Università
Ca'Foscari
Venezia

Master's Degree

in Languages, Economics and Institutions of Asia and North Africa (D.M. 270/2004)

Final Thesis

The implications of the IFRS adoption in emerging economies

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Academic Year
2019/ 2020

To my mum,
who always surprises me with her strength,
and to my nieces,
never stop chasing your dreams.

Abstract

The global search for harmonisation brought to the creation of a single set of accounting rules called IFRS Standards. The study examines the effect of the adoption of these Standards on the economic development of emerging economies. We took into consideration 11 emerging countries from the IFRS Foundation's Emerging Economies Group. Furthermore, the study analyses whether the different types of adoption (full adoption, adaption and convergence) result in different effects on the economic indicators. First, we explain the different steps undertaken before the adoption that are described in the IFRS Foundation's Guide, and we explain the different methods of adoption. In order to better to understand the adoption process, what drives jurisdictions to adopt and what are the economic effects, the study utilises the present academic literature. Finally, for the analysis we use GDP and FDI as economic indicators, for the 11 emerging countries. We examine five years before the adoption and five years after the adoption. The results of our analysis show that countries that converged with IFRS generally have the highest increase in the average change in GDP and FDI. The Adaption cluster is instead the one that suffers the most for both indicators. The analysis of the entire group allows us to conclude that the increase in yearly GDP change demonstrates an increase in economic development. Instead, FDI inflows are positive in the post adoption period but lower than the pre adoption one, this means the adoption does not necessarily increase the FDI inflows of a country.

Table of contents

List of Figures

List of Tables

List of Abbreviations

2SLS – Two-Stages Least Square

ASBE – Accounting Standards for Business Enterprises

BEA – Bureau of Economic Analysis

Big Four – Deloitte, PwC, Ernst and Young, KPMC

CASC – Chinese Accounting Standard Committee

CFC – Conselho Federal de Contabilidade - national professional accountancy organisation in Brazil

CFO – Chief Financial Officer

CMAC – Capital Markets Advisory Committee

CPC – Comitê de Pronunciamentos Contábeis - Brazilian Accounting Pronouncements Committee

CVM – Comissão de Valores Mobiliários – Brazilian Securities and Exchange Commission

DPOC – Due Process Oversight Committee

EEG – Emerging Economies Group

FDI- Foreign Direct Investment

GAAP- Generally Accepted Accounting Principles

GDP – Gross Domestic Product

GMM – Generalised Method of Movement

GNI – Gross National Income

GPF – Global Preparers Forum

IAS- International Accounting Standards

IASB – International Accounting Standards Board

IASC – International Accounting Standards Committee

IASCF – International Accounting Standards Committee Foundation

IFRIC – International Financial Reporting Interpretation Committee

IFRS – International Financial Reporting Standards

IMF – International Monetary Fund

IOSCO – International Organisation of Securities Commission

ISI – International Statistical Institute

ITCG – IFRS Taxonomy Consultative Group

MASB – Malaysian Accounting Standards Board

NSS – National Standards Setters

OECD – Organisation for Economic Cooperation and Development

OLI- Ownership, Location, Internalization advantages

OLS – Ordinary Least Square

ROSC – Reports of Observance of Standards and Condes

SEC – Securities and Exchange Commission

UN – United Nations

UNCTAD – United Nations Conference on Trade and Development

导言

各国及其相互依存的持续增长可称为全球化。全球化促使人们寻求一套共同的规则，以便更容易地进入资本市场以及获得可比信息。因此，1973 年，九个国家的会计机构建立了国际会计准则委员会。那最初的九个成员是：澳大利亚、加拿大、法国、墨西哥、荷兰、联合王国、爱尔兰、美国和德国 (Nobes and Parker, 2012)。该委员会的成立旨在减轻会计实务的差异，从而促进协调会计。协调性是通过限制变化的程度来增加题目的兼容性 (Nobes and Parker, 2012)。国际会计准则委员会基金会于 2010 年更名为国际财务报告准则基金会，但是国际会计准则委员会基金会的目标和国际财务报告准则基金会是一样的。事实上，其目标是通过国际会计准则理事会打造一套高质量会计准则。国际财务报告准则的目标是成为《易于理解、可执行和全球接受》(IFRS Foundation, 2020b)。

各国的会计制度对其经济成长发展发挥非常重要的作用。国家采用的会计准则规定了投资者能够检索的信息披露类型。一般来说，会计准则界定了投资环境，因此会计制度成为一个国家基础设施的关键部分。由于各国的会计准则不同，财务报表的比较就很难，所以投资者和别国家的会计准则的信任关系的建立较为不容易。新兴经济体的会计准则质量普通较低，透明度也较低，这可能成为经济增长的障碍 (Gordon et. al 2012)。因此，新兴经济体应该从采用国际财务报告准则中获得最大利益。国际财务报告准则可以便于对财务报表进行比较、消除信息不对称、也可以刺激经济发展。

在第一章中，我们讨论国际财务报告准则的形成以及采用国际财务报告准则国家的迅速增加。国家的国际财务报告准则的采用于 2005 年，第一组是欧洲 (Pacter, 2017)。到了 2010 年，采用国的数量已经超过了 120 个国家 (Lasmin, 2012)，到了 2018 年，采用国的数量超过了 140 个。随着采用国数量的增加，可能的采用方式也多样化了。在国际财务报告准则基金会的采用指南中，基金会宣布充分采用的准则是最佳途径的采用方式。但是，有一些国家决定排除了某些标准因为他们认为并不是全部准则都与当地的需要有关。此外，也有一些国家决定国家标准与《国际财务报告准则》的标准趋同。在第一章中，我们还分析了国际财务报告

准则基金会的咨询机构。咨询机构是由专业人士组成的团体，允许基金会跟专家有直接联系。这些团体，可能就重要事项向国际会计准则理事会和基金会提供建议和意见。其中一个机构负责增加和改善新兴经济体对国际财务报告准则未来的参与。因此，新兴经济体团体在实施这些标准方面发挥了重要作用，尤其是对那些还没采用这些标准的新兴经济体。

第二章分析了采用国际财务报告准则有关的学术研究。我们把那些学术研究分为两个综述，一个是理论研究，另一个是实证研究。理论研究努力解释导致采用国际财务报告准则的驱动力。首先是《制度理论》，主要议题是推动采纳的三种制度同构压力（强制性、模仿性和规范性）。第二个是《网络理论》，它肯定了国家越采用国际财务报告准则，国际财务报告准则变得更具吸引力。最后的研究是《折衷理论》的，它们分析为什么采用会带来经济利益，以及为什么这些利益可能推动采用。理论通过所有权、区位和内在化优势来看待国家。研究认为采用国际财务报告准则增加区位优势，从而也增加外商直接投资的流入量。第二种综述是实证研究，这些实证研究侧重于新兴经济体，以审查采用国际财务报告准则对其经济发展的影响。我们把这些实证研究分为三种类别：那些认为标准对经济指标有积极影响的研究，那些认为标准对经济指标有否定影响的，以及那些显示出对比结果的。

由于上述原因，本研究决定关注两个研究问题：

一. 采用国际财务报告准则会影响新兴经济体的经济发展吗？

二. 所选择的采用方式对新兴经济体的经济发展有不同的影响吗？

在最后一章中，为了回答研究问题，我们分析了 11 个新兴经济体的 GDP 和 FDI。我们选定的国家组是新兴经济体组，因为与国际财务报告准则基金会和准则实施有高度关联。为了回答第二个研究问题，我们根据每个国家采用的采用方法，把这些国家分为三群组。我们考虑了采用前的五年和采用后的五年，以便更清楚地了解实施在采用后时期的影响。为了回答第一个研究问题，我们将 GDP 和 FDI 分别进行了单独和比较的分析。此外，我们对每个国家、群组和整个新兴经济体团体的数据对平均值、中位数和标准差进行了计算。这种分析符合我们的两个研究问题，因为允许比较单独的群组以及整个群体。

最后，讨论了本研究的局限性和未来的研究。结论还对所进行的分析以及对新兴经济体的影响提出了看法。

Introduction

The continuous growth of interdependence of countries and of their economies, also known as globalisation, resulted in the search for a common set of rules that would allow easier access to globalised capital markets as well as access to comparable information. As a consequence, in 1973 the accounting bodies of nine countries funded the International Accounting Standards Committee. The nine initial members were: Australia, Canada, France, Mexico, the Netherlands, the United Kingdom with Ireland, the United States and Germany (Nobes and Parker, 2012). The Committee was founded with the scope of mitigating differences in accounting practices, and therefore the promotion of harmonised accounting. Harmonisation is the process by which there is an attempt to increase compatibility by limiting the degree of variation of the subjects taken into consideration (Nobes and Parker, 2012). In fact, the IASC Foundation, which was renamed to IFRS Foundation in 2010, had the objective of establishing a single set of high quality standards through the IASB. The IFRS Standards aimed to be *"understandable, enforceable and globally accepted"* (IFRS Foundation, 2020b).

The accounting system of a country plays a very significant role in the growth of its economy. The accounting standards adopted by the jurisdiction set the type of information disclosure that investors are able to retrieve and, in more general terms, define the investment environment, therefore making the accounting system a key component of the infrastructure of a country. The presence of difference in accounting standards of different countries makes financial statements harder to compare, and therefore complicates the trust relationship investors have with different countries' accounting standards. Emerging economies generally have lower quality accounting standards and have lower degrees of transparency, and this can become a barrier to economic growth (Gordon et. al 2012). For this reason, emerging economies are seemingly the ones that should find the highest gain from the adoption of IFRS Standards, as these would allow easy comparison of financial statements, eliminate information asymmetry and as a consequence, stimulate economic development.

In the first chapter of the present study we discuss the formation of IFRS Standards and how the number of adopting jurisdictions has rapidly increased. It started

in 2005 with the adoption of the European Union (Pacter, 2017). Then in 2010 it had already exceeded 120 jurisdictions (Lasmin, 2012) and by 2018 the number of adopting countries was above 140. As the number of jurisdictions increased, the possible adoption methods diversified. The IFRS Foundation in its Adoption Guide declares the full adoption in a single step to be the best approach to the Standards. On the other hand, countries have decided to adopt excluding certain standards as they believe not all would fit with the local needs. Furthermore, some countries have decided to converge the National Standards of the jurisdiction with IFRS Standards. In the first chapter we also analyse the Consultative Bodies of the IFRS Foundation, which are groups composed of professionals that allow the Foundation to have a direct line with experts. These groups have the possibility to advise and give input to the IASB and the Foundation on important matters. One of these Bodies is precisely focused on increasing and improving the participation of emerging economies in the future of IFRS Standards. As a consequence, with its input, the Emerging Economies Group also plays a significant role in the implementation of the Standards even for those emerging economies that have not yet adopted.

The second chapter assembles a literature review on previous academic studies on the adoption of IFRS Standards. It divides them into two separate branches, the one covering theoretical studies and the one on more empirical studies. The theoretical studies attempt to explain the driving forces that cause the adoption of IFRS Standards. The first one is the Institutional Theory which is mainly based on three different institutional isomorphic pressures (coercive, normative, and mimetic) that push for adoption. Next we find the Network Theory which affirms that the Standards become more appealing as the number of adopting jurisdictions increases – seeing it as a creation of a network. The last theory analysed is the Eclectic Theory in which the studies considered utilise this theory to examine why the adoption should result in economic benefits and how these act as drivers to adoption. The theory looks at countries through the ownership, location, and internalisation advantages, and the studies believe the adoption can increase the location advantage therefore increasing FDI inflows. The second category of the literature review is the one that reviews empirical studies. These focus on emerging economies to examine the effects of the adoption of IFRS Standards on their economic development. The studies were classified in three different groups: those that concluded the Standards had positively impacted economic indicators, those that determined the opposite and those that showed contrasting results.

For the above mentioned reasons, the present study decided to focus on two research questions:

1) Does the adoption of IFRS Standards impact the economic development of emerging economies?

2) Does the chosen method of adoption impact differently on the economic development of emerging economies?

The research questions guide the study in the last chapter, where we analyse both GDP and FDI as our key economic indicators for a group of eleven emerging economies. Due to the high connection with the IFRS Foundation and the Standards' implementation, the group of countries selected was the Emerging Economies Group. In order to respond to the second research question the countries were divided in three clusters based on the method of adoption utilised by each individual jurisdiction. The data considered covered the five years before the adoption and the five years after the adoption, so to have a clearer image of the impact of the implementation in the post adoption period. In order to answer the first research question, the analysis of GDP and FDI was conducted both separate and compared allowing a clearer view of the economic development which resulted from the adoption of the Standards. Furthermore, the analysis was conducted with the calculation of mean, median, standard deviation for each jurisdiction of the cluster, for the clusters themselves and considering the entire group. This allowed considerations both for the separate clusters and for the group as a whole, complying with both research questions.

Lastly, the study discusses the possible limitations of the research and possible future development as well as offering conclusive thoughts on the analysis conducted and the implications for emerging economies.

CHAPTER 1: IFRS Adoption and Emerging Economies Group

1.1 Overview of the IFRS Foundation

In 1973 the accounting bodies of nine countries funded the International Accounting Standards Committee (here forward referred to as IASC). The nine initial members were: Australia, Canada, France, Mexico, the Netherlands, the United Kingdom with Ireland, the United States and Germany (Nobes and Parker, 2012). The Committee was founded with the scope of mitigating differences in accounting practices, and therefore the promotion of harmonised accounting. In fact, the objectives of the IASC were "*to formulate and publish in the public interest accounting standards to be observed in the presentation of financial statements and to promote their worldwide acceptance and observance*" and "*to work generally for the improvement and harmonisation of regulations, accounting standards and procedures relating to the presentation of financial statements*" (*IASC 1992*).

The IASC was active until 2001, a year in which there was a reform: the introduction of the part-time board representative, with the proposition of a technocratic executive board and a supervisory board, the addition of new countries as members of the board and the increase of cooperation with the national accounting systems. In 2001 the IASC was replaced by the International Accounting Standards Committee Foundation (hereafter referred to as IASCF), this was renamed again in 2010 becoming the IFRS Foundation. Regardless of the name assigned to the Foundation, one of the most important bodies is the International Accounting Standards Board (IASB) as it is the independent-standard setting body of the Foundation. After 2001 the IASB was governed by a Board of 16 members which were appointed by the Trustees which, in turn, were appointed by the Monitoring group. The main tasks of the IASB are the creation of new improvement projects, such as the amendment of previous standards, the planning of reforms and the joint project of convergence with the American FASB (Financial Accounting Standards Board). It is also responsible for the development and publication

of new standards as well as approving potential interpretations developed by the IFRS Interpretation Committee.

The set of standards issued by the IASB are called International Financial Reporting Standards (referred as IFRS), and are a single set of rules which aim to be "*understandable, enforceable and globally accepted*" (IFRS Foundation, 2020b), in order to deliver transparency, accountability and efficiency to the world's financial markets. Transparency is reached by improving the quality and comparability of the financial information, accountability is achieved with the reduction of information gap (*Use of IFRS Standards around the World- September 2018*). Lastly, IFRS Standards say to contribute to the world's economy through enhancing economic efficiency which is done by helping with the identification of opportunities and risks for investors.(*Use of IFRS Standards around the World- September 2018*)

A year after the reform, in 2002, the states of the European Union committed to requiring IFRS Standards for all listed companies in their jurisdictions starting from 2005 (Pacter, 2017), this was just the first step for the world wide acceptance of IFRS Standards. In fact, the 2018 report of the IFRS Foundation on the use of IFRS Standards around the world states that "*87% of the profiled jurisdictions require IFRS standards for most domestically accountable companies*"(*Use of IFRS Standards around the World- September 2018*), as shown in Figure 1.

FIGURE 1: PROFILED JURISDICTIONS THAT REQUIRE THE USE OF IFRS
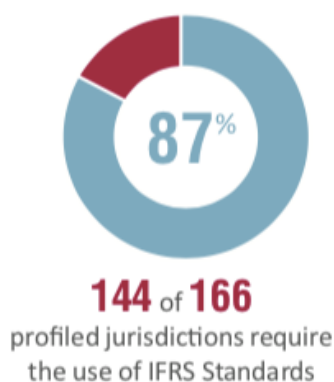
Source: Use of IFRS Standards around the world- September 2018

Twenty-two jurisdictions are profiled but are not considered in the percentage of adopters for various reasons. Twelve of the remaining jurisdictions permit rather than require the use of IFRS Standards and are therefore not included, Uzbekistan requires IFRS Standards for financial institutions, but not listed companies, Thailand is in process

of adopting, and Indonesia is in process of converging. Lastly, seven jurisdictions use national standards which exclude them from the count, within this group fall China and India (data available on the IFRS foundation website: https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/#analysis). This is a clear demonstration that the number of jurisdictions that are committed to IFRS Standards are continuously growing, especially if we consider that in June 2015 the number of jurisdictions requiring IFRS for most domestically accountable companies was 116 (Owusu et al., 2017), this means that in just three years there was an increase of 28 jurisdictions, therefore just under 10 jurisdictions each year. Further confirming the reach of the IFRS Standards is the fact that the current number of jurisdictions complying with them make up 47% of the world's GDP (*Use of IFRS Standards around the World- September 2018*), as shown in Figure 2 in the next page.

FIGURE 2: GDP OF JURISDICTIONS REQUIRING THE USE OF IFRS STANDARDS

Source: Use of IFRS Standards around the world- September 2018

A.   Worldwide engagement with the IFRS Foundation

Through the years, the IFRS Foundation has had an increase of adopting members, starting in 2002 with the EU, and has gradually gained recognition from various global organisations such as the World bank, the IOSCO (International Organisation of Securities Commissions), and the International Monetary Fund (hereafter referred to as IMF). Through the Memorandum of understanding between the IFRS Foundation and IOSCO we are able to see their close collaboration, as in the Memorandum they state their support to continuing work in order to achieve convergence to a single set of high quality accounting standards (International Organization of Securities Commissions and

IFRS Foundation, 2016). In the same way, the support of the World Bank is illustrated in the Memorandum of Understanding between IFRS and the World Bank (*Memorandum of Understanding between The International Financial Reporting Standards Foundation and The World Bank- May 2017*), and is made further explicit with the quote present on the IFRS website of Joaquim Levi, CFO of the World Bank Group. He expresses his satisfaction that the World Bank and the IFRS Foundation are working together in establishing consistent financial reporting standards in developing markets. He then expands on the fact that reliable and transparent accounting practices are essential to attracting investment (IFRS Foundation, 2017). Moreover, the support of the World Bank together with the IMF is made explicit through their Reports on Observance of Standards and Codes (ROSC), where they have established a program for member countries to assist them in implementing international accounting standards and auditing them (Othman & Kossentini, 2015).

On a similar note, another type of commitment worth mentioning is that of the Big Four. These are the four largest accounting and auditing firms in the world, they are: PricewaterhouseCoopers (PwC), Deloitte Touche Tohmatsu (Deloitte), Ernst & Young and, KPMG. These four firms are recognised as the most important accounting firms since even the smallest of the four is more than double the size of the closest accounting firm to them (Harold Averkamp). They form an elite group which has offices in almost every country, in 2019 PwC had offices in 158 countries (*Big 4 Accounting Firms - Who They Are, Facts and Information*). The group used to be bigger and had included a total of eight firms, but Ernst & Whinney merged with Arthur Young to create Ernst & Young; Price Waterhouse and Coopers & Lybrand merged to form PricewaterhouseCoopers; Peat Marwick International and Klynveld Main Goerdeler (KMG) also merged to form KPMG and, Arthur Andersen, also part of the initial group of eight firms, was shut down due to a scandal concerning a fraud case.

Ernst & Young showed their support for IFRS well before the previously mentioned memorandums back in 2007. In an article of the World Street Journal we see James Turley, chairman and CEO of Ernst & Young, talk about the possibility of the US Securities and Exchange Commission to allow US firms to file financial reports using IFRS Standards. In the article he covers the benefits of a global single set of accounting standards and states: "*There would also be benefits for emerging markets and the poorest countries of the world. A globally embraced set of standards can provide a readily available foundation for capital market activity. This could promote investment,*

strengthen the economy and improve people's lives." He then goes further implying that the US adoption would also act as a good example and "*It would motivate universities to train tomorrow's accountants in IFRS and promote similar moves by other jurisdictions to embrace these international standards instead of modifying them for local use. This would also help countries establish and work toward the improvement of a single standard, rather than devoting their energy to tweaking national standards to make them look more like IFRS.*" (Turley, 2007)

An article of the CFO magazine, a specialised source of insights into the business issues, talks about the competition between the Big Four about who does the most for the educational system and general preparation for IFRS. It states that Deloitte has funded an IFRS University Consortium with the main aim being to speed up the process of integration of IFRS into university programs with the help of case studies and with the presence of lectures done directly by Deloitte's personnel (Harris, 2008). In April of 2008, KPMG created the IFRS Institute, which not only attracted academics but also the different levels of the accounting world. PwC instead, not happy with forming just academics, also aimed at serving clients with "*10 Minutes on IFRS*" instalments present on the website (Harris, 2008).

