The acceptance of International Financial Reporting Standards is mostly motivated by many factors which comprise professional support with IFRS familiarity and self-enforcement by firms.

Chamisa (2000) assessed the inconsistency of the significance of IASs to developing economies. The study described that there has been a significant raise in the number of professional bodies in emerging economies of the world. These bodies supported the implementation of IASs which recommends that these standards are pertinent and not risky to these countries. The results of the study presented that the implementation of IASs and its effect on the reporting practices of the registered companies seemed to be momentous and related to the country along with similar others economies where investors opinion is an imperative.

Zeghal and Mhedhbi (2006), they described that factors influencing the selection of accounting systems can be internal and external. The internal factors are economic growth and wealth of the firms, rate of inflation, the education level, the country's history, geography, the financial system, the legal system, the size of enterprises, sources of investment, the infamy of the accounting profession, the growth of financial market, source of financing and the leading culture and language of the country.

Carlin, Finch and Hidayah Laili (2009), Hanefah and Singh (2012), Yaacob and Che-Ahmad (2012), Muniandy and Ali (2012), Adibah Wan Ismail et al. (2013), Rad and Embong (2014), Abdullah et al. (2015), and Joshi, Yapa and Kraal (2016) conducted studies on IFRS and its impact on the performance, the IFRS compliance by listed firms, the impact of IFRS on the timeliness of the audit report and the audit pricing, the benefits and challenges of IFRS convergence. IFRS studies such as Damant (2006), Ball (2006), Jermakowicz and Gornik Tomaszewski (2006), Alali and Cao (2010), and Sidik and Rahim (2012) were studied the advantages and disadvantages of IFRS implementation. These findings recorded that the IFRS implementation increases the quality of financial reporting and its transparency and comparability. Ball (2006,) indicated that 'IFRS provide comprehensive, accurate, and appropriate financial statement information'. Ball (2006) furthermore discussed that IFRS implementation decreases international differences in accounting practice, thus refining the comparability of financial statement from different countries of the globe. The enhancement in the financial reporting quality is beneficial to shareholders who make investment decisions in firms since it can curtail the risk caused by poor investment decisions taken on the basis of financial statement information.

Based on one hundred and fifty nine interviewees, Sidik and Rahim (2012) described that majority of the respondents consists of accounting practitioners thought that the implementation of FRS can increase the transparency of financial reports and the comparability of financial statement among industries, and firms. Moreover, majority of the respondents were positive that the IFRS implementation can give other advantages, specifically the improvement in foreign capital. Yapa, Kraal and Joshi (2015) stated that professional working on academics and accounting bodies supposed that IFRS convergence could boost foreign investments. On the other hand, the study noted the uncertainty about greater transparency of financial reporting based on IFRS.

Based on the IFRS studies discussed above, it is debatable that IFRS implementation does influence the investment decision of shareholders, the economic results and the quality of financial reporting. Generally, the results from the IFRS studies showed that IFRS implementation has enhanced shareholders' trust on the quality of financial statement and reports set under IFRS, and it brought increase in market reaction and foreign investments. The IFRS studies found an enhancement in the quality of financial reports based on the decline in earnings smoothing, decline in managing earnings, timelier loss recognition, and value relevance of the firms. The studies on economic consequences reported a decline in cost of capital and rise in market liquidity of the firms. IFRS studies furthermore showed that the IFRS effect is linked with the level of legal enforcement, shareholder protection, the transparent incentive, and the comparison of the institutional environments in various countries nations. The following studies highlighted IFRS issues investigated and the studies linked with each issue.

Ball (2006), Jermakowicz and Gornik-Tomaszewski (2006), Damant (2006), Zeff (2007), Brown (2011), Alali and Cao (2010), and Sidik and Rahim (2012) studied the pro and cons of IFRS. Ashbaugh (2001), Renders and Gaeremynck (2007), Hope, Jin and Kang (2006), and Bova and Pereira (2012) examined the key reasons for adopting IFRS for countries and firms.

The impact of IFRS on foreign investments, home bias and the market response were studies by the following studies. Covrig, Defond & Hung (2007), Christensen, Lee and Walker (2007), Beneish and Yohn (2008), Daske et al. (2008), Horton and Serafeim (2010), Armstrong et al. (2010), Márquez-Ramos (2011), DeFond et al. (2011), Shima and Gordon (2011), Khurana and Michas (2011), Gordon, Loeb and Zhu (2012) and Hamberg et al. (2013).

Impact on the economic consequences examined by Daske (2006), Dargenidou, Mcleay and Raonic (2006), Li (2010), Daske et al. (2008), and Daske et al. (2013). The following studies the impact of IFRSs on the quality of financial reporting and financial statements of the firms. They found contracted results. Jermakowicz, Prather-Kinsey and Wulf (2007), Van Tendeloo and Vanstraelen (2005), Jeanjean and Stolowy (2008), Barth, Landsman and Lang (2008), Xiong and Ganguli (2009), Paglietti (2009), Callao and Jarne (2010), Zhou Aharony, Barniv and Falk (2010), Chen et al. (2010), Iatridis (2010), Iatridis and Rouvolis (2010), Devalle,

Onali and Magarini (2010), Kwong (2010), Kabir, Laswad and Islam (2010), Leventis, Dimitropoulos and Anandarajan (2010), Byard, Li and Yu (2011), Atwood et al. (2011), Liu et al. (2011), Zeghal, Chtourou and Sellami (2011), Clarkson et al. (2011), Tan, Wang and Welker (2011), Chua, Cheong and Gould (2012), Cotter, Tarca & Wee 2012, Yip and Young (2012), Brochet, Jagolinzer and Riedl (2013), Horton, Serafeim and Serafeim (2013), Ahmed, Neel and Wang (2013), and Paulo et al. (2013).

Some IFRS studies focused on one particular accounting quality, for instance comparability or value relevance or earnings management. Various research studies carried to examine the comparability of the firms (Tan, Wang & Welker 2011; Byard, Li & Yu 2011; Yip & Young 2012; Cotter, Tarca & Wee 2012; Horton, Serafeim & Serafeim 2013, Brochet, Jagolinzer & Riedl 2013). Moreover, some authors were examined to examined value relevance (Jermakowicz, Prather-Kinsey & Wulf 2007; Kwong 2010; Devalle, Onali & Magarini 2010; Aharony, Barniv & Falk 2010; and Clarkson et al. 2011). Jeanjean & Stolowy (2008), Van Tendeloo & Vanstraelen (2005) and Callao & Jarne (2010) conducted studies on earnings management.

Firm Performance

The IFRS adoption might have an impact on the financial statements because of the variation in accounting standards from indigenous to worldwide. The variations in financial statement depend upon the likeness amid the local accounting standards and IFRSs. As the introduction of IFRS, studies conducted to investigate the differences amid the financial statement and financial ratios based on IFRS and local accounting standards. These studies include Goodwin and Ahmed (2006), Callao et al. (2010), Jermakowicz (2004), Hung and Subramanyam (2007), Lantto and Sahlstrom (2009), Callao, Jarne, and Lainez (2007), Callao et al. (2009), Trewavas, Redmayne, and Laswad (2012), Goodwin, Ahmed, and Heaney (2008), Tsalavoutas and Evans (2010), Blanchette, Racicot, and Girard (2011), Stent, Bradbury and Hooks (2010), Ahmed and Alam (2012), Terzi, Oktem, and Sen (2013), Blanchette, Racicot, and Sedzro (2013), and Lueg, Punda and Burkert (2014). The following studies the impact of IFRSs on the quality of financial reporting and financial statements of the firms. They found contracted results. Jermakowicz, Prather-Kinsey and Wulf (2007), Van Tendeloo and Vanstraelen (2005), Jeanjean and Stolowy (2008), Barth, Landsman and Lang (2008), Xiong and Ganguli (2009), Paglietti (2009), Callao and Jarne (2010), Zhou Aharony, Barniv and Falk (2010), Chen et al. (2010), Iatridis (2010), Iatridis and Rouvolis (2010), Devalle, Onali and Magarini (2010), Kwong (2010), Kabir, Laswad and Islam (2010), Leventis, Dimitropoulos and Anandarajan (2010), Byard, Li and Yu (2011), Atwood et al. (2011), Liu et al. (2011), Zeghal, Chtourou and Sellami (2011), Clarkson et al. (2011), Tan, Wang and Welker (2011), Chua, Cheong and Gould (2012), Cotter, Tarca & Wee 2012, Yip and Young (2012), Brochet, Jagolinzer and Riedl (2013), Horton, Serafeim and Serafeim (2013), Ahmed, Neel and Wang (2013), and Paulo et al. (2013).

Hung and Subramanyam (2007) examined the effect of IFRS implementation on financial statements and ratios for eighty German registered firms during 1998 to 2002. The findings of the study exhibited a major increase in the average value of total assets of the firms, in the average book value, median value of total assets, and median value of total liabilities, median book value of the firms and median value of net income of the registered firms. These findings indicate that IFRS implementation did influence the financial statement and ratios of these firms and the implementation of IFRS had a positive significant impact on the financial statements. Umoren & Enag, 2015; Onipe, Onyabe & Usman, 2015; Otekunrin *et al*, 2018; Emeni, Uwuigbe, Uwuigbe and Erin, 2016; and Lawal *et al*, (2017) found the same results.

Callao, Jarne and Lainez (2007) conducted their study on the IFRS impact on the firm comparability and significance of financial reporting. The study observed lower firms comparability and found no improvement on financial reporting relevance for the twenty six firms. Furthermore, the study explored the variations in interim as well as annual financial statements and ratios. Based on the interim financial statements, the findings of the study recommended that the Spanish registered firms had higher cash and cash equivalents, cash ratio, long-term and total liabilities, and return on equity of the firms. The study also exhibited that these firms had a fewer debtors and equity, solvency ratio, operating income, and return on assets. Based on annual financial statements data the study of showed variations alike to those revealed in the interim statements.

Research Methodology

Research methodology is categorized into three sections. Initial section explains the latent factors utilized to estimate dependent, mediator and predictor variable. The next section illustrated sample firms and respondents and the final section specified econometric model and discussion of results.

Study Variables

Since the main objective of the study was twofold, initially examining the impact of determining factors of IFRS-on-IFRS Adoption and thereafter the impact of determining factors of IFRS on Financial Statements and Overall Company with the mediating role of IFRS Adoption by Pakistani companies, quantitative research method was selected utilizing survey approach (Creswell, 2009). The reason why quantitative research method was opted was due to ease of doing it and alongside time limitations. Therefore, the study used survey approach as it helps in providing structured and well-composed information to determine the observed factors of the study and finally interrelationships among the observed variables of the study (Malhotra & Grover, 1998).

Nature of the data was primary and cross sectional. Apparently, the type of data used in this study was discrete. All the constructs for determining factors of IFRS namely Education Level, Training Level, Professional Bodies, Cost of IFRS Implementation, Cost of IFRS Update, Executive Management Support, Top Management Support, Team Building, Monitoring & Evaluation, and IFRS Adoption, Financial Statements and Overall Company have been operationalized on a 5 Point Likert Scale (PLS). Variables of the study were operationalized on 5 PLS because most of the previous studies had operationalized such variables on 5 PLS hence this study adopted the same approach for operationalization of variables.

Initial section of the questionnaire included statements related to demographic profile of the respondents followed by constructs for several determining factors of IFRS adoption, constructs for IFRS Adoption, constructs for IFRS Impact on Financial Statements, and constructs for IFRS impact on overall company.

The constructs for fourteen determining factors of IFRS Adoption namely Education Level, Training Level, Professional Bodies, Cost of IFRS Implementation, Cost of IFRS Update, Executive Management Support, Top Management Support, Team Building, Monitoring & Evaluation and IFRS Adoption, IFRS Impact on Financial Statements and IFRS Impact on Overall Company were adapted from an already developed standard scale. The reason why the standard scale was opted was because of its validation. Additionally, it helps in determining the homological-validity of the latent items for observed variables when it is analyzed and confirmed over a period of time with several samples in distinct settings (Straub et al., 2004).

Firm Performance

Firm performance illustrated as IFRSFS which refers to ease of understandability of financial statements for investors, ease of usage for regulators and supervising bodies, comparability of financial statements across the countries, improvement of the quality of disclosures, stakeholders' confidence in financial statements, transparency, reliability and efficiency of financial statements via financial reporting. IFRSFS was taken as a dependent variable that was operationalized on 5 PLS based on prior literature. A total of eight (08) constructs were placed in the survey instrument for IFRSFS to measure IFRS Impact on Financial Statements (William et al., 2010).

IFRS Adoption

IFRS Adoption refers to improved efficiency of financial reporting, reliability, comparability, transparency, and objectivity as a result of IFRS adoption. This study considered IFRS Adoption as a mediating variable. A total of nine (09) latent constructs were adapted from the prior literature to address IFRS Adoption which was operationalized on 5 PLS (Neumann, 2007; Hoyle B., et al. 2009; Baker E. et al., 2009; Larsen E., 2008; Apostolos et al., 2010; Iyoha and Faboyede, 2011; Jermakowicz, 2004; Alicja et al., 2007; Susana et al., 2007; William et al., 2010).

Factors Influencing IFRS Adoption

There are ten determining factors of IFRS Adoption which this study attempted to explore and examined via considering them as predictor variable namely Education Level, Training Level, Professional Bodies, Cost of IFRS Implementation, Cost of IFRS Update, Executive Management Support, Top Management Support, Team Building, Monitoring & Evaluation operationalized on 5 PLS based on prior literature of determining factors of IFRS Adoption. As mentioned below:

Variables	Items	Codes	Definition	Sources
Education Level	6	EDULEVEL	Highly skilled and competent workforce	Chandler and Holzer (1984) & Zeghal and Mhedhbi, (2006)
Training Level	3	TRAINLEVEL	Trained and expert workforce	Chandler and Holzer (1984) & Zeghal and Mhedhbi, (2006)
Professional Bodies	6	PB	External experts and consultants	Sharif, (2010), Mir and Rahman (2005) Aljifriand Khasharmeh, (2006) & Chamisa (2000)
Cost of IFRS Implementation	4	CIIFRS	Cost of recruiting, adjusting and training	Iqbal (2021) & Sharif, (2010)

Cost of IFRS Update	3	CUUIFRS	Cost of updating accounting system as a compliance procedure	Iqbal (2021) & Sharif, (2010)
Executive Management Support	6	EMS	Shareholder's commitment, understandability and acknowledgement	Iqbal (2021) & Sharif, (2010)
Top Management Support	3	TMS	Top management willingness, guidance and keen interest	Iqbal (2021) & Sharif, (2010)
Company Size & Structure	4	CSS	Size of Capital, organizational structure and culture	Aljifriand Khasharmeh, (2006); Russell et al (2008); Sharif (2010, p. 29)
Team Building	4	TB	Trust, values and teamwork	Zaidi & Paz (2015) & Iqbal (2021)
Monitoring & Evaluation	5	M&E	Good practices, timely, efficient and effecting regulation and governing mechanisms	Iqbal (2021)

Sampling Technique and Sample Size

Population is the broad range of group of people, and events of interest that the scientist wants to discover (Sekaran and Roger 2003). Huysamen (1994) defined that population is the sum of all items, elements, and entities that are the hub of the study and upon which the research intends to get findings and conclusions. The population of the study was the top hundred firms registered at Pakistan Stock Exchange (100-index). The data has been collected from the auditors, investment managers, financial managers (CFO) and accountant of below mentioned listed companies. The detail list of population firms is as below.