The importance of the support of the Big Four and the other global organisations gains further importance when we recognise the normative pressure these exercise over jurisdictions, which will be further analysed with the literature review in the second chapter of the study.

1.2 IFRS Foundation's Guide: the adoption process

The IFRS Foundation published on its website a guide for the adoption process. The Guide suggests the one step adoption to be the best type, but also states that the expertise, professional infrastructure and regulatory interests affect which adoption method is best suited for each jurisdiction. The Foundation declares there is no standard approach to the adoption of IFRS Standards, but defines some common steps that should be followed in order to be best prepared (*IFRS Foundation, Adoption Guide, 2013*). These are summarised in Figure 3, in the next page.

FIGURE 3: ADOPTION SCHEME

Policy Decision
- **Build consensus**
- Understand reasons for adoption (global recognition, elimination of country discount)
- **Method of adoption**
- Adoption
- Adaption
- Convergence
- **Copyright & translation**

Plan
- **Form a committee**
- **Identify possible problems**
- **Prepare for IFRS1**
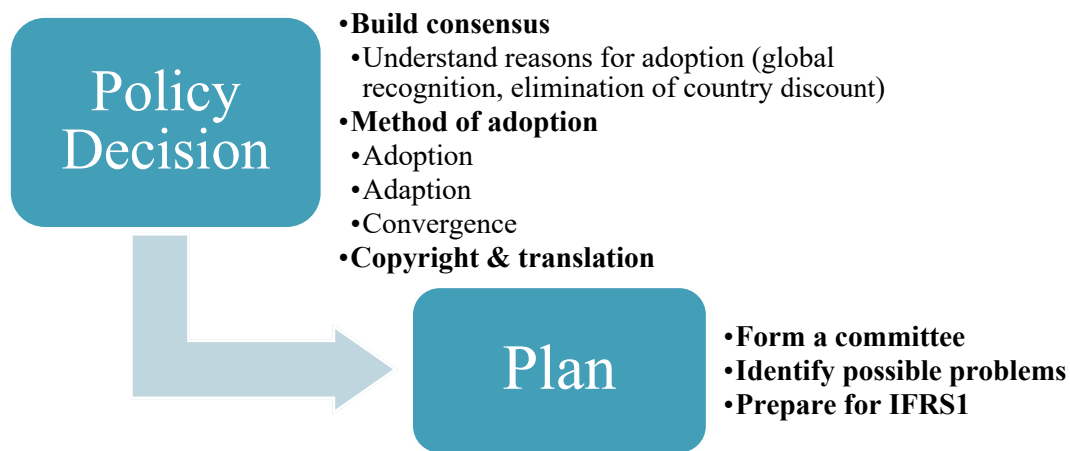
Source: Elaborated by the Author, based on the IFRS Foundation's Adoption Guide

A. *Policy Decision*

As we can see from Figure 3, the first main step involves policy decisions, which require accurate planning and commitment as well as an exhaustive understanding of possible implications of the adoption. The authority that is responsible for the application of Standards should also be the organisation that initiates the change and is in charge of the decision process. Some jurisdictions may build resistance to change and this would result in a more complicated adoption process, thus, there should be concentration on building consensus. The consensus in a jurisdiction can be built by better understanding of the reasons for adoption, the method of the adoption and deciding which companies would actually be adopting (*IFRS Foundation, Adoption Guide, 2013*).

The grounds for adoption vary from jurisdiction to jurisdiction, as they each have different needs, but the one reason that is common to all is the global recognition gained from the adoption of IFRS Standards. The Guide suggests many possible benefits, such as the attainment of credibility of the capital market, as the adoption helps eliminate, what the guide defines as "country discount" which is the uncertainty and possible distrust that investors may have on local standards. Additionally, adopting IFRS Standards should also allow for easier access to foreign capital markets to companies of the jurisdiction.

Moreover, it removes the high (tangible and intangible) costs of having standards setting authorities maintain high quality national standards.

When we move to the possible methods of adoption, the first approach is the "big-bang step" which is described in the guide to be the process by which the country commits to a full adoption on a single date or on a series of dates based on the size of companies. The second is the convergence method where there is a more gradual approach to IFRS Standards, which allows for the jurisdiction to have time to better train professionals, since a limited number of standards are introduced each year. The convergence method also gives time for the legal system of the jurisdiction to adapt to better suit IFRS Standards. On the other hand, convergence countries do not state the intention for full convergence which means there could be carve outs of standards as well as adaptation of standards in a partial form to best suit the jurisdiction. This method also carries some negative aspects since the costs are higher as there is a readaptation of local standards to IFRS. It is definitely more time consuming, and there is no assurance that the convergence will eliminate the country discount. (IFRS Foundation, Adoption Guide, 2013) The last approach to adoption is adaption, this is a sort of in between the two previously mentioned methods, as it is not a full adoption because it has some carve outs.

In the policy decision process, another thing that needs consideration is if the jurisdiction wants to adopt IFRS and IFRS for SME (Small Medium Enterprises), as not all types of standards are equally advantageous for all types of companies. IFRS are created for publicly accountable companies, which implies that they are listed on the stock exchange meaning they have responsibility to shareholders. Smaller companies may not be listed on the stock exchange and do not have public reporting obligations, which could bring the cost of complying and understanding IFRS to be higher than effective benefits. Once the decision for adoption has been made, businesses as well as professionals and professional organisations, may try to push for carve outs. However, every carve out further compromises the affirmation of the adoptive status of the country. Some of the typical proposed carve outs are with IAS41 on the topic of agriculture, which focuses on the transformation of biological assets into agricultural produce (IASPlus). Another common carve out is on the topic of revenue recognition which may be with IFRIC15 and IAS18. IAS18 focuses on outlining the accounting requirements for the recognition of revenue (IASPlus), instead, IFRIC15 concentrates on the standardisation of accounting practice across jurisdictions in order to recognise revenue by real estate developers for sales of units (IASPlus). Similarly, IAS21 on foreign currency translation, which outlines

how to record foreign currency transactions and operations in the financial statements, band on the method of translation of financial statements into a presentation currency(IASPlus), is also often considered for carve outs (*IFRS Foundation, Adoption Guide, 2013*). On the other hand, IAS1 which sets the overall conditions for financial statements, makes mandatory the issuing of a statement of compliance (IASPlus), which in turn allows the companies of the adopting jurisdiction to gain credibility. The Standard covers topics such as the structure, the accrual basis of accounting, and the distinction between current and non-current (IASPlus). Since the adoption process is complex and expensive, and one of the main advantages is the credibility obtained, carve outs diminish this favourable position of the firm as partial adoption can never be considered in the same way as a full adoption, therefore they should be avoided where possible.

The last aspect of policy decisions, corresponds to the translation of the Standards to the national language of the jurisdiction. The IFRS Foundation holds the copyright of the IFRS Standards in all languages because they were created by the Foundation under the control of its standard setting body (the IASB). In order to translate IFRS Standards in a different language, the Foundation has to give consent. Therefore the two parties enter a copyright agreement that varies depending on the adoption strategy of the jurisdiction (*IFRS Foundation, Adoption Guide, 2013*). Obviously, the Foundation will assist in the translation due to the high interest it has in it being the best translation possible. The high quality of the translation assures that the standards are implemented in full as well as being the only way to reach the same benefits of adoption. On the other hand, once the Foundation has the translation, this will be present on the website and will allow easier access to other jurisdictions speaking the given language (*IFRS Foundation, Adoption Guide, 2013*).

B. *Planning*

Once the policy decision has been made, it is crucial to create a plan with objectives and deadlines, in order to build accountability, and identify possible difficulties that may be encountered as well as methods to overcome them. The jurisdiction should set up a committee in order to better adapt and react to problems that may arise during the process. This would give the possibility to address hurdles as they arise, which would create a more dynamic and flexible process. The committee should include the actors that

contributed to the consensus, as well as those responsible for the design of the adoption plan for companies – these are the audit firms (*IFRS Foundation, Adoption Guide, 2013*). This would also permit access to information about problem solving and general experience of other jurisdictions, therefore allowing the creation of an international network. Moreover, it should incorporate representatives of the organisations as they are the ones that carry the adoption costs. Other participants of the committee are not only standard setters which allow for a fluid interaction between local and international spheres, but also regulators as they are the ones responsible for the enforcement of the Standards (*IFRS Foundation, Adoption Guide, 2013*). Finally, accounting academics and users of the financial statements should be included as accounting academics are responsible for the outline of educational programs and professional training of students, in order to better prepare future generations. Instead, users of the financial statements have the knowledge of what aspects are most important in the financial statements of local businesses. Each member of the committee is able to give its fundamental inputs in order to better equip the committee for the resolution of possible problems (*IFRS Foundation, Adoption Guide, 2013*).

Legislation, more specifically local legislation, is the next aspect which needs to be addressed in the plan for adoption to allow the process to be as smooth as possible. Most of the jurisdictions require the local legal framework to be modified with the introduction of implementation regulations in order to adopt IFRS as different jurisdictions have different implementing plans, but they all need to reach the common objective of adoption (*IFRS Foundation, Adoption Guide, 2013*). The Guide states that in their experience they have seen many jurisdictions having trouble with local company law as there were some fundamental changes that were challenging and required a lot of time. This is made more complex by the fact that these modifications are nor in the field of financial reporting not in the one of implementing regulations (*IFRS Foundation, Adoption Guide, 2013*). The IASB is not equipped to deal with possible local legislative problems as they are not experts of law or the jurisdiction's local law. Therefore, local problems in legislation may find resolution by exploiting possible solutions already mastered by other jurisdictions, but these paths are not mandatory and are merely suggestions from which to glean as they are based on different local laws.

The last recommendation in the Guide is on the topic of the preparation necessary for IFRS1. IFRS1 is the most basic of the Standards as it states the measures that must be followed for the first time adopters of IFRS, one example being the general guidelines

for the financial statements (IASPlus). A first-time adopter is an entity that, for the first time, makes an explicit and unreserved statement that its general purpose financial statements comply with IFRS's (IFRS 1.3). This Standard allows for an explanation about the changes that resulted from the shift from local GAAP (Generally Accepted Accounting Standards) to IFRS Standards. It is designed to facilitate the transition, as well as removing issues in measurements, given what was previously stated in the financial statement could be different to what is required by IFRS.

To conclude, the Guide published by the IFRS Foundation states there is no standard approach to the adoption of IFRS Standards, though it explains the jurisdiction should focus on policy decision with the creation of positive change in order to build consensus and tackle resistance. The reasons for adoption may be different for each jurisdiction but it appears that the global recognition gained from the adoption is appealing to all. We have seen there are different methods of adoption which include the "Big-bang step", convergence and adaption. During the adoption some jurisdictions, due to resistance, may try to make some carve outs which the guide explains to be compromising the adoptive status of the jurisdiction. A committee should be created with the inclusion of all important members to ensure that the knowledge is present to face possible problems and to have a more dynamic and flexible process.

1.3 Supporting materials for the Adoption

During the adoption it is vital for the adopting jurisdiction to understand the resources that it possesses and those that it lacks, as the process requires high amounts of them. This, in fact, can be a problem for emerging economies as it requires highly specialised and technical assets. Once the path for adoption has begun, the jurisdiction still needs to give continuous support for the development of skills not only for financial statement preparers but also for securities and prudential regulators.(*IFRS Foundation, Adoption Guide, 2013*)

The IASB gives support to countries with educational initiatives, which promote the adoption and consistent application of IFRS Standards. These initiatives are aimed at countries which are in the process of adopting or have recently adopted. It consists of training as well as conferences, and these are sponsored by the previous mentioned global

organisations such as the World Bank. The Board also engages with emerging economies through its work with National Standard Setters (NSS). The main objectives of the close work with NSS is to be able to maintain efficient communication and close relationships with them and regional bodies, as well as encouraging NSS to support implementation (Gomes & Sansom).

On the IFRS Foundation website, we also find that the IASB and the IASB's Interpretation Committee both have activities aimed at supporting the understanding and implementation of IFRS Standards, before and after the adoption process (IFRS Foundation,).

A. *Activities of the IASB*

The IASB, as part of the material it offers for the adoption, has published a list of each IFRS Standard and IFRIC, where it also gives information about the Boards activities to support the implementation and application of each of it. Inside each Standard we can find the relevant information as well as a statement of whether or not the Board has undertaken post-implementation reviews. Here we can also find, if present, the Agenda Decision for the standard. This is what is published when an issue is brought to the Interpretation Committee but is then rejected. In fact, the Agenda Decision explains the reasons for the rejection and it often includes information to help those applying the relevant standard.

Other resources which are available from the IFRS Foundation website are some cross-cutting materials, webcasts and webinars, and the work of the Transition Resource Group meetings. In October 2020, as part of the cross-cutting materials, which are those relevant for multiple Standards, the Foundation published a paper on the impact of COVID-19 on the application of IFRS Standards. This paper describes some of the key financial reporting considerations that, due to the complexity of the period, could be unsettling for preparers, auditors, investors and regulators (IFRS Foundation, 2020a). During the virtual conference, in September 2020, the interdisciplinary panel focused on what entities should consider when developing assumption in preparing financial statements during periods of even higher uncertainty compared to normal times, as well as what information to disclose about the assumptions used. The uncertainty caused by COVID-19 makes the estimation of numerous items present in the financial statements

more complex. Another possible consequence of the uncertain environment may be seen in continuous changes in the management's projections as changes in the external environment may drive for updates in management's plans. Such external environment changes may include strict lockdown measures or the loosening of such restrictions which cause for further uncertainty. The continuous variation of the situation also requires information to be always kept up-to-date, making it even more challenging for preparers (Tokar & Kumar, 2020). Lastly, the paper focuses on some suggestions about how to deal with the turbulent period, and it underlines that the three pillars to fight uncertainty should be clarity, transparency and context (Tokar & Kumar, 2020).
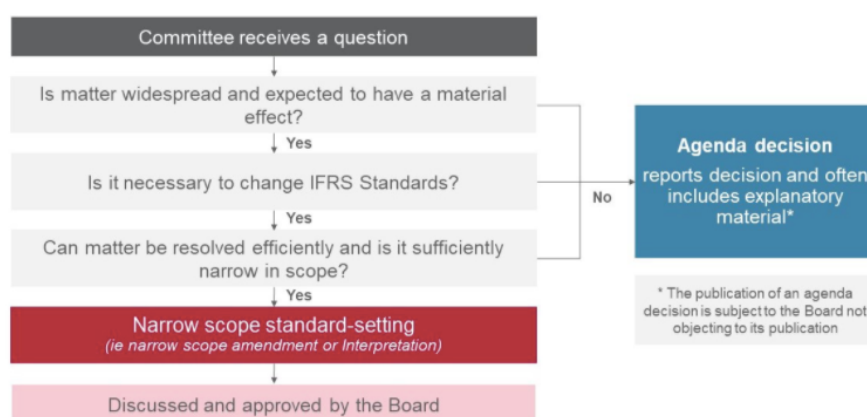
As we have previously mentioned, the work of the Transition Resource Group (TRG) is also part of what the IASB does to help adopting jurisdictions as well as those that have already adopted. The Group informs the IASB and the American FASB (Financial Accounting Standards Board) when it encounters potential issues on implementation which could arise when a new standard is implemented. Once the possible issues have been identified, the Group then helps the Board determine if actions will be needed, as well as provide a forum for stakeholders to learn about new standards from a source that is directly involved in the implementation process. The Group has to follow some procedures, in fact, it has to periodically meet in public to discuss issues, and these can be submitted by any stakeholder. The IASB and the FASB evaluate each submission in order to have a priority issue for the TRG meetings. During the meetings there is a sharing of opinions on the issue by the members of the TRG but these are merely views as the decision for the necessity or not of actions is in the hands of the IASB and the FASB. After every meeting, a meeting agenda and discussion summary, as well as additional materials, are published on the TRG page (IFRS Foundation).

B. Interpretation Committee

The Interpretation Committee, which was previously briefly mentioned, works together with the IASB for a consistent application of the Standards. Together their main goal is the nourishing of an equilibrium between maintaining the principle-based essence of Standards and modifying requirements on the basis of arising issues (IFRS Foundation). The Interpretation Committee works via projects; each project starts with a question raised by stakeholders, which is then evaluated at public meetings. In order for the project to be inserted in the work-plan, which would allow for the question to be addressed, the

Committee has to judge the issue as widespread, necessary, and the scope of it has to be narrow enough. Therefore, the Committee may conclude with a non-inclusion of the project in the work-plan when the project is seen as relevant only for a certain company therefore resulting in a lack of the diffusion of the problem. Another reason for which the project may be rejected is if it is classed as unnecessary. This is usually when it is believed that the standard itself is sufficient to allow a company to determine how to comply with it. Lastly, the Committee may decide to exclude the project from the work-plan if the scope is too wide meaning, the only possible solution would be a wider Board project.

FIGURE 4: DECISION PROCESS OF THE IFRS INTERPRETATION COMMITTEE

Source: IFRS Foundation website: https://www.ifrs.org/supporting-implementation/how-the-ifrs-interpretations-committee-helps-implementation/

Figure 4 summarises every step of the decision process of the Interpretation Committee when addressing the possibility of inserting a project in the work-plan. Figure 4 also shows that every time the Committee decides to not include a project in the work plan it issues an Agenda Decision. This gives explanatory material that should help those that are applying the relevant standard. The Agenda Decision does not have the ability to add or amend requirements, and its authority comes from the authority of the standard itself, therefore it just gives additional information. It has 60 days in which comments on the decision can be made, after which the Committee can decide to confirm or deny the decision and publish the agenda. For an agenda to be published it also requires the approval of the Board with less than three members objecting to it.

On the other hand, if the project is found to match the characteristics necessary for it to be part of the work-plan, implying it is a widespread issue, it is necessary and has

a narrow scope, the Committee has two options to move forward. The first option is the publication of an IFRIC which allows the Committee to include additional requirements to the Standard, however, it does not allow the removal or replacement of any of the requirements of such Standard. The second option is for the Committee to suggest to the Board to create an amendment to the Standard (IFRS Foundation).

In conclusion, the resources available to the jurisdictions are of vital importance for the support of the implementation of Standards. The IASB has produced and implemented activities in order to support the understanding and fulfilment of IFRS Standards. These activities are: the presence of post-implementation reviews for each Standard present on the website, cross-cutting materials, webcasts and webinars, and the summaries of the meetings of the Transition Resource Group. Another vital resource that can help with possible problems connected to specific standards, as we have seen, is the work done by the IFRS Interpretation Committee. It allows for problems to be discussed and, depending on the characteristics of the problem, it may issue an Agenda Decision, an IFRIC or it may suggest to the Board an amendment to the Standard.

1.4 Consultative Bodies

As it has been previously discussed IFRS Standards are a single set of standards that are aimed at the global economy, and in order to maintain its worldwide focus it bases its work on complete transparency and full cooperation (IFRS Foundation). For this reason, the Foundation may establish consultative groups for the Board's big projects as this allows the Board to gather input from directly interested parties that have practical experience and useful expertise (3.59) (IFRS Foundation, 2020b). Every time a new project is inserted in the work plan of the Board, it may decide whether it is necessary or not to create a consultative group. Some projects may require more than one consultative group to be created because different groups may be necessary for different specific aspects or phases of the project. There is also the possibility that consultative groups are created by the IFRS Foundation in order to reflect a particular sector rather than being connected to a specific project, which would make its role more of a specialist advisory group, as it would allow direct contact with professionals. For this reason, in order to provide the Board with input on multiple topics rather than meeting in accordance with

the needs of a specific project, these types of groups meet on a regular basis (IFRS Foundation).