The target population of the study was executive members or top line managers of all companies in Pakistan. To conduct empirical examination, there is no sold technique for how much sample needs to be employed. (Osborne & Costello, 2010). Additionally, Parker & Rea (2005) suggests that to estimate a sample size using different probability sampling technique the confidence level should be 95% at a threshold of 5% margin of error. Boomsma (1982, 1985) the minimum sample required for investigation is between 100 and 200 respondents. Additionally, another study reported that the least sample size needed for estimation is between 30 and 460 to get the desired results (Wolf et al., 2013).

To examine the impact of determining factors of IFRS adoption on financial statements and overall company with the mediating role of IFRS adoption, survey instrument was designed to collect data from participants. Respondents of the study are executive and incumbent managers of all non-financial listed PSX companies. Since data collection from all the non-financial listed companies was not possible due to time and resource limitations hence using stratified random probability sampling technique, strata's were estimated sector wise based on Yamane (1967) formula for determining sample size of finite population. The population for each strata was estimated using margin of error of 7%. Once each strata's sample was estimated, the next step was to collect data from executive and top line managers from each sector company. So, from each company a total of 3 top line managers were surveyed. Using convenient non-probability sampling technique, those 3 top line managers from each company have been surveyed which makes it a total of 1200 sample.

List of Non-Financial Sectors	Total Companies	Companies in Stratum	Sample
Automobile Assembler	12	12	36
Automobile Parts & Accessories	10	10	30
Cable & Electrical Goods	7	7	21
Cement	23	22	66
Chemical	27	25	75

Engineering	20	19	57
Fertilizer	6	6	18
Food & Personal Care Products	24	23	69
Glass & Ceramics	9	9	27
Jute	2	0	0
Leather & Tanneries	6	6	18
Modarabas	30	28	84
Oil & Gas Exploration Companies	4	4	12
Oil & Gas Marketing Companies	8	8	24
Paper & Board	10	10	30
Pharmaceuticals	13	13	39
Power Generation & Distribution	17	16	48
Real Estate Investment Trust	1	0	0
Refinery	4	4	12
Sugar & Allied Industries	28	26	78
Synthetic & Rayon	10	10	30
Technology & Communication	13	13	39
Textile Composite	55	48	144
Textile Spinning	66	57	171
Textile Weaving	11	11	33
Tobacco	3	3	9
Transport	5	5	15
Vanaspati & Allied Industries	5	5	15
Woollen	1	0	0
Total	430	400	1200

Measurement Model

Initially pilot study was performed on the dataset of 1200 respondents to examine the impact of factors influencing the IFRS adoption and its impact on firm performance. Thus, as a next step, exploratory factor analysis (EFA) was performed to determine the least number of hypothesized constructs. Exploratory factor analysis included sampling adequacy test, total variance explained (eigen scores) and pattern matrix using rotation of maximum likelihood. In short EFA helps in determining that a total of how much factors needs to be extracted. Thereafter, confirmatory factor analysis (CFA) was performed to verify the latent factors relationship with the observed variables. CFA included composite reliability, indicator reliability, convergent validity, discriminant validity, data normality, coefficient of determination (CoD), and model goodness of fit. To investigate the correlation among the variables of the study correlation analysis was performed. Finally, structural equation model (SEM) path analysis was performed in two steps such as unmediated effect estimates and mediated effect estimates to examine both the direct and indirect relationship among the study variables.

1. Empirical Findings

The outcomes derived via examining the data in the study is illustrated in this section. Since the study opted a positivist approach, quantitative method was opted, the outcomes are illustrated in numeric and tabular format to explain the study hypotheses. This chapter is divided into several section for illustrating the outcome in a systematic format.

This chapter explains the response rate, respondent's demographic profile, missing data, descriptive and reliability statistics, exploratory factor analysis (EFA), confirmatory factor analysis (CFA) and structural equation model (SEM) and testing the hypotheses of the study via bootstrapping technique.

1.1. Response Rate

Likewise, to pilot study, the survey instrument was distributed among respondents via both physical and online forums such as google forms for the data collection with the objective to gather 1200 observations from several employees of different companies of Pakistan. Concern of ethics were considered, and the respondents were assured about their privacy and confidentiality of that their responses would be utilized on overall basis and no individual response would be shared with external parties. The required number of observations were accomplished over a period of 6 months and 15 days.

After collection of the overall responses, initially missing data or those respondent's responses who were unaware of the IFRS standards were eliminated from the study. The number of those respondents where 45 hence final estimations were performed on 1155 observations. Univariate and multivariate outliers in the data were tested and removed using Mahalanobis distance and boxplots. No outliers were identified in the data hence for final data analysis a total of 1155 observations were considered.

1.2. Respondent's Demographic Profile

Few demographic statements related to their sex, age, highest level of education and years of experience were asked from the respondents. Such demographics has been discussed below:

Table 1 illustrates the demographic profile of the respondents obtained from both male and female employees working in several companies of Pakistan. From their responses it was observed that 84.9% of the respondents that participated in this study were male while 15.1% of the respondents were female. From the respondent's participation, it was observed that majority of the respondents that participated in this study were male. Likewise, it was observed that 63.1% of the respondents that participated in this study were in the age limit between 40 and 49 years followed by 18.4% who were in the age limit between 30 and 39 years, 15.1% in the age limit between 50 and 59 years and 3.4% in the age limit between 20 and 29 years. In addition, it was observed that 46% of the respondents were having their highest level of education of CA/ACCA/ Other accountancy Degree followed by 23.9% for Masters, 23.1% for PhD and 7% for Bachelors. From their education level, it can be stated that majority of the respondents were well qualified and professionals in the field of accountancy since most of them were either CA / ACCA or master's and PhD holders.

Finally, it was observed that 47% of the participants had an experience between 11 and 15 years followed by 34% having experience between 5 and 10 years, 16.9% had an experience of 16 years and above and few respondents ($f/n = 2.1\%$) had the experience of less than 5 years in their respective companies.

Table 1. Demographic Profile of the Respondents

Demographics	Category	Frequency	Percent	Cumulative Percent
Gender	Male	327	84.9	84.9
	Female	58	15.1	100.0
Age	20 - 29	13	3.4	3.4
	30 - 39	71	18.4	21.8
	40 - 49	243	63.1	84.9
	50 - 59	58	15.1	100.0
	60 - 69	10	0.8	100.0
Highest Level of Education	CA/ACCA/ Other accountancy Degree	177	46.0	46.0
	Bachelor	27	7.0	53.0
	Master	92	23.9	76.9
	PhD or Higher	89	23.1	100.0
	Other	10	0.8	100.0
Years of Experience	Less than 5 Years	8	2.1	2.1
	5 - 10 Years	131	34.0	36.1
	11 - 15 years	181	47.0	83.1
	16 years or over	65	16.9	100.0
Awareness of IFRS	Yes	385	96.25	96.25
	No	15	3.75	100

1.3. Descriptive Statistics

Table 2 shows the descriptive statistics for each factor of the study. This portion has illustrated descriptive statistics for the below factors:

1. Determining Factors of IFRS Adoption
 - a. Education Level
 - b. Training Level
 - c. Team Building
 - d. Professional Bodies
 - e. Company Size & Structure
 - f. Top Management Support
 - g. Executive Management Support

- h. Cost of IFRS Implementation
- i. Cost of IFRS Upgrade & Update
- 2. IFRS Adoption by Pakistani Companies
- 3. IFRS Impact on Financial Statements
- 4. IFRS Impact on Overall Company

Determining Factors IFRS were measured via latent factors namely education level, training level, team building, professional bodies, company size & structure, top management system, executive management system, cost of IFRS implementation and cost of IFRS update & upgradation. Education level was measured by six items, training level was measured by 3 items, team building was measured by four items, professional body was measured by 4 items, company size & structure was measured by four items, top management system was measured by 3 items, executive management system was measured by six items, cost of IFRS implementation was measured by four items and cost of IFRS update and upgradation was measured by three items.

Additionally, IFRS Adoption by Pakistani companies was measured by two latent factors namely IFRS Adoption and IFRS Adaption. IFRS Adoption was measured by four items while IFRS Adaption was measured by four items. IFRS Impact on Financial Statements and on overall company was measured by five items and six items respectively.

The skewness value (between ± 1) and kurtosis (between ± 3) are considered as normal distribution (George & Mallery, 2010). From the outcomes it is obvious that the data is normally distributed and has no issues of abnormality seeing the values for skewness and kurtosis.

Table 2. Descriptive Statistics (For Each Factor)

Variable	Min	Max	Skew	C.R	Kurtosis	C.R
CSS	-2.531	2.832	-0.003	-0.023	-0.202	-0.81
TB	-2.432	2.481	-0.069	-0.552	-0.317	-1.27
M_E	-2.446	2.536	-0.178	-1.424	-0.115	-0.46
PB	-2.157	2.077	0.142	1.134	-0.227	-0.907
CUUIFRS	-2.594	2.528	0.141	1.13	-0.095	-0.38
CIIFRS	-2.074	3.174	0.324	2.593	0.013	0.054
EMS	-2.835	2.027	-0.234	-1.873	-0.029	-0.115
TMS	-2.148	2.839	0.23	1.839	-0.092	-0.368
TRAINLEVEL	-1.991	2.273	0.133	1.066	-0.559	-2.238
EDULEVEL	-2.808	1.905	-0.329	-2.638	0.064	0.256
IFRSFIOC	-2.496	2.846	0.079	0.632	-0.262	-1.05
IFRSFS	-2.627	3.073	-0.001	-0.004	-0.017	-0.07
IFRSADAPT	-2.495	2.857	0.101	0.811	-0.259	-1.038
IFRSADOPT	-2.401	3.067	0.044	0.355	-0.007	-0.027
Multivariate					2.979	1.381

1.4. Reliability Statistics

Sekran (2003, p. 307) described reliability as “consistency indicates how well the items measuring a concept hang together as a set. Cronbach’s alpha is reliability coefficient that indicates how well the items in a set are positively correlated to one another”. Table 3 shows the values of Cronbach’s alpha for each factor. The outcomes illustrated that all factors have the value of Cronbach’s alpha more than 0.70. For exploratory research the value of Cronbach’s alpha between the range of 0.5 and 0.6 is considered as sufficient (Nunally, 1978) and between the range of 0.7 and 0.8 is considered as acceptable while 0.80 and above is considered as good (Sekaran & Bougie, 2016). Values of Cronbach’s alpha higher than 0.90 shows the higher internal consistency of a factor.

The value of Cronbach’s alpha for Education Level observed was 0.876, Training Level is 0.743, Professional Bodies is 0.731, Cost of IFRS Implementation is 0.778, Cost of IFRS Update and Upgrade is 0.770, Top Management Support is 0.804, Executive Management Support is 0.746, Company Size & Structure is 0.841, Team Building is 0.790, Monitoring & Evaluation is 0.819, IFRS Adoption is 0.834, IFRS Adaption is 0.723, Impact of IFRS on Overall Company is 0.767, Impact of IFRS on Financial Statements is 0.781 and the overall instrument value of Cronbach’s alpha is 0.891. It shows that the factors are internally consistent and is valid.

Table 3. Reliability Statistics for the Overall Factors

Variables	Code	Items	Value of Cronbach's Alpha
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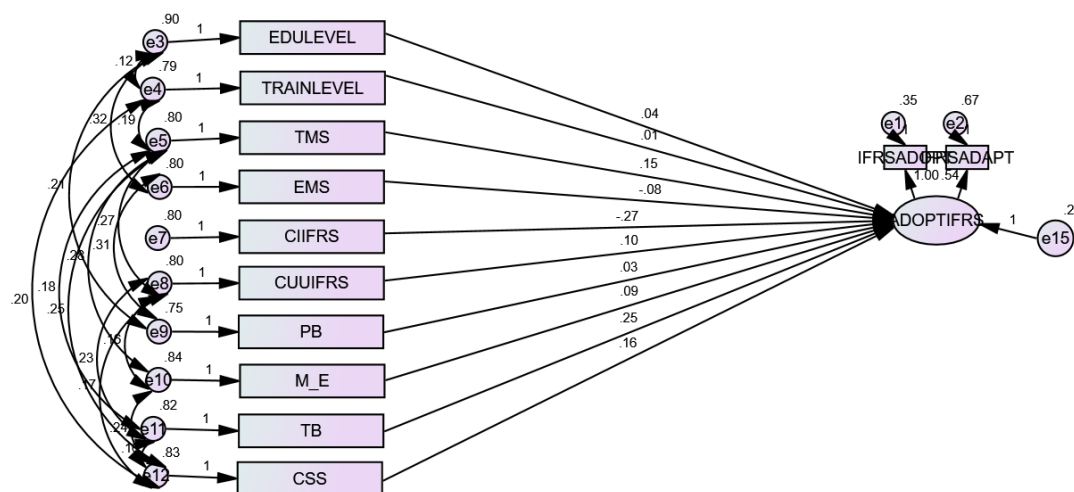
Education Level	EDULEVEL	6	0.876
Training Level	TRAINLEVEL	3	0.743
Professional Bodies	PB	6	0.731
Cost of IFRS Implementation	CIIFRS	4	0.778
Cost of IFRS Update and Upgrade	CUUIFRS	3	0.770
Top Management Support	TMS	3	0.804
Executive Management Support	EMS	6	0.746
Company Size and Structure	CSS	4	0.841
Team Building	TB	4	0.790
Monitoring & Evaluation	M&E	5	0.819
IFRS Adoption	IFRSADOPT	4	0.834
IFRS Adaption	IFRSADAPT	5	0.723
Impact of IFRS on Overall Company	IFRSFIOC	16	0.767
Impact of IFRS on Financial Statements	IFRSFS	8	0.781
Overall		77	0.891

1.5. Hypotheses Testing

Multiple regression analysis was performed to examine the relationship between dependent and independent variable. Initially, direct relationships were observed followed by mediating relationship.