The composition of each of the consultative groups is a representation of the purpose of the project, in fact, it may undergo changes through time as different stages of the projects may require different types of expertise. When talking about the composition of the groups, it is important to highlight the necessity to always have diverse, but also geographically balanced, memberships. This ensures a wide range of thoughts and limited bias. In order to maintain the balance, both in perspective and geographically, the composition of the groups is reviewed by the DPOC (Due Process Oversight Committee) on a regular basis. The DPOC is the committee composed of the Trustees that is responsible for overseeing the operations of the Interpretative Committee and of the Board (IFRS Foundation, 2020b).

Each of the Consultative Bodies of the IFRS Foundation has its own terms of reference where the specific objectives of the body are described. Within the terms of reference we can also find the explanation of the Board's expectations and a definition of the responsibilities the Board has towards that specific group (IFRS Foundation, 2020b). Typically, the meetings of the Consultative Bodies are opened to the public, and moderated either by one of the Board's members or by the elected chair. The public meetings are recorded and, if possible, posted on the website of the specific group. Alternatively, if the meetings are held privately, a summary of the discussion is still made available on the website. The Groups are reviewed once a year by the IFRS Foundation, and this review is reported to the Board and the DPOC. This is especially valid for those groups that are specific to a project, as they may need modifications or may need to be disbanded (IFRS Foundation, 2020b).

The currently active Consultative Bodies of the IFRS Foundation are divided in four main categories: Advisory bodies, Standing Consultative Groups, Transition resources Group, and Project consultative groups, which are briefly described in Table 1 below.

TABLE 1: CONSULTATIVE BODIES

Consultative Bodies	Foundation Year	Aim	Members	Meetings
Advisory Bodies				
Accounting standards Advisory Forum	2013	Provide technical consultation to the IASB on current projects and support the Board with the exploration of possible new propositions	12	4 times a year
IFRS Advisory Council	2014	Advise both the Trustees and the IASB with the perspective of those that are affected by the work of the Board	50	3 times a year
Transition Resources Group				
TRG for IFRS 17 Insurance Contracts	2018	discuss possible implementation issues that arise from the application of IFRS 17, and where necessary consult the Board	15	4 times between 2018 and 2019
Project Consultative Groups				
Consultative Group for Rate Regulation	2013	Gain skilled perspective on the Boards project on rate regulation	14	2013, 2015, and 2017
Management Commentary Consultative Group	2017	Allow the Board to find advise by meeting with specialists in developing, implementing and using management commentary	16	2018, and 2019

The present paper will base its focus on the Emerging Economies Group, part of the Standing Consultative Groups, which were not described in the previous table. For this reason, we will briefly analyse these permanent consultative bodies in the next section.

A. Standing consultative groups

The Standing consultative groups, are part of the permanent consultative bodies created by the IFRS Foundation. The first of the Standing Consultative Groups that we will analyse is the Capital Markets Advisory Committee (CMAC), which is independent from both the IASB and the Foundation. The objective of the CMAC is to help the Board with standard setting by providing the perspective of financial statements users. Therefore, as mentioned by Marietta Miemietz, member of the CMAC, in the video on the Group's page, they speak for the views of the capital market participants (IFRS Foundation). The Group helps by providing the Board with advice over concepts and proposals, and they facilitate the Board's outreach by contacting users of financial statements. The Committee also provides input on possible practical implications of standard setting for financial statements users (*CMAC Charter, 2020*). The members of this Committee meet with the Board three times a year at the IFRS Foundation office in London. Out of these three minimum meetings, one is held together with the Global Preparers Forum, which will be analysed next (*CMAC Charter, 2020*).

The second group that will be examined is the Global Preparers Forum (GPF), its first meeting was held in October 2007 and its constitution was approved in 2008 (*GPF Constitution, 2008*). Like the CMAC above, the GPF is independent from the IASB and the IFRS Foundation, but while the CMAC is composed of users of the financial statement, the Global Preparers Forum consists of preparers of the financial statement (IFRS Foundation). The objective of the GPF is to provide regular discussion on the views of the preparers of the financial statements, in order to best advise the board with their perspective on practical matters (*GPF Constitution, 2008*). There are sixteen members of the group plus an additional Exceptional Member (*GPF Constitution, 2008*). They convene with the Board three times a year, one of which, as we have previously mentioned, happens together with the Capital Markets Advisory Committee.

The next group on which we will focus is the Emerging Economies Group (EEG), which was founded by the Trustees in 2011. It was created in order to improve and increase the participation of the emerging economies in the future growth of IFRS Standards (IFRS Foundation). For this reason, the EEG focuses on the application of Standards in emerging economies. It is also responsible for the sharing of information

and exchange of views with the Board, and the sharing of experiences within the group (*EEG, Terms of Reference, 2018*). The Group has the duty to consider whether it is possible or even necessary for the Board to provide educational guidance to the parties in the emerging economies, and if so, what would be the most efficient delivery system (IFRS Foundation). The EEG is formed of twelve permanent members and the Chair. They meet twice a year in different locations as each time a different member of the group is responsible for hosting the meeting (*EEG, Terms of Reference, 2018*).

Subsequently we explore the IFRS Taxonomy Consultative Group (ITCG), which was established by the Board in 2014, replacing two different groups: the XBRL Advisory Council, and the XBRL Quality Review Team (IFRS Foundation). In order to ease the dissemination, processing and assessing of the IFRS financial statement the Foundation requires IFRS Taxonomy to be impeccable and of high quality, as this also facilitates the implementation of requirements (*ITCG, Terms of Reference, 2014*). The goal of the Group is to provide the board with specifically aimed revision of Taxonomy as well as guidance in the activities of digital reporting (IFRS Foundation). The number members of the group may vary from sixteen to twenty, and also comprises of a Chair and Vicechair. They gather twice a year in person in London, and it usually schedules around four conference calls during the year.

The Islamic Finance consultative Group, part of the Standing Consultative Groups of the Foundation, has more peculiar characteristics than the groups we have previously encountered. In 2011, the IASB consulted for issues concerning its technical agenda which resulted in the formation of this consultative group. The Group is focused on Shariah compliant instruments and transactions, it advises the IASB and IFRS Interpretative Committee on possible issues which may have arisen from the application of IFRS Standards to instruments and transactions, which are generally identified as Islamic finance (IFRS Foundation). The current number of members is sixteen, including Chair and Vicechair, representatives of the Asian-Oceanian Standards Setters Group (AOSSG), and representatives of other organisations which may be able to bring insightful contributions.

The SME Implementation Group (SMEIG), is the sixth member of the Standing Consultative Group. It was founded in 2009 by the Trustees with the aim of assisting in the adoption and in the correct implementation of the IFRS Standards for SME. In 2020, the Terms of reference were revised in order to make the group responsible not only for the implementation but also for supporting the application of the Standards (*SMEIG,*

Terms of Reference, 2020). The SMEIG has two main responsibilities: the first concerns the evaluation of issues brought up by users, and the second is to advise the IASB on whether certain Standards would require amendments (IFRS Foundation). The number of members may vary between twelve and thirty, the meetings may be called by the Chair but their work is mainly done on a computer.

Lastly, we discuss the World Standard setters Conference, which was established by the IASB in 2002, and since then the Board holds a conference every year in London around September or October (IFRS Foundation). These Conferences are a nexus for National Standards setters from around the world that are responsible for the implementation of accounting. The main objective of these conferences is the sharing of different experiences of the various jurisdiction for what concerns the adoption and the implementation of IFRS Standards. They give the Board the chance to work closely with National Standards Setters. The close work of the two works towards being able to reach the G20 objective of global accounting standards (IFRS Foundation).

1.5 Emerging Economies Group: a deeper look

As it was mentioned above, one of the seven Standing Consultative Groups of the IFRS Foundation is the Emerging Economies Group. The IFRS Foundation Trustees created the Emerging Economies Group in 2011, and it was conceived with the objective of improving and increasing the participation of emerging economies in the future of IFRS Standards (Gomes & Sansom). The EEG is composed of twelve members: Argentina, Brazil, China, India, Indonesia, Malaysia, Mexico, Russia, Saudi Arabia, South Africa, South Korea and Turkey. The main tasks of the Group are the exchange of views and communication concerning issues from emerging economies to the Board, via a technical platform. It is also responsible for providing input to the agenda setting process of standards as well as the Board's technical agenda. The work of the EEG also assists in the application of Standards by identifying possible issues, sharing experiences, discussing common problems with possible solutions, as well as using other countries' experience as guidance for problems. Lastly, the group discusses help with in-country implementation steps. Evidently, the EEG supports the IFRS Foundation's objectives with its cooperation meaning, even better development of a single set of high quality standards that are globally accepted and understood.

China plays has an important role in the EEG, in fact, the Ministry of Finance of the People's Republic of China administers the Group Secretariat, and it is also responsible for the costs associated with the "IASB Emerging Economies Group Liaison Office" as it is set in China (*EEG, Terms of Reference, 2018*). The Vice-chair is also Chinese, more precisely 李先忠 (Li Xianzhong) is a representative of the Ministry of Finance of the People's Republic of China. This could be due to the Joint Statement made in November 2015 between the IFRS Foundation and the Chinese Ministry of Finance, where it was announced of the creation of a joint working group to find new ways to further improve the use of IFRS Standards (*China-Ifrs-Profile.Pdf*). Another reason for China having the permanent role of Vice chair could be the fact that it has achieved incredible success in development since its reforms and opening up in 1978. So, even if China today is part of the upper middle-income countries and is the world's second largest economy, it still has challenges, for which it is part of the EEG. On the other hand, the outstanding growth allows it to influence other developing economies via trade and investment, making it a very important member of the Emerging Economies Group (The World Bank).

If we look at the organisational structure of the Group, the highest position is the Chair. This role is assigned to a member of the Board which has to present sufficient experience. The current Chair is Tadeu Cendon, who was elected on the 1st of July 2019 (IFRS Foundation). Next in line is the Vice-Chair; as it has been previously discussed, this position is occupied by a representative of the Chinese Ministry of Finance. The current Vice-Chair is 李先忠 (Li Xianzhong), Director-General of the Accounting Regulatory Department of the Ministry of Finance of China, and Accounting-General of China Accounting Standards Committee (*EEG, Terms of Reference, 2018*). This study has mentioned previously the composition of the twelve permanent countries members of the EEG: Argentina, Brazil, China, India, Indonesia, Malaysia, Mexico, Russia, Saudi Arabia, South Africa, South Korea and Turkey. These are all the emerging economies that are part of G20 with the addition of Malaysia. The possibility of expansion of the group to allow other countries to become members may be open for consideration (*The First Meeting of the IASB Emerging Economies Group Communiqué, 2011*). Each country has a delegate representative which is appointed by the National Standard Setters, and therefore acts on behalf of the country it represents.

The EEG meetings occur twice a year, usually last two days, and all members have the possibility to attend them. Not even the global pandemic that affected the entire world in 2020 was able to disrupt the meetings as they both happened as scheduled with the only exception being they were through video conference instead of in person. Since all the organisational costs are borne by the hosting member, they take turns in hosting the meetings. The Chair has the possibility to invite temporary members in order to be able to participate at the meeting for a specific point in question, or because such temporary member may be able to contribute to the meeting with a specific regional point of view (IFRS Foundation). The focal topic to be discussed on the first of the two days of conference is to be decided by the Chair and Vice-chair when stipulating the meeting agenda, also partially consulting with the members and the Board. Instead, on the second day, topics are more administrative and different matters are addressed through discussion with the approval of the Chair and Vice-chair when composing the meeting agenda. Documents on the Agenda are drawn up by either EEG members or by staff of the IFRS Foundation, and are distributed to all the members so to allow for each representative to be prepared and be able to participate in the discussions on the days of the meeting. After each meeting a Report, as well as a meeting summary or communiqué, is prepared in order to publish what was discussed and what was concluded on the IFRS Foundation's website in the section about the Group. This process allows a more detailed recognition of events which allows other emerging economies to access it and to benefit from the discussions and from diverse points of view (*Review of Activities and Functions of Advisory Groups - 2018*).

The EEG liaison office is the centre responsible for the daily operations as well as updates when the EEG is not reunited meaning, everything goes through there. As it has been previously mentioned in the chapter, the EEG liaison office is in China and reports directly to the Chair and Vice-Chair. The costs of the office and the management of activities are borne by the Chinese Ministry of Finance. The main duties of the Liaison office are the provision of assistance in the preparation of Emerging Economies Group meetings, as well as the delivery of materials for the meeting, one example being the Meeting Agenda. It is also responsible for maintaining fluidity in the communication between members and the Board, and between members themselves, such as the important delivery of EGG's recommendations post-meeting to the Board, and facilitating the mutual assistance between emerging economies on topics of accounting (*EEG, Terms of Reference, 2018*).

A. Adoption inside the Emerging Economies Group

As we have seen through the Adoption Guide, each jurisdiction may pursue a different path to adoption as there is no standard approach for the process of adopting IFRS Standards. The drivers that bring to the decision of adopting may differ from one jurisdiction to the other, but as we have seen before, the global recognition carried by this process seems to be significant for all. The global acknowledgement and recognition that a country gains would play an even more important role in the case of emerging economies, as they would gain a more favourable position in the eyes of developed countries. The adoption of IFRS Standards could work as a door into the developed world for these countries. It allows the capital market of the jurisdiction to achieve credibility due to the elimination of possible uncertainty and mistrust investors may have towards national standards. Furthermore, it should also provide companies of the adopting jurisdiction an easier access to foreign capital markets.

Another major aspect which influences the type of adoption and is unique to each jurisdiction is the local legal system. Most countries need modification in the legislation as they need to introduce implementation regulation, in order to reach the common objective of adoption. As the IASB is not equipped to deal with local legal problems these may find possible solutions exploiting paths that have already been mastered by other jurisdictions. In this case the EEG meeting may be of help as new perspective arise through discussions.

The methods that the jurisdiction can decide to utilise for its process of adoption are: "big-bang step" adoption, adaption and convergence. As we have previously mentioned the one step adoption is the process by which the jurisdiction commits to a full adoption on a single date or on a series of dates based on the size of companies. An example of this method can be seen in the plan for an unique date of adoption of the EU in 2005. Completely opposite is the convergence method, this is a more gradual approach to the standards as a limited number of standards are introduced each year. This method allows the jurisdiction to have more time to train professionals, but it also allows more time for possible modifications of the jurisdiction's legal system in order to introduce, where necessary, implementation regulations. On the other hand, as well as positive aspects of convergence this method also has negative ones. For example, the cost of readapting local standards to IFRS Standards is very high, both on a monetary basis and

on a time consuming basis. It could be possible that the country that decides to pursue adoption with the method of convergence never states the intention for a full adoption, therefore, during the re-adaption of standards, the jurisdiction may decide for carve outs or adaption of standards in a partial form in order to best suit the jurisdiction. This, therefore, never ensures the elimination of the country discount. Lastly, jurisdictions may decide to pursue adoption with the adaption method, this works as a middle point between adoption and convergence. These countries do not adopt IFRS Standards in full, they could maintain the name of the national standards, and possible carve outs can be put in place. As we have seen before, carve outs can undermine the adoptive status of the country, which could therefore risk the positive effects of the adoption such as the global recognition and the credibility the jurisdiction gains, and thus not eliminate possible uncertainty and distrust investors may have towards national standards.

The author has taken into consideration the countries members of the Emerging Economies Group, and has divided them into clusters depending on the adoption method they have each decided to pursue, as shown in Table 2 below.

TABLE 2: EEG COUNTRIES DIVISION BY METHOD OF ADOPTION

Adoption	*Adaption*	*Convergence*
Argentina	Brazil	China
Malaysia	Korea (South)	India
Mexico		Indonesia*
Russia		Saudi Arabia
South Africa		
Turkey		

Source: Elaborated by the author, based on the profile of jurisdictions present on the IFRS foundation website (available at https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/), the table present on the Deloitte website (available at https://www.iasplus.com/en/resources/ifrs-topics/use-of-ifrs) and the IFRS jurisdiction profile from PWC (available at https://www.pwc.com/gr/en/publications/pwc-ifrs-by-country-2015.pdf)

Table 2 shows Indonesia as part of the group of countries that have adopted the standards through the convergence method, but instead, it has only made a public commitment in support of moving towards a single set of high quality global accounting standards (*Indonesia-Ifrs-Profile.Pdf*). Indonesia has not published any form of plan or timetable for the process of adoption of IFRS Standards (*Pwc-Ifrs-by-Country-2015.Pdf*).

Indonesia is present in the table as it is one of the member states of the Emerging Economies Group, but the IFRS website defines it as in process of converging therefore the Standards are not currently required or permitted. In fact, the statements in Indonesia must be prepared according to the Indonesian GAAP (PwC, 2015). For these reasons it will not be included in the analysis below.

From Table 2 we can also see that within the Emerging Economies Group all three methods of adoption have been utilised. The countries that have been classed under the Adoption group are: Argentina, Malaysia, Mexico, Russia, South Africa, and Turkey. The ones under Adaption are: Brazil, and South Korea, and those under Convergence are: China, India, and Saudi Arabia. We will analyse one country for each group in order to see the steps undertaken in the process of adoption.

Mexico is one of the countries that has decided to apply a full adoption of IFRS Standards, and its standard setting organisation is the Consejo Mexicano de Normas de Información Financiera (hereafter CINIF) which is the Mexican Financial Reporting Standards Board. Mexico has made public commitment for the movement to a single set of high quality global standards, and has recognized, with a public commitment, IFRS Standards as that single set of high quality standards. Starting on the 1st of January 2012, the Comisión Nacional Bancaria y de Valores (henceforth CNBV), which is the National Banking and Securities Commission of Mexico, adopted IFRS Standards for listed companies except financial institutions and insurance companies. Early adoption was possible from 2008 (*Mexico-Ifrs-Profile.Pdf*). Adoption was applied to both entities that prepare consolidated financial statements and those that do not, as they do not have subsidiaries. Instead, for companies that belong to the financial institutions and insurance sector, Mexico has decided to apply Mexican Financial Reporting Standards, with the addition of some requirements by the CNBV and the National Insurance and Bonding Commission. Domestic companies in Mexico apply IFRS Standards as issued by the IASB Board, in fact, they are incorporated by reference in the Mexican Securities Market Law through the National Banking and Securities Commission of Mexico (CNBV) regulation requiring IFRS Standards. Therefore, once the IASB publishes a new Standard or an amendment this is adopted automatically, due to the CNBV regulation that requires IFRS (*Mexico-Ifrs-Profile.Pdf*).

Brazil is part of the group that has decided to pursue a partial adoption, the country has two main organisations the Comitê de Pronunciamentos Contábeis (hereafter CPC) which is The Brazilian Accounting Pronouncements Committee and the Comissão de

Valores Mobiliários (hereafter CVM) which is the Securities and Exchange Commission of Brazil. These two organisations have significant roles, in fact, the CPC is the organisation responsible for developing and issuing accounting standards, as well as interpretations and general guidance for Brazil. The rules published by the CPC are enforced, in the case of public entities, by the CVM, and in the case of non-public entities by Conselho Federal de Contabilidade (hereafter CFC), which is the national professional accountancy organisation in Brazil (*Brazil-Ifrs-Profile.Pdf*). For Brazilian listed entities IFRS Standards have been mandatory since the financial year ending 31st December 2010, early adoption was also possible from financial years ending 31st December 2007. Unconsolidated financial statements follow Brazilian GAAP (Generally Accepted Accounting Principles), which have fully converged with IFRS since 2010. Financial Institutions, which are regulated by the Central Bank of Brazil, are required to present consolidated financial statements prepared in accordance with IFRS since 2010 for both listed and unlisted. The former are required to have an audit committee; whilst the latter (those that are unlisted) do not require an audit committee and are not required to comply with IFRS in the preparation of financial statements. Also, listed insurance companies have been required to comply with IFRS Standards since 2010.

On the other hand, during the process of adoption of IFRS Standards, Brazil has made several modifications, for example some options have been eliminated such as IAS16 - Property, Plant and Equipment and IAS38 – Intangible assets (*Brazil-Ifrs-Profile.Pdf*). IAS 16 lays out the accounting approach to deal with the majority of properties, plants and equipment. All property, plant, and equipment are measured at first as costs. These costs are measured at the time they have occurred and these include costs in order to acquire or construct an item of property, plant and equipment and the costs incurred at a later time to add to, replace part of, or service the given property, plant or equipment. Subsequently, it is measured with either a cost or a revaluation model, but depreciation happens in the same way under either model. Depreciation is done in order to have the depreciable amount that can be used with method over the useful life of the property, plant or equipment (IASPlus). Instead, IAS 38 concentrates on intangible assets; these are defined as "*non-monetary asset without physical substance. An asset is a resource that is controlled by the entity as a result of past events (for example, purchase or self-creation) and from which future economic benefits (inflows of cash or other assets) are expected*" (IAS 38.8). Therefore, the Standard lists the criteria for the asset to be recognised as intangible, this is then "*measured at cost, subsequently measured at cost or*

using the revaluation model, and amortised on a systematic basis over its useful life (unless the asset has an indefinite useful life, in which case it is not amortised)" (IASPlus). Brazil has also prohibited the early adoption of IFRS Standards and, when a new or amended Standard is published by the IASB, the CPC has to approve it. CVM, Brazilian Central Bank, and insurance regulators all apply CPC standards, therefore everyone in Brazil applies the new or amended Standard simultaneously.

When moving to consider countries that have decided to follow the path of convergence we must make a distinction: there are countries that, having followed the roadmap in plan, have reached full convergence with IFRS Standards and there are countries that are still following a path of convergence. The main body that develops and issues standards in Malaysia is the Malaysian Accounting Standards Board (hereafter MASB). Established with the Financial Reporting Act 1997, this gives legal authority to the Standards issued by the Board. In November 2011 the MASB issued the Malaysian Financial Reporting Standards (MFRS), which are identical to IFRS Standards to the letter and became effective in January 2012. In addition, the MASB committed to maintaining the full compliance with IFRS by adopting all new Standards or amendments, thus the Standards used in Malaysia are as issued by the IASB and are adopted as and when issued by the IASB Board (*Malaysia-Ifrs-Profile.Pdf*). For this reason, Malaysia which has adopted IFRS Standards with the method of convergence and has reached full convergence, has been considered in the cluster of adoption.

On the other hand, the cluster of converging economies that are: China, India, and Saudi Arabia, have converged with IFRS only partially. In fact, in the jurisdictions' profile, China is considered to be "*substantially converged*" with IFRS Standards, India is considered to be "*largely converged*", and Saudi Arabia is considered to be "*closely converged*" (fbetkowski). China has been the first to go through the path of adopting IFRS Standards with the method of convergence. The Accounting Regulatory Department of the Ministry of Finance of the People's Republic of China is the standard setting authority in China, and consequently is responsible for the development and issuing of accounting standards. China has made a public commitment towards IFRS Standards as the single set of high quality standards, but has not yet reached full convergence. In November 2005 the Chinese Accounting Standards Committee (CASC) and the IASB signed a Joint Statement where the IASB recognised the substantial convergence of the Chinese Accounting Standards. In this document, they recognise the presence of difference, but also praise the great work done by China in the progress to convergence (*Beijing Joint*

Statement, 2005). In February 2006, the Chinese Accounting Standards for Business Enterprises (ASBE) were issued and were declared to be substantially convergent with IFRS Standards. In 2010 the Chinese Ministry of Finance issued a roadmap for continuing convergence of ASBE with IFRS, thus ASBE will continue to be revised based on the revision of IFRS Standards. The ASBE, are the official standards of China and, as a result, are part of the laws and regulations of China (*China-Ifrs-Profile.Pdf*). In November 2015, a new Joint Statement was issued which reaffirmed the objective of reaching full convergence. The Trustees also appreciated the leadership role of China in the Emerging Economies Group, and reaffirmed the will to have China fully involved in the future of IFRS Standards. The Joint Statement also elaborates on the approval by both parties for the creation of a joint working group in order to examine new paths for the use of IFRS Standards in China (*Bejining Joint Statement, 2015*).

In conclusion, the Emerging Economies Group, as part of the IFRS Foundation, plays a very significant role in the implementation of IFRS Standards in emerging economies by increasing the participation of members in the future of IFRS. At the same time, it gives support for the understanding of Standards even to non-members of the EEG through Meeting Reports. Each jurisdiction may decide to follow a different path to adoption, based primarily on the needs of the country, though the main objective is the application of the Standards. Countries may find benefits, such as global recognition, as well as benefiting from solutions raised in the meeting discussions. The following chapter will analyse the literature present, with the first part being focused on the theoretical aspects that drive adoption, such as the Institutional Theory, the Network effect and the Eclectic Paradigm. The second part of the chapter will illustrate Empirical studies on the possible positive and negative economic effects that result from adopting IFRS Standards. Subsequently, the third chapter of this study will analyse primary economic data on GDP and FDI for the members of the Emerging Economies Group, with conclusions on the economic effect of adoption.

CHAPTER 2: Literature review

When analysing the academic literature present on emerging economies and their adoption of IFRS Standards, we found studies regarding both theoretical aspects and empirical ones. Theoretical studies cover topics such as the drivers that bring jurisdictions to adopt IFRS Standards and different theories that explain how each driver may influence the country in their decision. These studies consider both political-social factors and economic benefits in their analysis. The theoretical studies that the author has encountered cover the Institutional theory (Pricope 2016, Judge et.al.2010, Guerreiro et. al. 2010, Koning et. al. 2018, Riahi and Khoufi 2019, Irvine 2008, and Lasmin 2011), the Network effect (Ramanna and Slettlen 2009, and Ramanna and Sletten 2014), and the Eclectic Paradigm (Chen et. at. 2014, Gordon et. at 2012, and Owusu et. at 2017). On the other hand, the author has also analysed empirical studies which carry out a deep investigation of the economic effects of the adoption of IFRS Standards for emerging economies mainly focusing on GDP and FDI as economic indicators. Therefore, they try to examine whether the adoption of the Standards result in a positive or negative impact on the given economic indicators, which are used as a proxy to analyse economic development. The studies that were analysed have given contrasting results, as some state a positive impact of IFRS Standards (Othman and Kossentini 2015, Doğan 2015, Gordon et.at. 2012, Gu and Joseph Prah 2020, Lungu et. al. 2012, Yousefinejad et. al. 2018, and Chen et. al. 2011), others affirm the adoption of IFRS Standards results in a negative economic impact (Larson 1995, and Lasmin 2012), and some have contrasting results within the studies themselves as they yield different results depending on the type of test used to analyse the data (Ozcan 2016, Zaidi and Huerta 2014, and Owusu et. al. 2017).

2.1 Theoretical Studies on the drivers of adoption

As mentioned above, the theoretical studies that were taken under consideration concentrate on three major theories that explain what drives a country to the adoption of IFRS Standards. These do not take into consideration only economic benefits as possible

drivers, but also focus on social and political factors that bring countries to adopt the Standards. The first one is the Institutional theory (Pricope 2016, Judge et.al.2010, Guerreiro et. al. 2010, Koning et. al. 2018, Riahi 2019, Irvine 2008, and Lasmin 2011), then there is the Network effect (Ramanna and Sletten 2009, and Ramanna and Sletten 2014). Lastly, we find the Eclectic Paradigm (Chen et. at. 2014, Gordon et. at 2012, and Owusu et. at 2017).

2.1.1 Institutional Theory

The Institutional theory may be utilised for a deeper understanding of the adoption of IFRS Standards due to the fact that accounting can be seen as an institution. This is because it involves both power and different actors in a system based on rules and standardised social practices – it therefore revolves around legitimacy (Guerreiro et al., 2020). The Institutional Theory analyses what drivers bring an actor, which can be a country as well as an organisation, to change. In fact, an organisation is not seen as independent, but influenced by different social, economic, and political forces, therefore, the surrounding environment is what influences it. As a result, actors conform with the dominant behaviour, norms and standards, in order to gain approval and support, but also public endorsement. Similar actors encounter similar expectations and pressures and will therefore tend to adopt similar strategies (Raynard et al., 2015). One key aspect of the Institutional theory is isomorphism; a notion developed in 1983 by DiMaggio and Powell. Isomorphism believes legitimisation is vital in decision making, thus actors have the tendency to adopt practices that are considered socially acceptable by other actors (*Pricope, 2016*). Different countries will be influenced in a similar manner by similar pressures, DiMaggio and Powell believe there are three different institutional isomorphic pressures: coercive, mimetic and normative. Coercive pressures are the ones that deal with legitimacy and political influence, in fact, institutions requiring nations to adopt a certain change is considered a coercive pressure. Instead, mimetic pressures come in place when a certain actor imitates the actions of another as they see it as legitimate or successful, and they believe that behaving in the same manner will result in the same success. Lastly, normative pressures are highly influenced by professionalism, and thus result in the change of collective values that create compliance of thought and actions with the surrounding environment (Pricope, 2016).

On the other hand, Scott (2001) believes the institutional theory should be seen as a three level analysis. There is the highest level, which sees societal and global institutions as actors, where models are proposed in a formal manner but are enacted informally. These models explain what is to be considered adequate and legitimate, and therefore they are contributing to the institutional context (Judge et al., 2010). Moreover, being at the highest level, these models have the power to forge and facilitate, and also limit, lower levels' actions and, consequently, their structures. The second level is composed of the governance structures, these consist of the organisational fields, which are the cluster of organisations that operate in the same region of activity. An example of this would be the accounting professionals and those that have the power to influence their work, which in this case are lenders, partners and possibly also contractors (Judge et al., 2010). After the organisational fields, there are the organisations themselves, obviously, these are not all identical, in fact, they may have different size, culture and structure, and may also vary in the way they adapt or resist to change. As part of the organisational level analysis, we know organisations are influenced by organisational fields and institutional environments. Ultimately, the last level of Scott's Institutional Theory level division is composed of the actors present in the institutional setting, which may be individuals or groups. Without doubt, being at the lowest level of Scott's division, these actors are subjected to the influence of all the previous levels.(Judge et al., 2010)

The Study conducted by Pricope in 2016, "*The role of institutional pressure in developing economies: Implications for IFRS*", analyses the drivers that encourage the diffusion of the adoption of IFRS Standards, in order to do so, it takes into consideration institutional isomorphic pressures and the relationship they have with the adoption of IFRS for a total of 97 developing economies. Out of the group of the 97 developing economies considered, 6 of the countries considered for our study were included, these are: Brazil, China, India, Malaysia, Mexico, and Turkey. Pricope states that countries are pressured by economic, social and political forces into the adoption of IFRS, as it agrees with academics that believe environmental and institutional factors, which are specific to the individual jurisdictions, are part of what drives a country to adopt. In this study, the author believes institutions play a significant role in influencing nations, as it considers institutional actors to be the ones influencing social behaviour. For this reason, countries that aim to improve their economy as well as compete for resources are also seeking legitimisation and to be socially accepted, and in doing so they are clearly influenced by institutions. Pricope uses the DiMaggio and Powell institutional theory's isomorphic

pressures to analyse the possible relationship these have with IFRS, hence it evaluates coercive, mimetic and normative pressures. It states that coercive pressures are when an institution requires a nation to adopt. When considering developing countries another aspect that cannot be taken for granted is that institutions have even more power over these nations as, not only do emerging economies depend on international norms, but a majority of them may also depend on financial aid. Financial aid is assigned by global institutions, and may be vital for some emerging economies in order to improve the development of the nation which, as a consequence, reinforces their dependence from global institutions. In the previous chapter we have analysed some of the global institutions which promote the adoption of IFRS Standards and work closely with the IFRS Foundation, these are the World Bank, the International Monetary Fund (IMF), the United Nations (UN) and the Organisation for Economic Cooperation and Development (OECD). These global institutions have the power to impose the meeting of certain criteria in order to receive financial aid, and therefore emerging economies may be required to adopt the Standards to meet the given threshold. On the other hand, mimetic pressures are also considered, these take place when one country is brought to imitate the behaviour of a different nation as it is perceived to be legitimate and/or successful. As a result, developing countries may imitate developed countries as they are perceived as more successful, or they may adopt the same standards in order to gain international recognition. The decision to imitate a country in order to acquire recognition or success, according to Pricope, is the most influential aspect in the adoption of IFRS Standards. Another aspect that may bring nations to imitate and submit to mimetic pressures is when the surrounding countries all adopt IFRS Standards and, therefore, the non-adoption would represent a negative advantage. This then becomes more a matter of economic competition. This type of mimetic pressure may also be explained as peer pressure because even if those surrounding countries may not belong to a defined group, they still possess the power to influence that country to follow what everyone else is doing. Lastly, the study also analyses normative pressures, these are defined to be "*collective values that bring about conformity of thought and deed within the institutional environment*" (Pricope, 2016). Normative pressures are highly influenced by professionalism, and a higher level of education is also synonym for a higher level of professionalism. For this reason, it is believed that a higher level of education would result in the acceptance of more complex norms, which would result in a more likely adoption of IFRS Standards. The conclusions of Pricope state there is no correlation between coercive or normative

pressures and the adoption of IFRS, instead they show a clear correlation between mimetic pressures and the adoption of IFRS.

Notable is also the study conducted by Judge et. al. in 2010, with the title "*National Adoption of International Accounting Standards: An Institutional Perspective*". The research was based on 132 developed and developing countries and, out of these 132 countries analysed, all of the 11 countries considered for this study are taken into consideration. The study supports the Institutional Theory and believes all three kinds of the isomorphic pressures forecast the adoption of IFRS Standards (Judge et al., 2010). It further expands on the concept of IFRS being adopted in order to gain global recognition rather than economic advantages, which is in accordance with the study of Pricope (2016). This concept therefore links the adoption of IFRS with social legitimisation instead of economic advantages. The study concludes by supporting all three pressures to be determinant aspects in the adoption of IFRS and also in the degree of adoption. It states the degree of adoption is determined by the import penetration, level of education and the level of foreign aid – each clearly representing a part of the three isomorphic pressures. The research then further underlines that the normative pressures seemed to be the most crucial in order to forecast adoption which clearly contrasts with the conclusions of Pricope (2016). This was then justified with the notion that other institutional norms may be less sensitive to normative pressures than accounting standards, as well as accounting professions, which are therefore more affected by normative pressures.

The study conducted by Ivrine in 2008, "*The global institutionalization of financial reporting: The case of the United Arab Emirates*", is different from the above two cases as it analyses the single case of the United Arab Emirates which is an emerging economy. It aims at identifying some of the universal coercive, mimetic, and normative pressures that have brought over 160 countries to adopt IFRS Standards, starting from the specific case of the United Arab Emirates. The study identifies the World Bank and the International Monetary Fund as the major international institutional forces. In some cases these have pushed countries to adopt in order to achieve their loans (Irvine, 2008), and are therefore working on the coercive pressures. On the other hand, the World Bank also applies normative pressure, due to the fact that it requires the projects financed by its organisation to be endorsed by globally recognised accounting firms. This then allows for the increase of the work of the Big Four, as it is confirmed by its presence of branches in almost all countries. The Big Four, together with generally supporting the IASB, also require their clients to comply with IFRS Standards, hence contributing to the increase in

the pressure to adopt. The study also looks at mimetic pressures that have pushed the UAE to adopt. It recognises that the higher the number of countries adopting results in higher pressure for the remaining countries to replicate their actions, and therefore adopt the Standards. On the contrary, it also notices that nations with a strong sense of identity may do their best to try and resist pressures to imitate other countries when it is not in accordance with their identity, an example of this could be the USA, which still has not adopted (Irvine, 2008).

The method used by Koning and his associates in the 2018 study, "*Drivers of institutional change around the world: The case of IFRS*", regards IFRS as an institutional change, like the other cases of Institutional Theory, and just like them it believes the adoption of IFRS has an impact on the international business, but also on financial markets therefore considering an economic effect of IFRS. Before the adoption of IFRS, each jurisdiction had its own standards, and the difference between each jurisdiction's standards were substantial, in the same way the difference in culture and the general environment was also substantial. The study analyses 168 countries from 2002 to 2012, and its results show that the adoption of one country influences the adoption of another. They believe what influences the pattern of adoption are not pressures, as we have seen with the isomorphic pressures, but diffusion processes. The study analyses adoption through a policy diffusion theory which is similar to the social isomorphic pressures but they believe there is a distinction to be made: the policy diffusion considers a wider unit of analysis due to the movement from organisation to country analysis. There are four mechanisms of diffusion: competition, learning, emulation and coercion (Koning et al., 2018). The competition diffusion mechanism is based on two countries competing in the market, and the adoption of one of the two may result in the acquisition of a negative competitive advantage by the non-adopting country. This may make the country more likely to adopt. This same concept was also analysed by Pricope as part of the mimetic pressures. The learning diffusion mechanism, instead, occurs when a nation decides to adopt IFRS Standards after a successful neighbour has adopted the Standards, as it learns from them and their decisions. As we have seen from the previous studies such as Pricope (2016) this can fall in the category of mimetic isomorphic pressures. The third diffusion mechanism is emulating which, as the word implies, may fall in the mimetic isomorphic pressures. This happens when a nation shapes its decision on other countries' example, in which case, the purpose of the Standards being applied do not matter as they are adopted in order to gain recognition. When emulation is the driving force for adoption,

the policy needs to have a high acceptance, especially socially, in order for it to have the legitimacy to pull others in adopting. This type of diffusion mechanism is therefore also highly influenced by peer pressure, an example could be when a neighbouring country adopts and the nation decides to copy. Lastly, coercive diffusion mechanism, just like coercive pressure, is highly influenced by global organisations such as the IMF and the World Bank as they impose policies on countries. The paper concludes declaring that the most influential mechanism for IFRS adoption is learning, whereas, coercion seems to be insignificant with the decision of adopting IFRS, which is in accordance with the findings of Pricope (2016) and others.

The study conducted by Lasmin in 2010 analyses 161 countries, out of which 8 are also part of the nations considered for the present study. The paper examines the possibility that the adoption of IFRS is guided by the need to reach a social acceptance more than the economic benefits one should attain from the adoption. In order to do so, it analyses both economic pressures, such as the increase in FDI and GDP, and institutional isomorphic pressures. The study reveals that all isomorphic pressures play a significant role in the adoption of IFRS Standards. In fact, it sees foreign aid as a representative for coercive pressures, in the sense that it is utilised by international institutions to bring countries to adopt the Standards. In the same way, it reveals that market capitalisation is a representative for mimetic pressures because the higher the degree of openness of a nation to international economy, the more likely it is to adopt. Lastly, the study believes the enrolment in education to be a surrogate for normative pressures (Lasmin, 2011). The results show no connection between economic pressures analysed and the adoption of IFRS, unlike isomorphic pressures, therefore the study concluded confirming its hypothesis that the adoption of IFRS Standards is connected to social acceptance and isomorphic pressures rather than economic gains (Lasmin, 2011).

In 2019, the research conducted by Riahi and Khoufi with title: "*Understanding IFRS adoption- Consideration of the institutional dimension through a behavioural context*" took under consideration 108 developing countries with the aim of understanding the behavioural factors influencing the decision to adopt IFRS Standards (Riahi & Khoufi, 2019). Out of the 108 jurisdictions analysed, all of the countries considered for this study were taken into account with the exception of Saudi Arabia. The research concludes that the adoption of the Standards is influenced by institutional and social pressures which is in accordance with the Institutional Theory's isomorphic pressures. In fact, the study sees normative pressures as the ones empowering social

behaviours, and it therefore underlines the role of universities and professional organisations. The importance given to universities and professional organisations is also in line with the previous chapter of this study, as all of the Big Four have been supporting IFRS and the accounting profession through education. An example of the support of the Big Four to the educational system would be that Deloitte has funded an IFRS University Consortium. The main aim of the Consortium is to speed up the process of integration of IFRS into the university program with the help of case studies and with Deloitte's personnel directly organising and giving lectures. For this reason, the normative pressures analysis shows that a positive change in the accounting profession would increase the chance of adoption of IFRS Standards. The paper then looks at coercive pressures and claims these may be felt as imposition, persuasion or invitation. The reason why this type of pressure works is because it utilises the economic dependence these countries have towards global institutions. The study's conclusions affirm that this type of pressure works as an incentive to adoption, which is in accordance with the study of Judge et. al. (2010). If we look at mimetic pressures instead, as mentioned above, these are represented by the decision of a country to imitate another one based on its success or recognition of legitimacy. Once a country opens itself in an economic way, it is influenced by international economic pressures – as stated also by Lasmin (2011). In fact, the economic relations of a country may push a nation to adopt or reject IFRS Standards. The jurisdiction, with which one has economic relations, may represent a big exporting force and cause for the accounting system to change. As a consequence, Riahi and Khoufi state that, the accounting system may be affected by the geographic location, which is similar to the point made by the network effect which will be analysed in the next section.