1.5.1. Examining Unmediated Effect

Model fit indices alongside other statistical procedures have been taken under consideration while examining the hypothesized causal relationships (H1 – H1a to H1i). The value of estimate illustrates the extent of effect of predictor variable on dependent variable. CR is the critical ratio utilized as an alternative for the t-value. Value of CR of more than 1.96 illustrates the significance of the results. Additionally, the asterisks (***) sign shows that the p-value is less than 5% and is statistically significant.



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Figure 2. SEM Examining Unmediated Effect

1.5.2. Model Fit Summary for Unmediated Relationship

The model fit indices were examined using cut off criteria of the model fit suggested by scholars Maydeu-Olivares (2017), Browne & Cudeck (1993), Bentler (1983:1990), and McDonald & Ho (2002). The model fit

indices that this study considered includes RFI, IFI, CFI, NFI, TLI and their scores must be greater than or equal to 0.90. From Table 13, it can be observed that the scores for all the model fit indices are more than 0.90. Additionally, the value of RMSEA needs to be less than 0.08 in order to be a good fit. From Table 13, it can be observed that the value of RMSEA is 0.078. Hence, it can be stated that the model is a good fit. Also, shown in Figure 2.

Table 13. Model Fit Summary for Unmediated Effect

Fit Indices	Cut Off	Results Derived
χ^2/df	<5	3.997
RFI	≥ 0.90	0.946
IFI	≥ 0.90	0.935
CFI	≥ 0.90	0.928
NFI	≥ 0.90	0.991
TLI	≥ 0.90	0.909
P Close	<0.05	0.051
RMSEA	<0.08	0.078

1.5.3. Unmediated Effect for Hypotheses

Table 14 shows the unmediated effect for the proposed hypotheses. From the results it can be observed that TMS, CIIFRS, CUUIFRS, M_E, TB and CSS has a statistically significant impact on IFRS Adoption while EDULEVEL, TRAINLEVEL, EMS and PB has an insignificant impact on IFRS Adoption. TMS, CUUIFRS, M_E, TB and CSS has a significant positive impact on IFRS Adoption while CIIFRS has a significant negative impact on IFRS Adoption. As shown below:

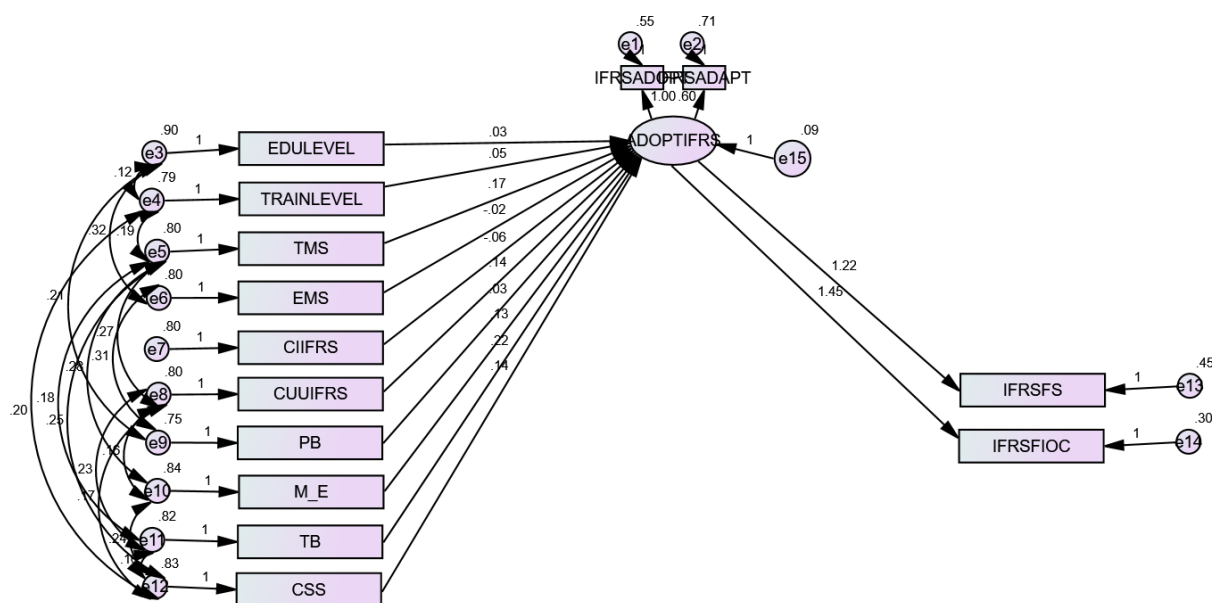
Table 14. Unmediated Effect for Hypotheses

DV	IVs	Estimate	S.E.	C.R.	P-Value
ADOPTIFRS	□ EDULEVEL	0.040	0.046	0.88	0.379
ADOPTIFRS	□ TRAINLEVEL	0.014	0.048	0.284	0.777
ADOPTIFRS	□ TMS	0.155	0.052	2.973	0.003
ADOPTIFRS	□ EMS	-0.079	0.05	-1.574	0.116
ADOPTIFRS	□ CIIFRS	-0.267	0.044	-6.045	***
ADOPTIFRS	□ CUUIFRS	0.104	0.049	2.146	0.032
ADOPTIFRS	□ PB	0.026	0.05	0.521	0.603
ADOPTIFRS	□ M_E	0.09	0.048	1.884	0.060
ADOPTIFRS	□ TB	0.25	0.047	5.311	***
ADOPTIFRS	□ CSS	0.16	0.048	3.314	***

1.5.4. Examining Mediated Effects with IFRS Adoption as Mediator

Figure 3 and 17 depicts the mediation analysis with EDULEVEL, TRAINLEVEL, TMS, EMS, CIIFRS, CUUIFRS, PB, M_E, TB, and CSS are predictor variables, IFRSFS and IFRSFIOC are dependent variables and IFRS Adoption is mediating variable.

Model fit indices alongside other statistical procedures have been taken under consideration while examining the hypothesized causal relationships (H2 – H2a to H2i and H3 – H3a to H3i). The value of estimate illustrates the extent of effect of predictor variable on dependent variable. CR is the critical ratio utilized as an alternative for the t-value. Value of CR of more than 1.96 illustrates the significance of the results. Additionally, the asterisks (***) sign shows that the p-value is less than 5% and is statistically significant.



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Figure 3. Mediated Effect with IFRS Adoption as a Mediator

1.5.5. Model Fit Summary for Mediated Effects with IFRS Adoption as Mediator

The model fit indices were examined using cut off criteria of the model fit suggested by scholars Maydeu-Olivares (2017), Browne & Cudeck (1993), Bentler (1983:1990), and McDonald & Ho (2002). The model fit indices that this study considered includes RFI, IFI, CFI, NFI, TLI and their scores must be greater than or equal to 0.90. From Table 13, it can be observed that the scores for all the model fit indices are more than 0.90. Additionally, the value of RMSEA needs to be less than 0.08 in order to be a good fit. From Table 13, it can be observed that the value of RMSEA is 0.079. Hence, it can be stated that the model is a good fit.