Table 3, on the next page, summarises all the previously mentioned Institutional Theory's studies. It shows that most studies believe mimetic pressures to be an influence, and the more a country opens economically, the more exposure they will have to these pressures – a sort of peer pressure. On the same note, we also see that two studies classed mimetic pressures as the ones to have most effect on the adoption of IFRS by emerging economies, potentially in line with the idea that the adoption of IFRS would grant global recognition for these actors. If we look at coercive pressures, Table 3 shows that all the studies analysed view international institutions as those actors responsible in forcing the adoption of Standards on emerging economies in order to obtain financial aid. The table also shows that most studies recognise the IMF and the World Bank as the two major institutions responsible for coercive pressures. On the other hand, more than one study

classes coercive pressures as having little to no correlation with the adoption of IFRS. Most of the studies also agree in connecting normative pressures with education, and that higher level of education implies a higher chance of adoption. The only study that sees normative pressures as main drivers for adoption is the one by Judge et. al (2010) that believes the accounting world to be more subjective to normative pressures. In conclusion, all the studies present in Table 3, which are the ones analysed by the author, agree that isomorphic pressures work as drivers for jurisdictions in the adoption of IFRS Standards, and the one type of pressures that has the highest approval in effectively influencing countries is the mimetic isomorphic pressure.

TABLE 3: SUMMARY INSTITUTIONAL THEORY STUDIES

	Mimetic	Coercive	Normative	Conclusions
Pricope 2016 97 countries	Imitate developed countries as perceived as successful, or may adopt same standards (IFRS) to gain international recognition	Institutions have more power over EE as most of them depend on financial aid. Institutions use financial aid to impose adoption.	High education= high professionalism= acceptance of more complex norms= more likely to adopt IFRS	Coercive & Normative = no correlation Mimetic= clear correlation
Judge et. al. 2010 132 countries	Import penetration, the higher it is the more the country is exposed to international peer pressures	Level of foreign aid	Level of education	Normative pressure most crucial for forecast, saying accounting standards are very normative sensitive
Ivrine 2008 (single state)	Higher number of adopters= higher pressure to comply. Countries with strong identity will try to resist	World bank and IMF use loans to push countries to adopt	World Bank imposes that projects financed by them need accounting firm endorsement. Big four require IFRS for clients	

Koning et. al. 2018 168 countries	COMPETITION- one country's adoption may result in the acquisition of a neg. competitive advantage for the other LEARNING- learn from the adoption of a successful neighbour EMULATION- shape decisions on another country	Highly influenced by World Bank and IMF as they impose policies on jurisdictions		Coercive= insignificant Learning= most influential
Lasmin 2010 161 countries	Market capitalisation- the more open a country is the more likely it is to adopt IFRS	International institutions use financial aid to push adoption	Enrolment in education	Economic pressures= no correlation Isomorphic pressures= correlation
Riahi & Khoufi 2019 108 countries	country opens economically= influenced by economic pressures= peer pressure based on the influence the single peer has on the country	Utilises economic dependence EE have to global institutions	Empower social behaviours, therefore universities and professional organisations= high influence	

Source: Elaborated by the author.

2.1.2 Network Theory

As part of the Theoretical studies the author has also analysed papers on the Network Theory. The Network theory or network effect, as explained by Ramanna and Sletten (2009 and 2014), is the effect by which the adoption of a certain change becomes more appealing to a given jurisdiction when more countries in their geographical region or with which they have economic relations, have also adopted it. This brings us to discuss the general vision that the adoption of a certain change becomes more appealing when the number of adoptees increases. Obviously, this happens on a gradual scale, and through it the change itself acquires value, which may also be seen as legitimisation. Ramanna and Sletten apply this entire concept to IFRS Standards and their adoption, therefore, the gradual increase in the number of countries that have adopted, as we have seen in the first chapter, may itself be influencing the future number of jurisdictions adopting.

The concept brought up by the network effect, which sees different actors being influenced by who has adopted before them, can also be connected to the "Diffusion of innovation" concept. This theory seeks to explain how and why certain actors adopt change or innovation at early or late stages. The graph below, Figure 5, shows how the population can be divided in five subgroups: Innovators, Early adopters, Early majority, Late majority and Laggards (Kerin, Lau, Hartley and Rudelius, 2015). Innovators are the first to accept the change, they can be described as adventurous and risk takers typically with high education and usually use more sources to gather their information. They also play an extremely significant role in the acceptance by other actors, as it is vital for change to be accepted by them in order for others to accept it. An example applied to IFRS Standards could be the adoption of the European Union effective in 2005, but decided in 2002. The second actors to adopt fall in the category of Early adopters, and these usually rank high in social status and have a higher education than average. Next is the Early majority that have numerous informal social contacts which may include innovators, and adopt quite a while after innovators. Fourth adopting are Late majority, these types of actors are usually more sceptical towards innovation which may also be guided by limited resources. Emerging economies could be seen as an example of this category when speaking of the adoption of IFRS Standards. They adopt after the majority of the population has already adopted. Last are Laggards, these are the last to adopt as they seem to be more connected with the past, fear change, and are afraid of the debt the change may cause. Their main source of information is family and friends.

When looking at the Diffusion of Innovation, this describes possible reasons to resist the change. These may be usage barriers whereby the change is not compatible with existing habits. This is often the case with IFRS Standards as the adoption of them would require changes both in accounting and in the legal system. Other barriers which may make people resist change are: value barriers, risk barriers and psychological barriers (Kerin, Lau, Hartley and Rudelius, 2015). Value barriers are present when there are no incentives to the change, psychological barriers, instead, are especially present when there is some sort of cultural contrast.
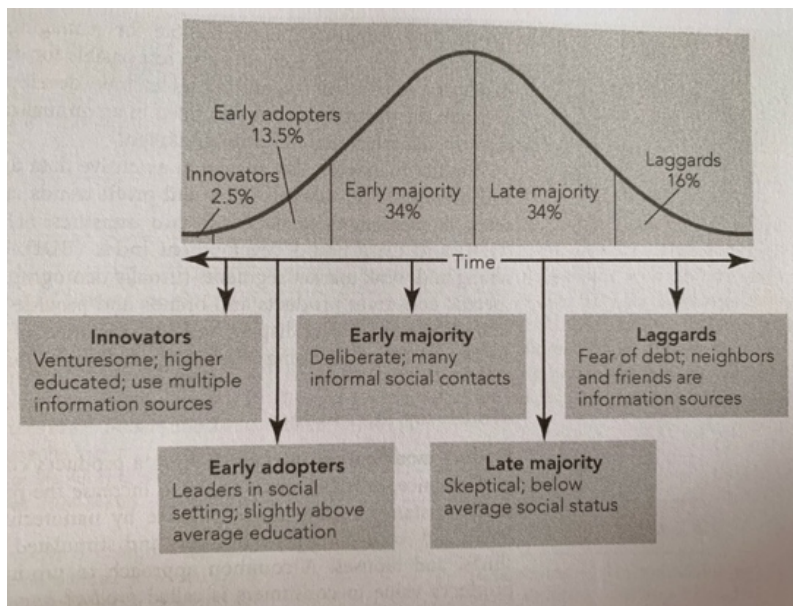
Source: Managing Products and Brands: Chapter 11 from Marketing in Asia, Asia Global Edition, Third edition by Kerin, Lau, Hartley and Rudelius, 2015.

On the other hand, the studies by Ramanna and Sletten connect the network effect also to the Economic Network Theory, due to the fact that jurisdictions have adopted even with no proof of direct value gains. The Economic Network Theory sees each possible change as having an autarky value and a synchronisation value. The autarky value is the direct value an actor gains by the adoption of a certain change, an example could be the economic and political benefits a jurisdiction should acquire with the adoption of IFRS. These economic benefits could be the promised lower information costs which would then result in easier investment. Instead, political benefits could arise through the possibility of influencing IFRS standard setting and therefore gaining power inside the Foundation (Ramanna & Sletten, 2009). Each change, together with the autarky value, has the synchronisation value. This is the value that an actor gains with the adoption of a change due to other actors having already adopted, which is therefore the insertion in a network of adopters.

It has been proven that an actor may prefer adopting a product that has lower autarky value than substitutes because of the synchronisation value it gains. An example of this may well be Apple products being preferred over Windows products due to the easy connection of the entire range of Apple products with each other (Ramanna & Sletten, 2009). When bringing the synchronisation value to accounting we know that IFRS

Standards gain more and more network value as the number of jurisdictions adopting them increases. This implies that the higher the number of ties with adoptive jurisdictions a country has, the higher is the synchronisation value perceived by the given country (Ramanna & Sletten, 2014). Following the same standards means the financial statements of businesses in other adopting countries should be as easy to read as those belonging to domestic companies, and it should also reduce information asymmetry. The adoption of the same set of accounting standards, should also facilitate capital flows across borders. Ramanna and Sletten (2014) go deeper in their analysis of the network theory and state there is a substantial difference in the strength of the perceived network benefits by big countries. They believe big countries, that have high GDP and a big capital market, have the capacity to attract foreign capital and maintain cross-border trade relationships whilst maintaining their local standards, due to their high bargaining power. This may also align with the view of Ivrine (2008) who says that countries with stronger identity will try to resist the change. In their results they confirm the view that the size of the country and its general power influence the manner in which they react to the increase in the world wide adoption of IFRS Standards. Then further implying that those that are more powerful may try to avoid the adoption or deeply readapt the Standards, as it happened with the case of China.

In conclusion, the present studies on the Network Theory believe the adoption of IFRS Standards becomes more appealing to a given jurisdiction when more countries in their geographical region, or with which they have economic relations, have adopted. The increase of the number of adopting jurisdictions increases on a gradual scale, as we have seen in chapter one, and this also strengthens the value of the Standards, as it confers further legitimisation. Through the economic network theory we also see how each change is seen as having both autarky value and synchronisation value. Through the studies of Ramanna and Sletten (2009 and 2014) we have seen that countries have been adopting even if there is no certainty in the direct economic and political value the IFRS Standards should result in, which results in countries adopting even if institutions are not particularly well suited. This actively demonstrates that the synchronisation value, which is the network value, is more influential in the decision of adoption of IFRS Standards.

The Eclectic Theory was elaborated by Dunning between the seventies and the beginning of the new century (1977, 1979, 1981, 2001). It represents a theoretical model that helps companies in the decision of expansion into a different market. One of the peculiar characteristics of this model is that it takes into consideration factors from both the country and the firm to explain the decisions of firms to invest across borders (Owusu et al., 2017). The Theory may also be referred to as the OLI paradigm, where "O" stands for Ownership advantage, "L" stands for Location advantage and "I" stands for Internalization advantage (Dunning 1977, 1979, 1981, 2001). They represent different advantages that a company looks for when deciding on the type of expansion, for instance, only when all three types of advantages are present the company should take the risk of directly investing (FDI).

If we analyse more deeply the aspects of the paradigm, first we find ownership advantage which represents advantages that are specific to the company, these may include: the brand itself, technology, the production process, as well as reputation and brand image. These are mostly intangible assets unique to the company, and they are what gives a company competitive advantage over other firms. Secondly, we find location advantage, this represents what the location itself is able to give to the firm. This means whether the location offers more sales opportunities or whether it represents higher investment risks. This aspect of the OLI paradigm is highly based on the resources the country has, and most likely the geographic position of it, as it could offer a strategic place to reach other foreign markets, which can also potentially be similar on a cultural basis. This would make the location advantage high as it would allow the firm to have insights on a culture that may well be distant from theirs. On the other hand, when considering location advantage, we also have to analyse the infrastructure of the country and whether it would be able to sustain the work of the firm.

Lastly, in the OLI paradigm we examine the Internalization advantage. This type of advantage is closely connected to the benefits of being able to utilise the core competencies of a firm by channelling it through the value chain rather than deciding to license, outsource or sell the given competency. This means that when a company has a valuable asset it has a choice to make: it can either use it itself, and therefore produce and sell this to customers, or it has the possibility of giving it to an external actor. This means

that a company may sell the right to use its asset, and therefore a different actor may produce products to which the brand itself is attached but that they did not directly produce. An example of this could be if a research company discovered a new molecule, it may decide to sell the right to use it to a pharmaceutical company for the production of drugs.

When analysing this theory one could miss the connection to the topic of the paper, the adoption of IFRS, but this plays a vital role in the validity of one of the advantages of the paradigm. The accounting system of a country, and therefore the adoption or not of IFRS accounting Standards, plays a very significant role in the location advantage. As we have mentioned before, one of the characteristics that is significant in the evaluation of the location is the infrastructure present in the country. With the term infrastructure we include both physical infrastructure such as airports and channels of distribution, but we also include institutional infrastructure (Chen et al., 2011), as it is vital in order to understand the international business activity (Owusu et al., 2017). When we talk of institutional infrastructure we are talking about political stability and rule of law, which are part of the governance of the country, and is what defines the investment environment. On the other hand, as part of the institutional infrastructure we must also take into consideration the accounting system of the jurisdiction as it is just as significant in the definition of the investment environment (Chen et al., 2011). Having different accounting standards between different jurisdictions, means that when a company decides to invest in a country with different standards, it will also have to invest time and resources into understanding the foreign GAAP (Chen et al., 2011), this would then mean that in order to recover that investment it will have to reach a higher ROR (Rate of Return), which would therefore result in fewer chances that the company actually invest. Another aspect that makes investment hard is lack of knowledge of the economic environment. This, together with the lack of institutional knowledge and obscure accounting rules exponentially elevate the difficulty of understanding anomalies. Anomalies may then be interpreted as opportunities when they are in fact financial problems, or the opposite way around. This is why the accounting systems are considered to be part of the institutional infrastructure that need to be assessed in the evaluation of location advantage.

The adoption of IFRS Standards in a given jurisdiction is said to eliminate accounting differences across borders and it should reduce discrepancies between different nations. Together with this, having two countries adopt the same set of standards should eliminate information asymmetry between foreign users and home ones (Chen et

al., 2011). This would result in the removal of barriers of non-comparability between financial statements of different jurisdictions. Chen et. al (2011) also believes IFRS Standards possess characteristics that would attract more investors than many national GAAP. This brings us to the five desirable characteristics of IFRS described by Ball (2006). He believed the five major characteristics that made IFRS Standards stand out over other standards were: the preference of economic substance over legal form, the reflection of profits and losses through time, and the representation of earning in a more informative manner. He also considered the effective usefulness of the balance sheets as another aspect that made IFRS Standards superior, and lastly, the effort placed in the requirements of the Standards so to be created in a manner to try and avoid data manipulation make the Standards stand out (Ball, 2006).

FIGURE 6: ECLECTIC THEORY AND MARKET ENTRY

The Eclectic Theory		Categories of advantages		
		Ownership	*Location*	*Internalization*
Entry Mode	*License*	✓	✗	✗
	Export	✓	✗	✓
	FDI	✓	✓	✓

Source: Dunning, 1981

When a company utilises the Eclectic Theory to help in the decision of the type of entry into a new market, it deeply analyses each aspect of the paradigm in order to make the best decision possible. As we can see from Figure 6, when there is the presence of only the ownership advantage a company usually would use licensing as an entry mode, instead, when there is both ownership and internalization advantage a company may look at exporting its products into the new market. Only when ownership, internalization and location advantages are all present should a company decide to directly invest (FDI). All countries, in order to grow and to gain general credibility, want foreign countries to invest in their jurisdiction, and as we have just stated in order for a business to commit to the

risk of FDI it has to find all three advantages of the OLI paradigm. Out of the three OLI paradigm's advantages, as we have previously seen, the only one that is dependent on the country itself is the location advantage. For this reason, each country will do its best to improve its sales opportunities and reduce its investment risk. We have seen, one aspect plays a significant role in the location advantage – this is the institutional infrastructure. Institutional Infrastructure is composed of different aspects, one of which is the accounting system of a jurisdiction. This means that a country will adopt IFRS Standards in order to improve its accounting system, which would result in a higher score in the institutional infrastructure of the country. As a consequence, this will then culminate in a higher location advantage and allow the country to be perceived as a place worth investing in.

2.2 Empirical studies on economic effects of adoption

While with the analysis of the Theoretical studies we focused mainly on the social and political drivers that bring a country to adopt, in the analysis of empirical studies the author tries to focus on studies that evaluate the effect of the adoption of IFRS Standards on the economic growth of jurisdictions. This literature review specifically concentrates on studies that primarily target developing countries. During the analysis of the literature present, the author found that the studies utilised GDP (Gross Domestic Product) and FDI (Foreign Direct Investment) as their predominant core economic indicators, and were therefore used as proxies for economic development. In their analysis, papers show contrasting results as some state there is a positive impact of IFRS Standards on the economic indicators (Othman and Kossentini 2015, Doğan 2015, Gordon et.at. 2012, Gu and Prah 2020, Lungu et. al. 2012, Yousefinejad et. al. 2018, and Chen et. al. 2011), whilst others affirm the adoption of IFRS Standards results in a negative economic impact (Larson 1995, and Lasmin 2012). Lastly, some have contrasting results within the studies themselves as they get different results depending on the type of test used to analyse the data (Ozcan 2016, Zaidi and Huerta 2014, and Owusu et. al. 2017).

When analysing the empirical studies that have found the adoption of IFRS Standards to have had a positive impact on the economy, the authors considered are, as mentioned above, Othman and Kossentini 2015, Doğan 2015, Gordon et.at. 2012, Gu and Prah 2020, Lungu et. al. 2012, Yousefinejad et. al. 2018, and Chen et.al. 2011. The studies will be analysed mainly individually as they each come to conclusions through different tests and different types of analysis.

In the study conducted by Othman and Kossentini in 2015, 50 emerging economies were taken into consideration. Eight of these are in common with the present study and the two excluded are China and Russia. More specifically, the study looks at market capitalisation as a percentage of GDP as proxy for market development, and it therefore aims at investigating whether the adoption of IFRS Standards does result in economic development. The study goes even further in its analysis and explores whether the degree of adoption does influence economic development. The study utilises the Larson and Kenny's (1996) theoretical study to look at the relationship between IFRS Standard adoption strategy and the theories of economic development. Othman and Kossentini use this as a map in order to navigate their data and reach conclusions. The Modernisation Theory, believes the best strategy is full adoption of the Standards and this would result in high stock market development. The Contingency theory, believes in the adoption of IFRS Standards only when modified to better fit the local needs, and only this would result in higher stock market development. Lastly, the World system theory does not believe the IFRS adoption can bring any benefit, and therefore believes it reduces stock market development. The results of the study agree with the modernisation theory, as they find that the higher level of adoption positively affects stock market development, but partial adoption not only seems to be inappropriate it can also cause damages (Othman & Kossentini, 2015). It believes full adoption would bring to harmonisation which would then result in attracting more investors and generally improving economic development (Othman & Kossentini, 2015).

In 2015, Doğan (2015), published a paper on the impact of IFRS adoption on the economies of 49 emerging countries, of which seven are also part of the present study. Doğan believes IFRS Standards to be the common language for financial reporting due to the fact that with different GAPPs difficulties often arise in comparing financial

statements and therefore further complicate the global economy (Doğan, 2015). It believes the Standards facilitate investors by making the information more trustworthy and understandable (Doğan, 2015). In summary, it believes IFRS Standards should have a positive impact on economic growth as is further outlined in Figure 7 taken directly from the study.