Table 15. Model Fit Summary for Mediated Effects with IFRS Adoption as Mediator

Fit Indices	Cut Off	Results Derived
χ^2/df	<5	4.435
RFI	≥ 0.90	0.900
IFI	≥ 0.90	0.934
CFI	≥ 0.90	0.930
NFI	≥ 0.90	0.996
TLI	≥ 0.90	0.951
P Close	<0.05	0.053
RMSEA	<0.08	0.079

1.5.6. Mediated Effects with IFRS Adoption as Mediator

Figure 3 and Table 17 depicts the mediated effects with IFRS Adoption as Mediator. From the results it can be observed that there is a significant impact of determining factors of IFRS such as TRAINLEVEL, TMS, CIIFRS, CUUIFRS, M_E, TB and CSS on IFRSFS with the mediating role of IFRS Adoption while there is an insignificant impact of EDUCLEVEL, EM, and PB on IFRSFS with the mediating role of IFRS Adoption. TRAINLEVEL, TMS, CUUIFRS, M_E, TB and CSS have a significant positive impact on IFRSFS with the mediating role of IFRS Adoption while CIIFRS has a significant negative impact on IFRSFS with the mediating role of IFRS Adoption.

Additionally, from the results it was observed that there is a significant impact of TRAINLEVEL, TMS, CIIFRS, CUUIFRS, M_E, TB and CSS on IFRSFIOC with the mediating role of IFRS Adoption while there is an insignificant impact of EDUCLEVEL, EM, and PB on IFRSFIOC with the mediating role of IFRS Adoption. TRAINLEVEL, TMS, CUUIFRS, M_E, TB and CSS have a significant positive impact on

IFRSFIOC with the mediating role of IFRS Adoption while CIIFRS has a significant negative impact on IFRSFIOC with the mediating role of IFRS Adoption.

Table 16. SEM Examining Mediated Effects with IFRS Adoption as Mediator

Path	Estimate	S.E.	C.R	P-Value	Hypotheses Testing
EDULEVEL --> ADOPTIFRS	0.028	0.028	1.000	0.324	Not Supported
ADOPTIFRS --> IFRSFS	1.222	0.108	11.315	0.004	Supported
ADOPTIFRS --> IFRSFIOC	1.447	0.127	11.394	0.004	Supported
EDULEVEL --> ADOPTIFRS --> IFRSFS	0.035	0.035	1.000	0.324	Not Supported
EDULEVEL --> ADOPTIFRS --> IFRSFIOC	0.041	0.017	2.412	0.324	Not Supported
TRAINLEVEL --> ADOPTIFRS	0.048	0.026	1.846	0.05	Supported
ADOPTIFRS --> IFRSFS	1.222	0.108	11.315	0.004	Supported
ADOPTIFRS --> IFRSFIOC	1.447	0.127	11.394	0.004	Supported
TRAINLEVEL ADOPTIFRS --> IFRSFS	0.059	0.032	1.844	0.05	Supported
TRAINLEVEL --> ADOPTIFRS --> IFRSFIOC	0.07	0.015	4.667	0.05	Supported
TMS --> ADOPTIFRS	0.17	0.03	5.667	0.004	Supported
ADOPTIFRS --> IFRSFS	1.222	0.108	11.315	0.004	Supported
ADOPTIFRS --> IFRSFIOC	1.447	0.127	11.394	0.004	Supported
TMS --> ADOPTIFRS --> IFRSFS	0.208	0.037	5.622	0.004	Supported
TMS --> ADOPTIFRS --> IFRSFIOC	0.246	0.024	10.250	0.004	Supported
EMS --> ADOPTIFRS	-0.019	0.029	-0.655	0.538	Not Supported
ADOPTIFRS --> IFRSFS	1.222	0.108	11.315	0.004	Supported
ADOPTIFRS --> IFRSFIOC	1.447	0.127	11.394	0.004	Supported
EMS --> ADOPTIFRS --> IFRSFS	-0.023	0.035	-0.657	0.538	Not Supported
EMS --> ADOPTIFRS --> IFRSFIOC	-0.027	0.017	-1.588	0.538	Not Supported
CIIFRS --> ADOPTIFRS	-0.061	0.026	-2.346	0.01	Supported
ADOPTIFRS --> IFRSFS	1.222	0.108	11.315	0.004	Supported
ADOPTIFRS --> IFRSFIOC	1.447	0.127	11.394	0.004	Supported
CIIFRS --> ADOPTIFRS --> IFRSFS	-0.074	0.029	-2.552	0.01	Supported
CIIFRS --> ADOPTIFRS --> IFRSFIOC	-0.088	0.015	-5.867	0.01	Supported
CUUIFRS --> ADOPTIFRS	0.142	0.029	4.897	0.004	Supported
ADOPTIFRS --> IFRSFS	1.222	0.108	11.315	0.004	Supported
ADOPTIFRS --> IFRSFIOC	1.447	0.127	11.394	0.004	Supported
CUUIFRS --> ADOPTIFRS --> IFRSFS	0.174	0.036	4.833	0.004	Supported
CUUIFRS --> ADOPTIFRS --> IFRSFIOC	0.206	0.023	8.957	0.004	Supported
PB --> ADOPTIFRS	0.032	0.028	1.143	0.258	Not Supported
ADOPTIFRS --> IFRSFS	1.222	0.108	11.315	0.004	Supported
ADOPTIFRS --> IFRSFIOC	1.447	0.127	11.394	0.004	Supported
PB --> ADOPTIFRS --> IFRSFS	0.039	0.035	1.114	0.258	Not Supported
PB --> ADOPTIFRS --> IFRSFIOC	0.046	0.018	2.556	0.258	Not Supported
M_E --> ADOPTIFRS	0.126	0.03	4.200	0.004	Supported
ADOPTIFRS --> IFRSFS	1.222	0.108	11.315	0.004	Supported
ADOPTIFRS --> IFRSFIOC	1.447	0.127	11.394	0.004	Supported
M_E --> ADOPTIFRS --> IFRSFS	0.153	0.035	4.371	0.004	Supported
M_E --> ADOPTIFRS --> IFRSFIOC	0.182	0.017	10.706	0.004	Supported

TB --> ADOPTIFRS	0.216	0.031	6.968	0.004	Supported
ADOPTIFRS --> IFRSFS	1.222	0.108	11.315	0.004	Supported
ADOPTIFRS --> IFRSFIOC	1.447	0.127	11.394	0.004	Supported
TB --> ADOPTIFRS --> IFRSFS	0.264	0.035	7.543	0.004	Supported
TB --> ADOPTIFRS --> IFRSFIOC	0.313	0.021	14.905	0.004	Supported
CSS --> ADOPTIFRS	0.136	0.028	4.857	0.004	Supported
ADOPTIFRS --> IFRSFS	1.222	0.108	11.315	0.004	Supported
ADOPTIFRS --> IFRSFIOC	1.447	0.127	11.394	0.004	Supported
CSS --> ADOPTIFRS --> IFRSFS	0.166	0.035	4.743	0.004	Supported
CSS --> ADOPTIFRS --> IFRSFIOC	0.196	0.022	8.909	0.004	Supported

1.6. Hypotheses Testing Results Summary

Table 18 presented the hypotheses testing summary. This table shows the acceptance and rejection of hypotheses based on the findings from unmediated and mediated regression estimates in the aforementioned section.