FIGURE 7: IMPACT OF IFRS
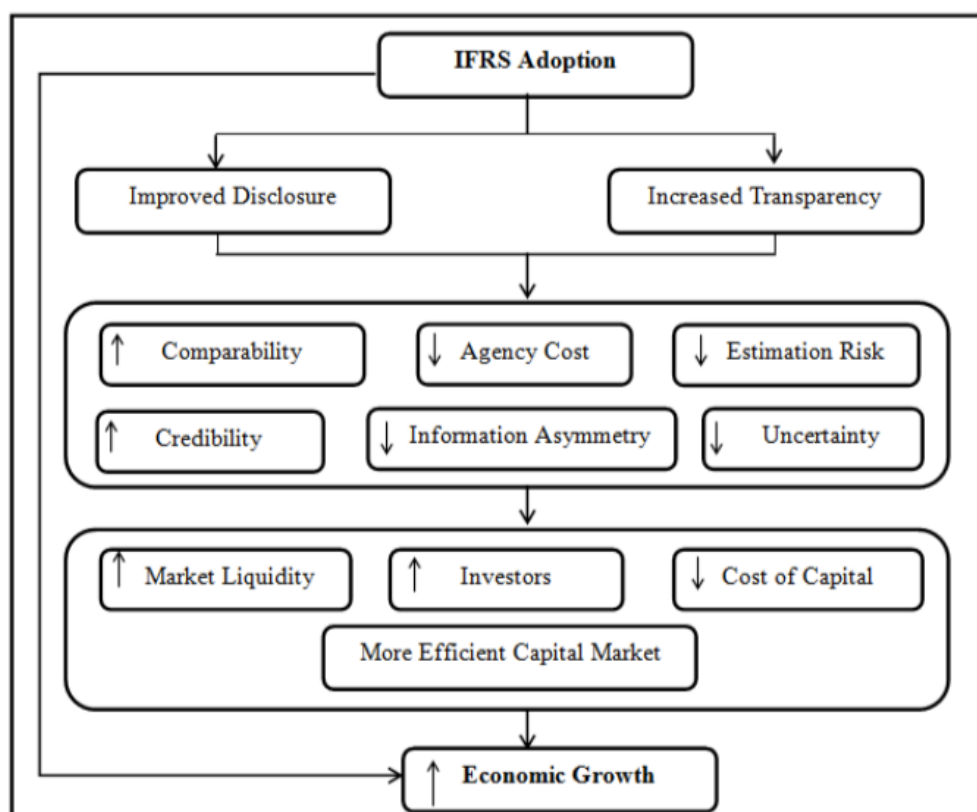
Source: Zaidi and Huerta, 2014

Figure 7 explains how IFRS Standards' adoption would result in economic growth. This is because it is believed that the Standards improve both disclosure and transparency. This would then increase both comparability and credibility whilst reducing: costs, risks, and information asymmetry. This would result in economic growth due to the increase in market liquidity, efficiency of the market and investors, and a reduction of costs of capital. The economic indicators that the study conducted by Doğan (2015) takes into consideration for its analysis are both FDI and GDP. The concluding results show that the adoption of IFRS Standards impacts positively on both indicators. It also states that the adoption in these developing countries has resulted in an improvement in capital flow

and investment therefore improving economic growth (Doğan, 2015). It believes the adoption is even more significant for emerging economies compared to developed ones, as this gives them the tools to effectively carry out economic planning as well as protecting investors (Doğan, 2015).

A very recent study conducted by Gu and Prah (2020), analysed a smaller sample of countries, in fact, it focused on only 12 developing African economies. The size of the sample was purposely reduced to include only the highest recipients of FDI in Africa in order to have a clearer view of the effects of IFRS Standards on both FDI and economic growth. The study concludes that IFRS Standards have a positive correlation with both FDI and GDPPC (GDP per capita) and the Standards clearly cause an increase in foreign investment and economic growth (Gu & Prah, 2020). This is because FDI should result in a number of advantages such as the creation of physical capital, job opportunities and production capacity (Gu & Prah, 2020) which would increase economic growth. Secondly, the study distinguishes between jurisdictions that have fully adopted the Standards and those that have applied some modifications in order to further analyse whether this could result differently in the effects on economic development. Results show that non-fully adopted jurisdictions encounter higher increases in FDI than countries that adopt IFRS Standards in full. In fact, it states that the full adoption of the Standards does not necessarily result in an increase in foreign investment. On the other hand, this study also analyses other factors that may influence FDI. These include institutional qualities such as rule of law and political stability. It further underlines the negative correlation of inflation and political stability of a country and FDI.

Similar to what is done by Gu and Prah (2020), the paper written by Lungu, Caraiani and Dascalu (2017) separated the 23 countries analysed into clusters based on the degree of adoption of IFRS Standards. It divided the countries in a total of 10 categories, so a much deeper division than the one done by Gu and Prah (2020), or the one done by Gordon et al. (2012), which we will see next. The study is focused on the possible differences in emerging economies from Europe and emerging economies from Central Asia, in fact, the selection of the countries reflects this. The results reflect the general conclusion that the adoption of IFRS Standards will most likely grant the country an increase in FDI compared to the non-adoption of the Standards. It then highlights that non-European emerging economies compared to European emerging economies reach a higher increase in FDI inflow after adoption (Lungu et al., 2017). This is justified by the theory that the information present in the financial reporting of European countries will

have higher credibility to investors even before the adoption of the Standards (Lungu et al., 2017). The study also underlines that FDI will also positively impact GDP, which is in line with what was discussed by Gu and Prah (2020). Another important conclusion of the paper is that it states that the public statement of commitment to IFRS Standards done by an emerging economy alone will have a positive impact on FDI of 57.2% (Lungu et al., 2017).

Another study that divided the countries taken into consideration in groups based on the degree of adoption, as mentioned before, is the one conducted by Gordon, Loeb and Zhu (2012). This study stands out over the previous two, not only because it takes into consideration a wider number of countries, but also because it considers both developed and developing economies. The study involves 127 jurisdictions that range from countries as developed as the United States or the United Kingdom to countries that are part of the least developed like Zambia or Nepal. The paper takes into consideration 10 of the 11 countries considered in our study. The study analyses the effect of IFRS Standards on FDI, and it finds that when considering both developed and developing countries the impact of IFRS Standards has a 0.05 significance (Gordon et al., 2012). When it divides the analysis in developed and developing countries, it reaches the conclusion that IFRS have a 0.10 significance for developing countries and no significance for developed ones (Gordon et al., 2012). With further examination of the data from before and after the adoption, it emerges that the Standards allow the gap in FDI between developed and developing countries to be reduced (Gordon et al., 2012), therefore clearly having a higher influence on developing economies. The paper by Gordon, Loeb and Zhu (2012) goes deeper in the analysis of how IFRS Standards actually increase FDI, and it looks at the Eclectic Theory, which we have analysed in the theoretical literature. It agrees with Dunning's theory (1977, 1981, 2001) and, more specifically, with Chen et al. (2011) in viewing the accounting system as part of the institutional infrastructure of a country and therefore part of the Location advantage described by Dunning (1977, 1981, 2001). It believes this theory to be the best method to explain how IFRS Standards result in an increase in FDI. The adoption of IFRS Standards results in an increase in Location advantage which, in turn, results in easier FDI. All this, connected to the fact that the results show that the impact of IFRS Standards on FDI is greater on developing countries, brings us to the connection of FDI as being one of the major drivers of development especially for those emerging economies (Gordon et al., 2012).

A different type of analysis of the degree of adoption of the countries analysed has been done by Yousefinejad, Ahmad, Salleh and Rahim in 2018. They distinguish the difference in adoption level of the different countries analysed, but they do this through a dummy variable calculated for each nation. The study focuses on countries who are members of the ASEAN (Association of Southeast Asian Nations), which are a total of 10 states, and it is therefore a reduced sample compared to Gordon et al. (2012). The results of the data testing show that in general the adoption of IFRS Standards will result in an increase of 17% in FDI (Yousefinejad et al., 2018), though the study also agrees with Othman and Kossentini (2015) when it concludes that the degree of the adoption also plays an important role in the amount of increase of FDI. On the other hand, it also notices that FDI in the ASEAN countries has increased by 98% from 2012 to 2016 (Yousefinejad et al., 2018), which also represents the years when most of these countries started committing or implementing the adoption of the Standards. The paper also has a partial focus on GDP and how it falls in the situation. It believes that IFRS Standards influence positively FDI, and that this will also result in higher GDP. This is because, as Gu and Prah (2020), said FDI creates physical capital, job opportunities, production capacity, allows for technology as well as new managerial skills to reach the nation, which would improve the supply side factors that influence GDP (Gu & Prah, 2020).

Lastly, we examine the study conducted by Chen, Ding, and Xu (2011). This has been previously mentioned in the theoretical literature for having looked at the Dunning's Eclectic Theory as an explanation for IFRS Standards resulting in an increase in FDI. This study can also be analysed on the empirical aspect, as through the paper the impact of IFRS Standards is also analysed empirically. It tests the theory that IFRS would increase the institutional infrastructure of a nation which would then increase the location advantage and therefore result in higher foreign investment. It analyses data from 30 OECD countries, selecting both developed and developing countries, specifically looking at the changes in FDI inflow based on the adoption of IFRS Standards. The results prove that the adoption of IFRS causes FDI inflow of a country to increase (Chen et al., 2011). Having analysed both developed and developing countries with drastically different backgrounds, and having analysed them also in relation to each other, the study also underlines how the increase of FDI of a country caused by the adoption of IFRS Standards is a lot more evident when the pair of adopting countries' GAAP are substantially institutionally different. This allows for an even clearer view of the role of IFRS in the elimination of information asymmetry and how this is vital for a country to invest across

borders (Chen et al., 2011). Lastly, the paper also proves the degree of the adoption of the Standards and the actual positive economic effect go hand in hand. This means that a full adoption would result in a higher increase in FDI because the lower the degree of convergence, the lower the positive impact perceived on FDI.

In conclusion, if we look at the similarities of the studies presented we can see that Othman and Kossentini (2015), Yousefinejad et. al. (2018), and Chen et al. (2011) believe that the degree of the adoption of the Standards does influence the degree of economic development. On the other hand, Othman and Kossentini (2015) have clearly contrasting results with Gu and Prah (2020) as the former believes that the partial adoption of IFRS Standards will bring no economic increase, or even have a negative impact, whilst the latter believe they will have higher FDI inflow. Both Doğan (2015) and Gordon et.at. (2012), which analyse both developed and developing countries, state they have found positive economic impact on developing economies but none or little on developed ones. Interestingly, and partially in line with the conclusions of Doğan (2015) and Gordon et.at. (2012), are the conclusions of Lungu et. al. (2012), as he finds there is a higher increase in FDI inflow post adoption for non-European countries.

2.2.2 Studies with negative results on economic indicators

As we have previously mentioned, in the analysis of the literature present the author has found studies that prove a positive impact on the economy but, as this section will analyse, there are a few studies that presented results showing the negative impact of IFRS Standards on the economic indicators. The main studies that have shown a negative impact of the adoption of IFRS Standards on FDI and GDP are: one of the first studies conducted on the topic written by Larson and Kenny (1995), and the one conducted by Lasmin (2012). As we have previously said for the studies showing positive economic effects, the papers analysed data using different types of tests, and therefore they are looked at individually.

The study conducted by Larson and Kenny in 1995 was one of the first studies on the topic of accounting standards and their effect on economic growth. Larson and Kenny analysed 27 developing economies between 1985 and 1989. The study finds no correlation between IAS (International Accounting Standards, predecessors of IFRS Standards) and economic growth. He developed his analysis on different levels: first,

whether the 27 developing countries taken into consideration had observed a higher or lower economic growth with the adoption of IAS (Larson and Kenny, 1995). Secondly, whether those countries that had adopted IAS with modification had observed a higher economic growth compared to those that, had either adopted without modifications or had not adopted at all (Larson and Kenny, 1995). The economic indicator used for the analysis of economic growth was GDP, which is in line with our study. The results of the data analysis show there is a negative relationship between the adoption of IAS and economic growth. However, since the results are not strong Larson and Kenny conclude with caution stating that the adoption of IAS does not guarantee a boost in the economic growth (Larson and Kenny, 1995).

On the other hand, a much more recent study is the one conducted by Lasmin (2012). The paper was conducted when, in 2010, the FDI towards developing countries had reached half of the world wide FDI flow for the first time (Lasmin, 2012). For this reason Lasmin decided to investigate whether the increase in FDI in developing countries was caused by the adoption of IFRS Standards. This is because, together with the first event described, in 2010 the number of jurisdictions requiring or permitting IFRS had exceeded 120 and, as we have seen in the preceding chapter, this number had been growing exponentially since the beginning of the century. Since IFRS Standards are associated with the elimination of information asymmetry and an increase in the attraction of the adopting country to foreign investment, Lasmin wanted to investigate whether the two events were indeed connected. The analysis was conducted on a very large sample, which included all the 123 jurisdictions that were requiring or permitting the use of IFRS Standards at the time – therefore considering both developed and developing countries. The study analyses the general trend of FDI through the years, in fact, it sees that it has had four major shifts through time. Initially, in the 80's it was mainly allocated in Europe and in North America, and then towards the end of the decade there was a shift and the flow of investment was directed towards East Asia (Lasmin, 2012). In the 90's the flow of FDI redirected again aiming more specifically to the ASEAN countries, lastly, at the beginning of the century, there was another shift where FDI started flowing mainly into China (Lasmin, 2012). Lasmin believes that the qualities of having an FDI-friendly environment has become more of a prerequisite rather than an advantage, and this has also been partially analysed in the theoretical literature on Institutional theory conducted by Lasmin in 2011 which sees countries adopting, not for economic benefits, but for acceptance. The results clearly prove there is correlation between the adoption of IFRS

Standards and FDI flows (Lasmin, 2012). It exposes a decline in FDI one year after deciding to embrace IFRS, and states there is a negative relationship between the adoption of IFRS Standards and FDI inflow (Lasmin, 2012). Therefore it believes the adoption of IFRS Standards is not enough to attract flows of foreign investment, but it may be a prerequisite.

Another peculiar study, which we have only briefly observed, is the one carried out by Woolley in 1998. The study analyses, like others, the effects on economic growth that are caused by the adoption of IAS on countries in Asia. The study finds no substantial difference between countries that have adopted and countries that have not adopted the Standards (Woolley, 1998). These results are then partially in line with the analysis conducted more than ten years later by Lasmin (2012), who believes that the Standards work more as a prerequisite to achieve recognition rather than something that directly causes economic benefits.

In conclusion, Larson and Kenny (1995) found a negative relationship between the adoption of IAS and GDP, however since the results are not strong they conclude with caution stating that the adoption of IAS does not guarantee a boost in economic growth. Lasmin (2012), analysing a different key factor of economic growth, FDI, still finds that the adoption of IFRS Standards affect negatively the economic indicator analysed. In fact, the study believes that the Standards can be merely a prerequisite for the attraction of FDI inflows but, alone, they do not have the power to pull FDI.

2.2.3 Studies with contrasting results

As we have mentioned in the introduction to the empirical literature, the studies found by the author have shown clashing results. Some have proven IFRS Standards cause a positive economic effect whilst others have proven the contrary. What we have not analysed yet are those studies that show contrasting results within the studies themselves depending on the type of test with which the data is analysed. These are the ones conducted by Owusu and his associates (2016) which used the two-step System Generalised Method of Movement (GMM) and the Ordinary Least Squared (OLS), the one of Zaidi and Huerta (2014) which used the OLS and the two-stages Least Square (2SLS). Lastly, the author has also analysed the study conducted by Ozcan (2016) which analysed utilising a panel data regression analysis as well as the Mann-Whitney U test.

Like the previous sections of the study, these are analysed individually as they have conducted different types of tests and taken different jurisdictions as part of the population they test.

In 2016, Owusu and his colleagues conducted a study that evaluated the relationship between the adoption of IFRS and FDI, focusing specifically on developing economies. Previous studies conducted on the causes of FDI inflows generally state the main determinants are: infrastructure, the openness and the size of the trade market, the natural resources available in the jurisdiction, and inflation (Owusu et al., 2017). This can therefore be connected to the Dunning's Eclectic Paradigm (Dunning, 1981), Owusu and his associates decided to analyse whether IFRS, as part of the institutional infrastructure, may influence the inflows of FDI. The paper examines 116 developing countries, and these were divided based on whether they had adopted IFRS Standards by 2013 or if they had not. The OLS panel regression method gave clear results that the adoption of IFRS Standards does indeed result in an increase in FDI inflow, which is in line with previously analysed studies like Gordon et al. (2012). This further underlines that the international acceptance gained from the adoption of the international accounting standards does attract investors (Owusu et al., 2017) as well as being in line with the OLI paradigm (Dunning, 1981). On the other hand, out of the other hypothesised causes of FDI, the only one that seems to affect it negatively is infrastructure. This is then underlined further by the results that arise from the GMM System test which shows that FDI seems not to be positively impacted by the adoption of IFRS Standards and, on the contrary, it seems the Standards have a negative effect on it. With this type of analysis it seems economic openness and surplus in natural resources should have a more positive impact on the extent of FDI inflow (Owusu et al., 2017).

The study conducted by Zaidi and Huerta (2014) was written only a few years before the one of Owusu et al. (2016). This academic work aimed at examining the effect of the adoption of IFRS Standards on economic growth and, like many studies before, in order to measure this it used GDP as a proxy to economic development. The study analyses a total of 102 countries out of which 51 have adopted and 51 have not. For a better analysis, the countries were also coupled based on the average GDP growth rate of the five years prior to the adoption (Zaidi & Huerta, 2014). The data, as previously mentioned, was analysed through the OLS and 2SLS regression methods. The results from the OLS method reveal there is a negative correlation between the Standards and GDP (Zaidi & Huerta, 2014), therefore suggesting that the adoption of IFRS Standards

impact negatively the economic growth of a country. On the other hand, the 2SLS method of analysis produced contrasting results as it shows a minor positive relationship between IFRS Standards and GDP, therefore suggesting that the adoption of the Standards should allow for a positive effect on economic growth.

Lastly, the paper conducted in 2016 by Ozcan (2016), like the one conducted by Zaidi and Huerta (2014), analyses the effect on economic growth of IFRS. The study takes into consideration 41 jurisdictions that have adopted and 29 that have not,and includes both developed and developing countries. The main economic indicator used in the paper is GDP, more specifically the growth rate of GDP, which is used as a substitute to economic development. All the other variables which may influence economic growth such as FDI or trade openness have also been considered. The main reason why we have decided to dedicate a group in this paper to studies with contrasting results, even if the conclusions support the hypothesis that the adoption of the Standards does increase adopting countries' economic growth (Ozcan, 2016), is because of what the Mann-Whitney U test reveals. It states that both GDP and FDI are significant, as well as the other indicators analysed, but it exposes that countries that have not adopted the Standards achieve higher GDP growth, and instead countries that have adopted attract higher flows of FDI (Ozcan, 2016). As both economic indicators can be used in the assessment of the economic growth of a country, the fact that one shows higher results in non-adopting and the other in adopting countries, are contradicting results.

In conclusion, to summarise everything that has been stated so far, in these contradictory studies we found what we had already perceived by the rest of the empirical literature – that some studies will present a positive impact of IFRS Standards and some studies will present a negative one. This is because the analysis of the economic effect of the Standards is very hard to prove either way. The variable that different countries may adopt, adapt or converge with the Standards (this itself requiring different types of analysis) coupled with the different economic indicators that can be taken into consideration as proxies to economic development, explains how complex and how many components the topic has. With the complex nature of the topic itself, there is also the addition that a multitude of theories have been written which can be applied to the possible economic effects such as the Eclectic Paradigm. Furthermore, there are also theories that analyse the adoption of these Standards without considering the economic effects. These are the Institutional theory, which connects the adoption mainly to a group of forces, acting individually or as a group and which push countries to adopt. Lastly, the

Network Effect also analyses why countries continue to adopt even if there is no effective proof of economic benefits. It finds that geographic proximity to countries that have adopted, or the economic relations with an adopting countries will tend to make countries more attracted to the Standards. Therefore as the number of adopting countries increases, the value of the Standards increases, which results in more countries deciding to adopt them. The literature review has demonstrated that there are numerous studies explaining different causes of adoption, and different effects or non-effects of these Standards. In the next section we will describe the research method including how the jurisdictions were selected, the reason for the choice of the economic indicators analysed, and a detailed explanation of the steps undertaken for the analysis. It will also present the data collected, analyse it and explain the results obtained.

CHAPTER 3: Research Method and Results

After having introduced the IFRS Foundation, the Adoption Guide and, the Emerging Economies Group in the first chapter, and having analysed the literature present concerning both theoretical aspects of the adoption of IFRS Standards and the empirical analysis of the economic effects of it in the second chapter, in this chapter of the study we will present how we selected the data for our analysis and the results obtained. The research questions that guided the study were:

1) Does the adoption of IFRS impact the economic growth of emerging economies?

2) Does the chosen method of adoption impact differently on the economic development of emerging economies?

We will describe how the author selected the emerging countries considered for the study out of the population of emerging economies. This section will also define the variables utilised as proxies of economic development for each jurisdiction and for the various clusters. Finally, in the last section of the chapter, we will exhibit the results and comment on what the calculation of mean, median and standard deviation expose.