Table 17. Hypotheses Testing Summary

Hypotheses	Statements	Criteria
	There is a significant positive impact of determining factors of IFRS Adoption on IFRS Adoption	
H1		
H1a	There is a significant positive impact of Education Level on IFRS Adoption	Not Supported
H1b	There is a significant positive impact of Training Level on IFRS Adoption	Not Supported
H1c	There is a significant positive impact of Top Management Support on IFRS Adoption	Supported
H1d	There is a significant positive impact of Executive Management Support on IFRS Adoption	Not Supported
H1e	There is a significant negative impact of Cost of IFRS Implementation on IFRS Adoption	Supported
H1f	There is a significant impact of Cost of IFRS Updating on IFRS Adoption	Supported
H1g	There is a significant positive impact of Professional Bodies on IFRS Adoption	Not Supported
H1h	There is a significant positive impact of Company Size & Structure on IFRS Adoption	Supported
H1i	There is a significant positive impact of Monitoring & Evaluation on IFRS Adoption	Supported
H1j	There is a significant positive impact of Team Building on IFRS Adoption	Supported
	There is a significant positive impact of determining factors of IFRS Adoption on Financial Statements with the mediating role of IFRS Adoption	
H2		
H2a	There is a significant positive impact of Education Level on Financial Statements with the mediating role of IFRS Adoption	Not Supported
H2b	There is a significant positive impact of Training Level on Financial Statements with the mediating role of IFRS Adoption	Supported
H2c	There is a significant positive impact Top Management Support on Financial Statements with the mediating role of IFRS Adoption	Supported

H2d	There is a significant positive impact of Executive Management Support on Financial Statements with the mediating role of IFRS Adoption	Not Supported
H2e	There is a significant negative impact of Cost of IFRS Implementation on Financial Statements with the mediating role of IFRS Adoption	Supported
H2f	There is a significant impact of Cost of IFRS Updating on Financial Statements with the mediating role of IFRS Adoption	Supported
H2g	There is a significant positive impact of Professional Bodies on Financial Statements with the mediating role of IFRS Adoption	Not Supported
H2h	There is a significant positive impact of Company Size & Structure on Financial Statements with the mediating role of IFRS Adoption	Supported
H2i	There is a significant positive impact of Monitoring & Evaluation on Financial Statements with the mediating role of IFRS Adoption	Supported
H2j	There is a significant positive impact of Team Building on Financial Statements with the mediating role of IFRS Adoption	Supported
H3	There is a significant positive impact of determining factors of IFRS Adoption on Overall Company with the mediating role of IFRS Adoption	
H3a	There is a significant positive impact of Education Level on Overall Company with the mediating role of IFRS Adoption	Not Supported
H3b	There is a significant positive impact of Training Level on Overall Company with the mediating role of IFRS Adoption	Supported
H3c	There is a significant positive impact Top Management Support on Overall Company with the mediating role of IFRS Adoption	Supported
H3d	There is a significant positive impact of Executive Management Support on Overall Company with the mediating role of IFRS Adoption	Not Supported
H3e	There is a significant negative impact of Cost of IFRS Implementation on Overall Company with the mediating role of IFRS Adoption	Supported
H3f	There is a significant impact of Cost of IFRS Updating on Overall Company with the mediating role of IFRS Adoption	Supported
H3g	There is a significant positive impact of Professional Bodies on Overall Company with the mediating role of IFRS Adoption	Not Supported
H3h	There is a significant positive impact of Company Size & Structure on Overall Company with the mediating role of IFRS Adoption	Supported
H3i	There is a significant positive impact of Monitoring & Evaluation on Overall Company with the mediating role of IFRS Adoption	Supported
H3j	There is a significant positive impact of Team Building on Overall Company with the mediating role of IFRS Adoption	Supported

1.7. Descriptive Statistics for Perceptions of Executives Regarding IFRS Adoption

After estimating both the unmediated and mediated effects, finally responses on perceptions of executives regarding IFRS adoption were collected and analyzed. Descriptive analysis was performed to assess executives' responses regarding IFRS adoption. It can be observed that the executives were of the opinion that to achieve true and fair view of the financial statements, the adoption of IFRS is appropriate. Likewise, they agreed to the statements that implementation of IFRS will increase the understandability of financial statements, it will provide professional opportunities to Pakistani professional across the globe, it will assure greater accessibility to funds for Pakistani companies, it will bring opportunities like accessing of global market with ease by

Pakistani companies, it will increase financial statements comparability, it will increase transparency of the financial statements and it will eliminate the restatement of their companies.

Moreover, it was observed that executives were indifferent regarding whether the implementation of IFRS will require too much disclosure which is at times a troublesome task and it will entail huge cost in terms of training the staff on IFRS standards. As shown below:

Table 18. Descriptive Statistics for Perceptions of Executives Regarding IFRS Adoption

Statements	Mean	S.D	Min	Max
IFRS Are Appropriate for Achieving the True & Fair View of The Financial Statement	4.323	0.861	1.000	5.000
Implementation of IFRS Will Increase the Understandability of Financial Statement	4.279	0.921	1.000	5.000
Implementation of IFRS will provide the professional opportunities to Pakistani professionals across the globe.	4.159	0.941	1.000	5.000
Implementation of IFRS will require too much disclosure of financial information which is troublesome	3.036	1.391	1.000	5.000
IFRS recommends the application of fair value concept which is generally difficult to apply	4.320	0.887	1.000	5.000
Implementation of IFRS will entail the huge cost in terms of trainings of staff	3.956	1.216	1.000	5.000
Implementation of IFRS will assure the greater accessibility to funds for Pakistani Companies	4.159	0.941	1.000	5.000
Implementation of IFRS will bring in more opportunities for accessing the global market for Pakistani Companies	4.107	0.938	1.000	5.000
The level of compliance with IFRS in the financial statements will increase the prestige of my company	4.310	0.768	1.000	5.000
Implementation of IFRS will increase the international comparability of financial statement	3.971	0.943	2.000	5.000
In an internationalization context, adoption of IFRS will provide more business opportunities to my company	4.208	0.800	1.000	5.000
Adoption of IFRS will eliminates the restatement of my company's	4.229	0.846	1.000	5.000
Implementation of IFRS will increase the transparency of the financial statement	4.219	0.826	1.000	5.000

Conclusion

International Financial Reporting Standards (IFRS) and performance of the firms in developing countries of the world have become a major concern getting extreme attention in academic study due to the investor interests. This gotten public attention to the development trajectory mechanisms such as increasing marketplace globalization, firm expansions, affirmative effect on share prices and guarantee of dividend payments,. One of the key object of IFRS as a mechanism is to provide opportunity for a greater demand for the performance of the firms that needs by all stakeholders including investors in their ken interest for financial reporting quality. The aim of this study is to examine the impact of determining factors of IFRS adoption on financial statements and overall company with the mediating role of IFRS adoption in the context of Pakistan. Additionally, this study also investigated the perceptions of executives regarding IFRS adoption. Research approach of this study is based on quantitative research technique, and it consists of numerical or statistical approach (Williams, 2007). Primary data has been used via questionnaire. Questionnaires were distributed among the auditors, investment managers, financial managers (CFO) and accountant. The population of this study was all the listed PSX Pakistani non-financial firms of Pakistan. Three executive and top line managers from each non-financial 400 firms have been collected comprising a total of 1200 observations. Using stratified probability sampling technique, among 430 non-financial Pakistani firms, 400 was estimated and thereafter from each firm 3 individuals were surveyed using convenience sampling technique. From the demographic profile of the respondents, it was observed that most of the respondents were male, had highest level of education of CA / ACCA and other accountancy degree and were in the age limit between 40 and 49 years. From their experience it was observed that most of the respondents were having experience between 5 and 10 years.