3.1 Research Method

3.1.1 Emerging economies selection criteria

This study is specifically aimed at examining the effects of IFRS Standards on emerging economies. The Institutional Statistical Institute (ISI), previously utilised by other authors in order to classify emerging countries, states that the number of emerging economies in 2020 was 137 (ISI, 2020). The classification of emerging economies done by ISI is based on the calculation through the Atlas Method of the Gross National Income (GNI) per capita per year. The calculation was done by the World Bank at the end of October 2020. For this reason the classification made by ISI is valid through the entire

year of 2021. The present study cannot undertake the analysis for a population of 137 countries therefore the author excluded the use of the entire population, and further explored to find an alternative method to select the countries under consideration.

While analysing IFRS Standards and the IFRS Foundation, explored in the first chapter of the study, the author came across the Consultative Bodies of the Foundation. The Consultative Bodies, which have been previously described in detail, are groups established by the Foundation in order to be able to have a direct line to consult with interested parties for important matters. The members of the groups have practical experience and useful expertise (3.59) (IFRS Foundation, 2020b) which are vital for both the IASB and the Foundation. As we analysed the Bodies in detail, we came across the Emerging Economies Group which was established in 2011 with the objective of improving and increasing the participation of emerging economies in the future of IFRS Standards (Gomes & Sansom). This specific standing consultative body of the IFRS Foundation, the EEG, is specifically focused on emerging economies, in fact, it is composed of twelve developing countries as shown in Table 4 on the next page. The analysis of twelve emerging economies is perfectly suitable with the study because the member states have been selected by the Foundation with geographical balance. This allows the study to have an harmonic view of emerging countries without the analysis of the entire population. Table 4 also records the year of adoption of each country member of the Emerging Economies Group.

The selection of the jurisdictions tested that was applied for this study is different from the literature present, as none of the studies analysed in the literature review took the Emerging Economies group as a method to decide on which countries to focus. Some of the previous studies focused on developing versus developed economies, others focused on the emerging economies of a specific region, and others analysed very large samples of developing economies which may have been the classification of ISI for the given year. This brings us to the conclusion that there are no predetermined countries on which it is necessary to focus in order to be analysing developing economies. For this reason, the decision to select the countries under analysis from an existing group of the IFRS Foundation suits the study. It allows a limited number of countries compared to the 137 of the ISI classification. Secondly, the EEG is a geographically balanced group therefore allowing the study to consider different parts of the globe whilst avoiding giving generalised statements or considering only one area of emerging economies. Lastly, the selection of these twelve members was done before us by the IFRS Foundation to consult

for the application of IFRS Standards. Therefore since the study focuses on the application of these Standards, the group is a perfect fit for the research of the study.

TABLE 4: COUNTRY SELECTION

EMERGING ECONOMIES GROUP	YEAR OF ADOPTION
ARGENTINA	2012
BRAZIL	2010
CHINA	2007 on-going
INDIA	2015 on-going
INDONESIA	Commitment in 2012*
KOREA (SOUTH)	2011
MALAYSIA	2012
MEXICO	2012
RUSSIA	2012
SAUDI ARABIA	2017 on-going
SOUTH AFRICA	2005
TURKEY	2005-2006-2007-2008 final - series of dates with last one in 2008

Source: Elaborated by the author based on the profile of jurisdictions present on the IFRS foundation website (available at: https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/), the table present on the Deloitte website (available at: https://www.iasplus.com/en/resources/ifrs-topics/use-of-ifrs) and the IFRS jurisdiction profile from PWC (available at: https://www.pwc.com/gr/en/publications/pwc-ifrs-by-country-2015.pdf)
*Indonesia was subsequently excluded from the population selected because it had only made its commitment to the adoption of IFRS Standards, and the availability of parts of the data about the jurisdiction was missing.

3.1.2 Data collection and variables

The economic variables which we decided to consider for our analysis of the effect of IFRS Standards on economic growth represent the two most utilised economic indicators present in the literature concerning the economic effect of the adoption of IFRS Standards. These are: GDP and FDI, in fact, if we look at the studies analysed in the previous chapter we find that Doğan (2015), Lungu et. al. (2012), Yousefinejad et. al.

(2018), and Ozcan (2016) all use both economic indicators in their analysis, instead Zaidi and Huerta (2014), and Larson and Kenny (1995) both utilise GDP as their main proxy for economic growth, and lastly, Gordon et. at. (2012), Gu and Prah (2020), Chen et. al. (2011), Lasmin (2012), and Owusu et. al. (2017) use mainly FDI.

When we look at foreign investment we must make a distinction between direct, which is the one we take into consideration, and indirect foreign investment. There are various differences between the two: direct investment is a long term investment and an indirect one is usually more short term. This means that direct investment is preferred by countries (Al-Khouri, 2015). Secondly, another distinction between the two may be that with direct investment the investor has control and the ability to make decisions over the investee (Teodorescu, 2017). This can be clearly seen in the OECD definition of FDI, which is defined [1] as "an investment made in order to gain a lasting interest over a business that operates outside the economy of the investor. The fact that the investor seeks lasting interests implies the creation of a long term relationship between the investor and the investee. On the other hand, this type of relationship also includes the great influencing power the investor has over the enterprise. A foreign direct investor is an institutional actor that resides in one economy and acquires the voting power (minimum 10%) of an enterprise that resides in a different country. There are different institutional actors that can play the part of the direct investor, these are: a simple individual, a group of individuals, an enterprise, a group of enterprises, a government, or a societal organisation. As a consequence, a direct investment enterprise is an enterprise that resides in one country and that has an investor that lives in a different country which owns 10% or more of the voting power. Therefore, the FDI net inflows of a country consists of the value of inward direct investment made by investors that live in a different country towards the reporting economy. The net inflows include intra-company loans, loans repayment, reinvested earnings and net of repatriation of capital." When considering the economic effects of something it is important to take into account FDI as it is an important source of external finance. This is because, especially for developing economies, it can

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[1] In order to have a more accurate definition of the economic indicator, the author has combined the definition of both the OECD and the United Nations. The two sources used were: the Methodology sheet of FDI, from Indicators of Sustainable Development 3rd Edition (United Nations, 2007), and the Detailed Benchmark Definition of Foreign Direct Investment, 4th Edition (Organisation for Economic Co-operation and Development et al., 2008).

play a pivotal role in the implementation of sustainable development objectives , as well as resulting in the spill-over effect, especially for technologies and managerial skills (United Nations, 2007).

When we decided to use FDI as one of the two economic indicators for the analysis of the economic effect of IFRS Standards, we decided to collect the data from the World Bank website as it is the lead agency in the development of the indicator (United Nations, 2007). This guarantees the accuracy of the data and, as a consequence, its validity. The specific indicator used was "Foreign direct investment, net inflows (BoP, current US$)". The data acquired from the World Bank has multiple sources as it bases its numbers on the International Monetary Fund's Balance of Payments database and is supplemented by data from the United Nations Conference on Trade and Development (UNCTAD), as well as official national sources. The data collected was originally issued as a yearly value and we decided to take into consideration 5 years before the adoption and 5 years after adoption. This is because this type of division allows our study to be in line with both previous studies that took under consideration a total of 10 years, but also with those studies that divided in pre and post-adoption. The decision of considering 5 years each way was also done as a consequence of the difficulties experienced by Zaidi and Huerta (2014) when considering only 3 years.

On the other hand, Gross Domestic Product (GDP) is the most common economic indicator for economic growth, and it differs from FDI as it is a composite sum of different aspects of an economy. It is defined[2] as "the monetary value of final goods and services produced in a country in a given period of time. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources, as stated from the use of the term "Gross". It can be seen through three different approaches, the first is the expenditure one, then the production approach and third is the income approach. When looking at GDP through the expenditure approach it is calculated as the sum of expenditure on final consumption plus gross capital formation plus exports less imports, as we can see from the formula on the next page in Table 5. This also includes some non-market production such as defense or education services provided by

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[2] In order to have a more clear definition of GDP, the author has used multiple sources to formulate the definition present. The sources used were: National Accounts at a Glance (OECD, 2009), the definition present on the website of the Bureau of Economic Analysis (BEA, 2021), Gross Domestic Product: An Economy's All (IMF, 2020), and the "Concept and Definition" of the metadata from the Sustainable Development Goals (8.1) (United Nations, 2020).

the government. With the production approach, GDP is calculated as the value of output less intermediate consumption plus any taxes less subsidies on products not already included in the value of output. Finally, with the income approach, GDP is the compensation of employees plus gross operating surplus plus gross mixed incomes plus taxes less subsidies on both production and imports."

TABLE 5: GDP FORMULA

$$GDP = Consumer\ spending + investment + Government\ spending + (Export - Import)$$

Source: Hudson, 2015

GDP is a relevant indicator for economic growth as it allows us to gather information about the size of the economy year after year, which allows us to see the annual growth for each individual economy. Changes in the volume of GDP usually represent GDP growth changes in the size of economies (OECD, 2009). When it is possible to convert GDP from the national currency to US$, this type of indicator can also allow for a comparison between countries, which is one of the key aspects of the analysis of the present study. GDP was therefore used as part of the quantitative data of our research, more specifically, "GDP (current US$)" was utilised. In order to maintain reliability of data it was retrieved from the World Bank. As a source the World Bank cites its national accounts data as well as OECD National Accounts data files. The data was presented as a yearly value for each nation and as mentioned before, the time frame selected was 5 years pre-adoption and 5 years post-adoption. We included the year of adoption in the pre-adoption period, this is because the adoption of IFRS Standards would not show the effect until they had been adopted for an entire year, as previously stated by multiple studies in the literature.

During the preparation of the data before the analysis the author has checked for possible missing data, which can easily happen especially since the economies under review are emerging countries. This type of preparation brought forward the lack of data for certain years for both GDP and FDI in Indonesia. This resulted in the elimination of Indonesia from the countries considered for the study.

Out of the eleven remaining countries, with the analysis of the different profiles of the 11 jurisdictions, we examined the method of adoption of each one. This brought us

to categorise the countries into 3 main clusters, as we have already mentioned in the first chapter: first those that followed the adoption method, second those that adapted the Standards and lastly those that applied a method of convergence for the implementation of the Standards. Once we had divided the group into our 3 clusters, we researched the year of adoption which has been already shown in Table 4. Therefore, with the year of adoption we were able to pin-point where the 5 years prior the adoption started and where the 5 years post the adoption finished for each jurisdiction. Table 6 below shows the final division of the jurisdictions considered for the study, as well as the year of the effective adoption which allowed to delimit the time frame used in the study.

TABLE 6: CLUSTER DIVISION & YEAR OF ADOPTION

Cluster	Countries	Year of adoption	Pre adoption period	Post adoption period
Adoption	Argentina	2012	2008-2012	2013-2017
	Malaysia	2012	2008-2012	2013-2017
	Mexico	2012	2008-2012	2013-2017
	Russia	2012	2008-2012	2013-2017
	South Africa	2005	2001-2005	2006-2010
	Turkey	2008	2004-2008	2009-2013
Adaption	Brazil	2010	2006-2010	2011-2015
	Korea	2011	2007-2011	2012-2016
Convergence	China	2007-ongoing	2003-2007	2008-2012
	India	2015-ongoing	2011-2015	2016-2019
	Saudi Arabia	2017-ongoing	2013-2017	2018-2019

Source: Elaborated by the author, based on the profile of jurisdictions present on the IFRS foundation website (available at https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/), the table present on the Deloitte website (available at https://www.iasplus.com/en/resources/ifrs-topics/use-of-ifrs) and the IFRS jurisdiction profile from PWC (available at https://www.pwc.com/gr/en/publications/pwc-ifrs-by-country-2015.pdf)

After having divided the countries into 3 different clusters and researched the year of adoption for every jurisdiction which provided us with limited time range, we moved to the actual analysis of the qualitative data. Both variables, GDP and FDI, presented themselves on a yearly basis, as mentioned above, therefore in order to analyse the growth of the economies the values were transformed. The value of the previous year was

subtracted from the value of the year under consideration, and this allowed us to know whether the value had grown or reduced compared to the previous year. Once this had been calculated we were able to see the general trend for each country for both economic indicators. We then calculated the mean, median and standard deviation for each jurisdiction for pre-adoption, post-adoption, and the entire time frame of 10 years. This allowed for a comparison of countries within the same cluster to be made. We also calculated mean, median and standard deviation considering each cluster as well as for the whole Emerging Economies Group. This allowed us to confront the data between different clusters and therefore between different degrees of adoption, and to the general trend of the entire group of countries considered.

In order to enhance the analysis of the data, we also took into consideration the results of the econometric tests, as well as the conclusions that are present in the empirical studies analysed in the literature. This allowed us to make a comparison of the data we have gathered with the results from the academic papers previously encountered. This was done in order to compensate for the lack of econometric tests of the study and to have a broader vision of the data. Another thing that must be taken into consideration for the evaluation of the analysis is the limitations of the economic indicators. While FDI is an important source of external finance, it does not include locally raised capital, which in certain developing countries is an important source of finance, and does not include non-equity cross-border transactions. For instance the flow of goods and services within the firm, which can be just as important for the development of the economy (Organisation for Economic Co-operation and Development et al., 2008). GDP on the other hand, may give us a picture of the trend of the economy, but it does not take into consideration the well-being of a country. Overall, used together, we are convinced these two indicators will be able to give us a clear enough view of the economies of the jurisdictions analysed in order to understand whether the adoption of IFRS Standards does impact the economy of the implementing jurisdictions.

3.2 Results

Based on the two research questions discussed above, the study aims at evaluating the effect of the adoption of IFRS Standards on the economic growth of adopting countries, particularly focusing on emerging economies. Recognising the different methods of adoption, the study also investigates whether these impact differently on economic growth. For this reason, as mentioned above, the study takes into consideration the change in GDP and FDI inflows for five years before the adoption and five years after the adoption, in order to analyse whether there is a visible effect in the years following the adoption. To answer the first question and have a better image of two key aspects of economic development we will analyse the two economic indicators both separated and compared.

3.2.1 GDP Analysis

Table 7, on the next page, presents the data for: the individual countries, the three clusters, and the entire Emerging Economies Group (EEG). We can see the results from the mean, median and standard deviation change in GDP in billions (current US$). The "Pre-adoption" period, illustrated in Panel A, considers four years before the adoption and the year of the adoption. The "Post-adoption", which is expressed in Panel B, considers the five years after the adoption year. The last column of Table 7, Panel C, considers both the pre-adoption and the post-adoption period, therefore a total of 10 years.

If we look at the entirety of the table, at first glance, we can see that China has the highest mean increase for the Pre-adoption period, the Post-adoption and even when considering the entire time frame. On the other hand, China has also the highest standard deviation for Panel B and C, and second highest in Panel A, which means its values of increase are the most scattered. Saudi Arabia has the lowest average change in the Pre-adoption period, with -9,48 billion dollars a year, however the mean shows a negative value and the median is positive, underlining some degree of asymmetry in the data and possible influence of outliers. Still considering the entire group of countries, if we look at the lowest average increase in the post-adoption period (which displays a decrease) Russia reaches -126,82 billion dollars mean decrease a year. On the other hand, the country that has faced the most evident fall from pre to post adoption is Brazil, as it

TABLE 7: GDP - CHANGE IN GDP (CURRENT US$ IN BILLIONS)

	Panel A: Pre - adoption			Panel B: Post - adoption			Panel C: Entire time axis		
	Mean	*Median*	*Standard deviation*	*Mean*	*Median*	*Standard deviation*	*Mean*	*Median*	*Standard deviation*
Argentina	51,69	74,03	56,47	19,34	6,05	55,11	35,52	42,13	55,30
Malaysia	24,18	37,26	32,32	0,90	8,84	22,10	12,54	15,64	28,84
Mexico	29,68	57,29	144,32	-8,67	40,12	102,85	10,50	48,70	119,86
Russia	181,72	302,28	369,64	-126,82	-86,69	374,54	27,45	123,27	386,67
South Africa	24,28	29,18	33,83	23,52	13,87	34,46	23,90	20,83	32,19
Turkey	90,50	92,97	25,87	37,25	60,62	93,34	63,88	82,59	70,41
ADOPTION	67,01	55,31	160,71	-9,08	14,33	160,50	28,96	40,79	163,79
Brazil	263,45	289,44	204,38	-81,33	-16,82	297,13	91,06	111,82	341,19
Korea	53,05	109,15	145,43	49,38	34,34	53,35	44,69	63,35	103,39
ADAPTION	151,72	159,76	204,54	-15,98	16,415	266,15	67,87	63,35	246,52
China	415,96	330,62	235,43	996,38	985,46	339,38	706,17	652,80	411,59
India	85,59	64,46	76,48	192,89	176,59	123,49	133,28	147,43	108,82
Saudi Arabia	-9,48	9,70	55,16	52,19	52,19	64,69	8,14	9,70	60,26
CONVERGENCE	161,97	97,80	224,64	532,53	357,95	500,93	310,48	161,97	401,43
EEG	108,87	64,46	192,35	121,96	34,34	374,88	109,37	58,54	281,72

Source: Elaborated by the author, based on GDP data collected from the World Bank

decreases of 344,78 billion dollars in the mean from Panel A to the mean in Panel B. Instead, looking at the entire time period in Panel C, all the values are positive therefore all countries have experienced some form of increase in GDP in the 10 years analysed for each jurisdiction. This is also true for both Russia and Brazil which both have a positive mean increase in GDP if we analyse both before and after the adoption. In Panel C, we can also see that the lowest average is the one of Saudi Arabia, though we have to take into consideration that while other countries have 10 values Saudi Arabia only has 7. This is because Saudi Arabia started the process of convergence in 2017, therefore we only have data from 2018 and 2019 for the post-adoption period. Looking at the entirety of Table 7 we see that only 27% of countries experienced an average increase in GDP from pre to post adoption. While looking at the singular values for the change in GDP for the first year post adoption，91% of the countries considered experienced some form of increase in GDP.

Analysing the data from the "Adoption" cluster, it seems that those countries that have adopted in full the IFRS Standards experienced mean decreases from pre adoption to post adoption, and this implies a GDP growth decrease. In fact, 33% of the countries in this cluster have a negative value for the average change in GDP in Panel B. The highest change from before the adoption to after the adoption is experienced by Russia, which passes from an average increase of 181,72 billion dollars a year to -126,82 billion dollars a year, therefore implying the adoption may have had a negative impact. The values in Panel B for Russia show that the median is quite different from the mean which could be caused by big spikes in the growth of GDP. Moving to analyse standard deviation for the entire cluster, we observe that the value stays the same for both before and after the adoption, and slightly increases when we look at Panel C. This means that the values of change in GDP for the Adoption cluster maintain the same degree of inconsistency. Malaysia exhibits the lowest value in standard deviation out of the cluster for both Panel B and Panel C, and the second lowest for Panel A, which indicates that the values recorded for Malaysia's change in GDP maintain more or less the same degree of variation through time. On a different note, now comparing the results of individual countries with the value of the entire cluster, in Panel C we observe that South Africa, Russia, Malaysia, and Mexico are all below the mean increase in GDP for the 10 years considered, yet they are all still positive values. Instead, Argentina and Turkey are both above the average value of the Adoption cluster. Panel A shows Argentina, Malaysia, Mexico, and South Africa all below the average increase of GDP for the entire cluster,

and only Russia and Turkey are above the mean. Instead, Panel B only Russia is below the average growth of the cluster and all the others are above average. This reconnects again with the previous point that stated that Russia seems to be the jurisdiction that suffered the most, as shown from the greatest decline in mean change in GDP from before to after the adoption. The second country of the cluster with the highest decrease from Panel A to Panel B is Turkey (-53.25). What is experienced by Russia and Turkey may be connected to what was said by Lungu et. al (2017), where he states that the positive impact on the economic growth caused by IFRS Standards is experienced more by countries that are not part of Europe than those that are (Lungu et. al, 2017).

Observing the results for the Adaption cluster, those countries that have decided to adopt IFRS Standards with carve outs and therefore not in full, we notice all of these experience a decrease in the mean change in GDP post the adoption, similar to what can be observed for the cluster of Adoption countries. Korea shows the mean decreases from Panel A to Panel B but the value for the average in post-adoption is still positive therefore increasing at a slower pace. On the other hand, out of the two countries that are part of this cluster the biggest change from pre to post adoption is experienced by Brazil, as mentioned before it decreases by 344,78 billion dollars. In particular, it goes from an average increase of 263,45 billion dollars to a mean of -81,33 in the 5 years post-adoption. The standard deviation of Brazil is just under 300 for Panel B, and is even higher for the entire time frame (Panel C), this means that the mean may suffer from outliers. In fact, examining the median value in Panel B, Brazil displays asymmetry between the mean and the median which could suggest that the decrease in GDP growth experienced by Brazil may be less pronounced. The average change in GDP post adoption for the cluster is negative though, once again, the mean and the median show conflicting results. In fact, the annual data shows that both Brazil and Korea experienced an increase in GDP the first year post adoption, but Brazil already in the second year starts experiencing a negative change.