Once the demographic profile of the respondents was observed, the study performed descriptive statistics in order to test for the normal distribution of the data. From the descriptive statistics it was observed that the data is normally distributed for all the factors. Further, reliability statistics using the measure of Cronbach's alpha was performed. From the reliability test it was observed that for all the variables the value of Cronbach's alpha is more than 0.70 confirming that the factors are internally consistent and valid for interpretation and further results. Thereafter, exploratory factor analysis (EFA) using maximum likelihood method via Promax rotation was performed to obtain the desired factors from the constructs for each factor and a total of 14 factors were extracted. While performing EFA, few criteria were also evaluated such as measure of sampling adequacy namely KMO and Bartlett's test of sphericity. The score of 0.852 for KMO and significant value of probability for the Bartlett's test of sphericity confirmed that the factorial analysis is appropriate. Apparently, cumulative variance explained was also kept under consideration which had a suitable variance of more than 50% precisely 54%. Thereafter, confirmatory factor analysis was performed as a reflective method and preliminary procedure for structural equation model (SEM). From the CFA it was observed that all the factors extracted were correlated at their first order. Also, from the model fit indices, it was observed that the overall model for CFA is fit since the values for fitness indices namely IFI = 0.961, CFI = 0.960, NFI = 0.817, TLI = 0.957, χ^2/df = 3.666 and RMSEA = 0.048 met the cut off criteria. In addition to that construct validity, discriminant validity, HTMT validity, construct reliability and composite reliability it was observed that the factors are valid and internally consistent.

Once, the EFA and CFA was executed, correlation analysis was performed. From the correlation analysis it was observed that there is a significant positive correlation between determining factors of IFRS adoption and IFRS Adoption except for CIIFRS. Additionally, there was a significant positive correlation between IFRS Adoption and Impact of IFRS on Financial Statements except for PB. Finally, there was a significant positive correlation observed between IFRS Adoption and Impact of IFRS on Overall Company except for EMS which is negative but statistically insignificant. Finally, the unmediated and mediated relationship among the variables were examined using SEM – Path Analysis. The results of SEM for unmediated effects revealed that TMS, CIIFRS, CUUIFRS, M_E, TB and CSS has a statistically significant impact on IFRS Adoption while EDULEVEL, TRAINLEVEL, EMS and PB has an insignificant impact on IFRS Adoption. TMS, CUUIFRS, M_E, TB and CSS has a significant positive impact on IFRS Adoption while CIIFRS has a significant negative impact on IFRS Adoption. Additionally, the results of SEM for mediated effects with IFRS adoption revealed that there is a significant impact of determining factors of IFRS such as TRAINLEVEL, TMS, CIIFRS, CUUIFRS, M_E, TB and CSS on IFRSFS with the mediating role of IFRS Adoption while there is an insignificant impact of EDUCLEVEL, EM, and PB on IFRSFS with the mediating role of IFRS Adoption. TRAINLEVEL, TMS, CUUIFRS, M_E, TB and CSS have a significant positive impact on IFRSFS with the mediating role of IFRS Adoption while CIIFRS has a significant negative impact on IFRSFS with the mediating role of IFRS Adoption. Additionally, from the results it was observed that there is a significant impact of TRAINLEVEL, TMS, CIIFRS, CUUIFRS, M_E, TB and CSS on IFRSFIOC with the mediating role of IFRSFIOC Adoption while there is an insignificant impact of EDUCLEVEL, EM, and PB on IFRSFIOC with the mediating role of IFRS Adoption. TRAINLEVEL, TMS, CUUIFRS, M_E, TB and CSS have a significant positive impact on IFRSFIOC with the mediating role of IFRS Adoption while CIIFRS has a significant negative impact on IFRSFIOC with the mediating role of IFRS Adoption. From the model fitness indices it was observed that both the unmediated and mediated models are good fit based on the model fitness indices.

After estimating both the unmediated and mediated effects, finally responses on perceptions of executives regarding IFRS adoption were collected and analyzed. Descriptive analysis was performed to assess executives' responses regarding IFRS adoption. It can be observed that the executives were of the opinion that to achieve true and fair view of the financial statements, the adoption of IFRS is appropriate. Likewise, they agreed to the statements that implementation of IFRS will increase the understandability of financial statements, it will provide professional opportunities to Pakistani professional across the globe, it will assure greater accessibility to funds for Pakistani companies, it will bring opportunities like accessing of global market with ease by Pakistani companies, it will increase financial statements comparability, it will increase transparency of the financial statements and it will eliminate the restatement of their companies. Moreover, it was observed that executives were indifferent regarding whether the implementation of IFRS will require too much disclosure which is at times a troublesome task and it will entail huge cost in terms of training the staff on IFRS standards.

Contribution to knowledge

This research study makes a unique contribution to knowledge on the effect of IFRSs on the Financial performance in below respects:

- ✓ Firstly, the results of this thesis contribute to a better understanding of the dynamics affecting the implementation of IFRSs in Pakistan as well as examine the perceptions of professional working in Pakistani non-financial firms regarding IFRSs suitability and needs of implementation of IFRS in Pakistan.

- ✓ The results of this study also contributed to an understanding of the various factors that impact the financial performance of the firms, and the amount to which this system is proper for indigenous managers' requirements by presenting them enough information.
- ✓ The findings of the study also contribute to comprehension the effect of IFRSs implementation on the quality of financial reporting.

Research implications

This study has numerous implications which are listed below:

- ✓ Firstly, this study helps the investors to better recognize the role and significance of financial reporting in their investment decisions.
- ✓ Secondly, it encourages the accounting professional bodies in those countries where the implementation of IFRSs is not mandatory to consider passing laws that order the implementation of IFRSs, which will lead to more merging of accounting standards around world and more advantages to all stakeholders.
- ✓ Thirdly, it improves financial statement analysis by firms in measuring possible mergers, acquisition and takeovers, and in assessing their own company performance against their competitors.

Future Research Direction

The researcher believes that this study provides scope for other study to find out the value relevance of accounting and financial information in Pakistan, below are the compulsory implementation of IFRSs. Future research study could be conducted along these lines:

- 1) This study could be extended to cover more firms operated in Pakistan. This helps the researcher to identify a clear tendency on how the implementation of IFRSs in Pakistan shifts the value relevance of accounting and financial information of the firms over time. It will moreover help the new study to identify the impact of the recent economic recession after Covid 19 on the performance of the firms, and what will be the capacity of the IFRSs to tackle this crisis.
- 2) Moreover, comparison between similar countries in the Asia must be considered in order to get better insights on the relative impact of IFRSs on company performance in the Asia to examine the impact of IFRSs in the various accounting systems.
- 3) Another area for future study is to notice whether IFRSs implementation affected sectors within each country and across countries inversely or not.

Research Limitations

- ✓ It is often accepted that every study is limited, and this research is no exemption. For instance, this study focuses mainly on the determining factors of IFRS implementation on financial statements and overall company with the mediating role of IFRS adoption. Also, this study evaluated the perceptions of executives regarding IFRS adoption, resultantly, it does not study the possible impact of the economic and political factors on financial performance. These are wide and key areas of research which are out of scope of this research and could be studied in future research
- ✓ Sources of finance of the firms, differences among accounting, taxation and cultural, structure of the organization may have an impact on firms' performance and may create major variables that affect firm performance pre and post IFRSs implementation in Pakistan. The impact of those factors on performance of the firms is beyond the scope of this study and calls for investigation in future investigation.

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