A very different picture is portrayed by the analysis of the Convergence cluster. The Convergence cluster considers China, India, and Saudi Arabia, which are those countries that have decided to readapt IFRS Standards to their national GAAP and have been classified as 'substantially converged' (IFRS Foundation). All three countries experience a positive change in GDP annual growth. The jurisdiction that accomplishes the highest increase is China, the mean from Panel A to Panel B increases by 580,42 billion dollars, whilst the lowest increase is sustained by Saudi Arabia with an increase

in the mean change in GDP of 61,67 billion dollars. There is a huge gap in GDP mean annual increase between China and the other countries of the cluster. India is the closest but if we look at the mean in Panel B for the two countries there is still 803,49 billion dollars difference. The gap reduces slightly if we look at the entire axis, in fact, it becomes 572,89. What further highlights the big sprint of China is that the entire time range considered for China is between 2003 and 2012, therefore including the first years of the century where the GDP growth for China was reaching one of its peaks, but also the years of the 2008 economic crisis, which particularly hit the Chinese economy and the growth rate of its GDP (Morrison, 2019), and yet the post adoption mean still shows a high increase. On the other hand, for India we consider data from 2011 to 2019, therefore not a full 10 years as 2019 was the last data available, but these still show an increase in post adoption period. Even Saudi Arabia does not have 5 years post adoption data because the adoption year was 2017. This may influence the mean collected for the cluster for Panel B, because instead of considering 5 years for each country, it bases its mean on a total of 11 values. In fact the mean increase for the cluster in Panel B is a lot closer to the mean change of China than the remaining two countries. On the other hand, the yearly change shows that all 3 perceived quite a significant increase in GDP the first year post adoption.

Now evaluating the trends exposed by the different clusters by comparing them with each other and with the performance of all the countries selected for the study, we can spot some key differences. Looking at the three clusters in Panel A we can see that all three have a positive mean: Adoption has 67,01 billion dollars, Adaption has 151,72 and, Convergence has 161,97. Both the Adoption and the Adaption cluster change to a negative mean for Panel B, but out of the two the Adaption cluster has the highest negative mean of -15,98 billion dollars. For this reason, these two clusters comply with the conclusions made by Larson and Kenny (1995), who believed the adoption of the Standards does not guarantee economic growth. Opposite is the mean for the Convergence cluster, as this increases in Panel B and reaches 532,53 billion dollars. We have to keep in mind that this value for the mean may be slightly altered due to the reduction of years analysed for Saudi Arabia and India. If we look at standard deviation, which tells us how scattered the data is, we find that the one that maintains the lowest values through Panel A, B, and C is the Adoption cluster, therefore its values vary less through time. On the other hand, the Convergence cluster illustrates quite a different image, as it always has the highest standard deviation out of the clusters, therefore the data is more scattered and less closer to the mean.

Significant is also the evaluation of the performance of the clusters compared to the general trend of the entire group. In Panel A, the Adoption cluster is the only one that on average is performing below the mean of the entire group (EEG) for Panel A. Instead in the post-adoption period (Panel B), the situation changes with both the Adoption cluster and the Adaption cluster performing well below the mean of the entire group. We get the same results looking at data from Panel C. For the reasons discussed above, we partially disagree with Othman and Kossentini (2015) as they state that the highest degree of adoption results with higher economic development. This is in contrast with the results shown by our data because the Adoption cluster performs below EEG both before and after the adoption. Instead the Convergence cluster, which has the lowest degree of adoption, increases from Panel A to Panel B. On the other hand, we do agree with Othman and Kossentini (2015) when they state that the partial adoption of IFRS Standards does not guarantee an increase in economic development and that it may even result in a negative impact in economic development. This is because the Adaption cluster, which is the cluster that is half-way between the two degrees of adoption, fits perfectly with the statement made by Othman and Kossentini (2015), as it has a clear decrease from pre to post adoption average change in GDP, but so is also the Adoption cluster.

In conclusion, from the results of the average change in GDP for the five years post adoption, we can see that both the Adoption and the Adaption cluster have suffered negatively from the implementation of IFRS Standards. Whereas the Convergence cluster, which is composed of those countries that in the adoption process completely readapted the Standards to meet the local needs, has a mean value post adoption that clearly shows an increase from the pre-adoption period. For this reason, we can say that the implementation of IFRS Standards results in a positive economic impact on GDP for the Convergence cluster.

3.2.2 FDI Analysis

Table 8, on the next page, presents the data for: the individual countries, the three clusters, and the entire Emerging Economies Group (EEG). We can see the results from the mean, median and standard deviation change in FDI inflows in millions

TABLE 8: FDI – CHANGE IN NET INFLOWS (CURRENT US$ IN MILLIONS)

	Panel A: Pre - adoption			Panel B: Post - adoption			Panel C: Entire time axis		
	Mean	*Median*	*Standard deviation*	*Mean*	*Median*	*Standard deviation*	*Mean*	*Median*	*Standard deviation*
Argentina	1770,15	3252,39	5033,96	-761,41	-4756,32	6514,84	504,37	1379,80	6259,15
Malaysia	-35,12	-1498,86	7591,69	94,54	-676,85	2514,62	29,71	-719,56	5448,86
Mexico	-3106,18	-797,26	6959,59	3095,61	3042,71	14872,64	-5,29	426,04	12902,15
Russia	-1057,22	6584,68	22454,15	-4406,02	-3981,46	26953,76	-2731,62	1301,61	24557,24
South Africa	1110,65	-81,72	5035,97	-565,77	-2260,51	3429,60	272,44	-389,19	4815,15
Turkey	3629,80	1862,00	4979,79	-1257,60	-181,00	5152,46	1186,10	798,50	6094,94
ADOPTION	385,35	1366,17	9965,68	-633,44	-719,56	13498,25	-124,05	-131,36	11774,42
Brazil	13385,99	6136,91	26238,95	-3530,36	-4658,84	14593,55	4927,82	5027,51	23312,37
Korea	122,22	275,60	3137,25	466,26	-277,10	5306,02	294,24	-0,75	3704,55
ADAPTION	6754,11	1418,05	18868,99	-1392,77	-277,10	12556,06	2611,03	375,55	16418,96
China	20635,14	19973,35	13487,80	16992,91	-24219,55	63146,95	18814,03	17629,33	43090,34
India	3322,52	6423,61	9103,51	1650,29	1300,22	5362,00	2579,31	4157,34	7279,79
Saudi Arabia	-2152,71	-852,90	2522,89	1571,87	1571,87	1776,82	-1088,54	-688,50	2841,21
CONVERGENCE	7268,32	4827,32	13362,05	8609,95	2151,36	40845,74	7835,93	3492,81	27709,05
EEG	3359,40	1755,67	12937,03	1184,03	-181,00	22055,15	2344,45	494,75	17901,19

Source: Elaborated by the author, based on FDI in millions (current US$) from the World Bank

(current US$). The "Pre-adoption" period, illustrated in Panel A, considers four years before the adoption plus the year of the adoption, and the "Post-adoption" period is expressed in Panel B which considers the five years after the adoption. The last column of Table 8 is Panel C and it considers both the pre-adoption and the post-adoption period.

Starting with a general look at the entire table we can notice that in Panel A the highest mean is the one of China and the lowest is of Mexico, on the other hand, if we look at the countries that have more and less inconsistencies in values we spot Brazil and Saudi Arabia respectively. China also maintains the highest mean in Panel B and Panel C, where it also holds the highest standard deviation with values that are more than double the ones of the rest of the countries. Russia instead holds the lowest mean in Panel B and Panel C which is significantly low as they are both negative values-4406,02 (Panel B) and -2731,62 million dollars (Panel C). The negative value of Panel C implies the overall trend for the 10 years analysed for Russia have been negative. If we look at the variation of data from the mean for Panel B and Panel C we see that the lowest is the one of Saudi Arabia, but this may not be true as we must consider the reduced number of years for both Saudi Arabia and India, as we have previously mentioned. For this reason the jurisdictions that should be considered with the lowest standard deviation are Malaysia for Panel B and Korea for Panel C. Panel C also shows a clear asymmetry between mean and median as a lot of countries have one positive and one negative value. This can generally also be spotted throughout the entire table. Having an overall look at countries pre and post adoption we can see that 54% of them decrease from Panel A to Panel B. In fact, 64% of the countries have a negative change from the previous year for 3 years out of the 5 analysed. 18% of the countries have negative changes 2 years out of the 5 considered. The only two countries that have less than 2 years of negative change are India and Saudi Arabia that have reduced number of years for the post-adoption period. Even if Mexico is part of the 18% of countries that have a negative change for 2 years it shows to have had the greatest positive change in the mean from pre-adoption to post-adoption, in particular, it increases by over 6 billion dollars. Instead, Brazil (which is part of the 64%) shows the greatest decrease of the entire table with over 16 billion dollars difference in the mean from before to after the adoption.

Now analysing more closely the image portrayed by the single clusters, we will explore the differences in performance of countries belonging to the same cluster. Starting from the Adoption cluster, we can identify that 33% of the member countries of this cluster experience an increase in the mean from Panel A to Panel B. Out of this 33%, the

highest increase recorded is that of Mexico with +6201,79 million dollars, which is also the highest of the entire Emerging Economies Group. The remaining 67% experience a decrease in the mean change in FDI inflows from before to after the adoption of IFRS Standards. Out of these countries the one that performs the worst is Mexico which decreases by 4887,40 million dollars. When we look more deeply at Panel B we notice that three countries have negative post adoption mean. Contrastingly, Panel C shows only two of the jurisdictions have a negative value when analysing the entire 10 year period. The first is Russia, which has a negative mean in all three panels, highlighting a general decrease of the entire 10 year period with more significant decrease in the post adoption period. The second is Mexico, which may seem unusual at first as we said it is the one that had the most positive difference from before to after the adoption, but the average change in Panel A was the lowest of the entire EEG. As a consequence, Mexico's mean for the entire 10 years (Panel C) will suffer from the very low values present in the first period (Panel A), making the positive values of Panel B not high enough to portray a positive image in Panel C. Mexico, Russia, but also Malaysia and South Africa have quite asymmetric values, especially in Panel C, where the mean is positive and the median is negative or vice versa. Turkey experiences the highest decrease of the cluster, which could be connected to what was said in previous literature by Lungu et.al (2017), that state that the increase in FDI is higher for non-European countries. Now comparing the trend of the different jurisdictions to the one of the cluster we notice that in Panel A Malaysia, Mexico and Russia are all performing below the cluster average. For Panel B we can observe almost the opposite situation, in fact, Malaysia, Mexico and South Africa are performing above the cluster average, while Russia, Argentina and Turkey are all below. Instead in Panel C the only country performing below cluster average is Russia, which has stayed in this position for all 3 Panels. The general trend of the cluster sees a decrease from Panel A to Panel B, and we find confirmation in the negative value of the mean change in FDI for the entire cluster in post-adoption. This negative image is then also recorded for the mean change for the entire time frame in Panel C.

The Adaption cluster displays results from two jurisdictions: Korea and Brazil. Looking at the general trend from Panel A to Panel B we notice that while Korea increases, Brazil exposes the worst scenario of the entire Emerging Economies Group. Brazil's mean decreases by over 16 billion dollars from Panel A to Panel B leaving a negative mean change over the previous year for the post adoption period. Another aspect that should be highlighted about Brazil's data is that it has very high values for standard

deviation in Panel A and whilst it slightly reduces in Panel B we can see by looking at the entire time frame (Panel C) we have extremely high values. Standard deviation is notably high also for the cluster results throughout the 3 Panels, this is caused by the extremely high variation values of Brazil which we have just discussed. Comparing the results of the two nations throughout Table 8 to the average cluster trend we can observe that while Brazil is performing above the cluster mean in Panel A, and Korea is performing below, the situation switches in Panel B, and changes back when we examine the entire time frame in Panel C. The general trend that the cluster results highlight is a significant decrease from Panel A to Panel B, as Panel B presents a negative mean value for the change in FDI inflows. On the other hand, looking at Panel C the picture portrayed by the cluster is a positive one, with cluster mean of 2611,05.

The data for the Convergence cluster in Table 8 illustrates significantly different results compared to Table 7, as the only country that exhibits an increasing mean from Panel A to Panel B is Saudi Arabia, as we have said before this could be biased as we are not able to consider a full set of 5 years post adoption for this jurisdiction. China is the biggest surprise of this cluster because while in Table 7 the mean from Panel A to Panel B increases, in Table 8 China's mean decreases from Panel A to Panel B by over 3 billion dollars. The value itself for the post adoption period is still the highest of the entire Table, but the reduction from pre to post adoption implies that there was a redirection of significant amounts of investment. Even more significant is China's median in Panel B as it presents an extremely high degree of asymmetry with the mean: while the mean is 16992,91 million dollars the median is -24219,55. The fact that the median is so low implies that there are more negative values than positive ones, but that those positive ones are so high that allow for the mean to be a positive value. This is confirmed also by the extremely high standard deviation of 63146,95, as the value of the standard deviation implies that 68% of the values will be 63146,95 million dollars away from the mean in either direction, and this also goes well below the median. This is again confirmed yearly change data where we can clearly see that the third year post adoption represented a spike in FDI inflows for China reaching over 110 billion dollars increase over previous year. On the other hand, when we move to Panel C, China presents symmetric data, but still with high standard deviation. If we analyse India's results we see that, similar to what was experienced by China, the mean change in FDI flow from Panel A to Panel B is negative, though the data seems symmetric and the standard deviation is considerably lower. Again we must mindful that we are able to consider only four years post-adoption

for India. Saudi Arabia, as we have mentioned before, is the only country in the cluster that presents an increase from the mean change pre-adoption to the mean change post-adoption for FDI inflows. On the other hand, Saudi Arabia has also the lowest mean of the cluster throughout the 3 Panels. Comparing the results of the three nations throughout Table 8 to the average cluster trend we can observe that in all 3 Panels China is performing above the cluster mean, and India and Saudi Arabia are performing below. This is caused by the huge gap there is between results from China and the other two jurisdictions. Standard deviation is also notably high for the cluster results throughout the 3 Panels, and this again is caused by the extremely high variation values of China which we have previously discussed. The overall trend of the cluster reveals an average increase from Panel A's mean change in FDI inflow to Panel B's, and a confirmed positive trend for the 10 years analysed expressed in Panel C.

Now evaluating the trends exposed by the different clusters by comparing them with each other and with the performance of all the countries selected for the study (EEG), we can discover some fundamental aspects. Looking at the three clusters in Panel A we can see that all three have a positive mean: Adoption has 385,35 million dollars, Adaption has 6754,11 and Convergence has 7268,32. Both the Adoption and the Adaption cluster in Table 8 change to a negative mean for Panel B, but out of the two, the Adaption cluster has the highest negative mean of -1392,77 million dollars. Opposite is the mean for the Convergence cluster as this increases in Panel B and reaches 8609,95 million dollars. We have to keep in mind that this value for the mean may be slightly altered due to the reduction of years analysed for Saudi Arabia and India. Moving to evaluating the standard deviation revealed by the three clusters, we can see that there is no significant difference between Adoption cluster and Adaption. On the other hand, exactly like in Table 7, the Convergence cluster always has the highest standard deviation out of the clusters, therefore the data is more scattered and less closer to the mean.

Significant is also the evaluation of the performance of the clusters compared to the general trend of the entire group. In Panel A, the Adoption cluster is the only cluster that on average is performing below the mean of the entire group. Instead in the post-adoption period (Panel B), the situation changes, and both the Adoption cluster and the Adaption cluster perform well below the mean of the entire group. Instead in Panel C, only the Adoption cluster is performing below the group mean, and notable is also the fact that the mean is a negative value. The general trend of the entire group of countries shows that the EEG mean decreases from Panel A to Panel B, underlining a general

negative effect of the adoption of the Standards on the group as a whole. For the various reasons discussed above, we disagree with Yousefinejad et. al (2018) and Chen et. al (2011) as they both state that the higher the degree of adoption the higher the increase in FDI inflows. In our study the highest degree of adoption is represented by the Adoption cluster and, while it contains the country which has had the highest increase in average FDI for the passage from pre to post adoption, the general trend of the cluster shows that the mean change in FDI inflow becomes negative in the post-adoption period. We partially agree with the Gu and Prah (2020) which state that non full adoption results in higher increase in FDI. The Adaption cluster has a negative mean change in FDI inflows for the post adoption period, and therefore we can't fully agree with the statement. However, we do partially agree because if we look at the general trend of the Convergence cluster for the post adoption period the mean is positive and is higher that the mean for the pre adoption period.

In conclusion, from the results of the average change in FDI inflows for the five years post adoption, we can see that the group as a whole suffered from the adoption of IFRS Standards slowing down the increase in FDI inflow from the previous year. Instead the different methods of adoption represented by the different clusters show they each perceived a different economic impact. Both the Adoption and the Adaption cluster have suffered negatively from the implementation of IFRS Standards. Whereas, the Convergence cluster has a mean value post adoption that shows a mild increase from the pre-adoption period.

3.2.3 GDP and FDI comparison

Now that we have analysed the results shown by GDP and FDI inflow as single economic indicators, we are also able to compare the two in order to get a better image of where they overlap and where they show contrasting results.

On a general note we are able to notice that, while GDP analysis shows the countries in the same clusters behaved in the same manner, the FDI inflow table shows there are countries that increase from pre to post adoption and countries that decrease independent of the cluster. In the GDP table, Adoption and Adaption countries all suffer a decrease in the mean GDP change from before the adoption to after the adoption of the Standards. Meanwhile countries in the convergence cluster all increase from Panel A to

Panel B. In fact, Russia suffers the greatest decrease from 181,72 billion dollars mean GDP change (Panel A), to -126,82 billion dollars mean GDP change, and China has the highest increase increasing of 580,42 billion dollars in the mean GDP change from Panel A to Panel B. On the other hand, the FDI inflow table shows each cluster has countries that increase from pre to post adoption mean change and countries that decrease. The country that has experienced the greatest increase in mean FDI inflow change over the previous year is Mexico belonging to the Adoption cluster. The worst change is the one experienced by Brazil which is part of the Adaption cluster and experiences a decrease in mean change from previous year of 16 billion dollars from pre to post adoption, reaching -3530,36 million dollars as the mean change in the post adoption period (Panel B). Since the mean change is negative the FDI inflows are decreasing yearly, therefore implying a negative impact of the Standards.

Looking at Panel C of the two tables, we are able to notice that the GDP table (Table 7) shows mean positive values for all countries, for all clusters and for the mean of the entire group, and therefore the image portrayed is positive for all when considering the entire 10 years period. In contrast, when we look at Table 8 (FDI inflows) we immediately spot 3 countries that have a negative mean change over the previous year even when considering the entire time frame, and this implies a general decrease of FDI inflows in the 10 years considered for these countries, therefore the FDI inflow is decreasing year after year. The countries that experience the negative mean are Mexico (-5,29), Russia (-2731,62) and Saudi Arabia (-1088,54). Interestingly, the FDI inflow table also shows that the values for the entire Adoption cluster in Panel C is negative (-124,05 million dollars), underlining once again the high decrease suffered in Panel B by those countries.

If we examine the differences of the two economic indicators within each cluster, in the Adoption cluster one of the things we notice is that Russia shows to have the highest negative mean in post adoption for both GDP and FDI. Instead looking at the highest mean in the tables for Panel B, we observe they are different countries: Turkey for the GDP table (37,25 billion dollars) and Mexico for the FDI inflow table (3095,61 million dollars). On the other hand, looking at the pre adoption period (Panel A) we can see that GDP is positive for every country therefore implying there is a continuous increase over the previous year. Instead, the FDI table reports some negative mean values implying that since Malaysia's, Mexico's and Russia's change in FDI inflows were negative these values were decreasing before the adoption of IFRS Standards. Out of these three

countries the only one that kept the negative mean in the post adoption period (Panel B) was Russia. This highlights how the adoption of the Standards increased FDI inflows for both Malaysia and Mexico.

In the Adaption cluster we can immediately see that Brazil has the highest standard deviation of the cluster and second highest of the entire group for both GDP and FDI inflow tables. We also see that the countries' trend compared to the mean of the cluster is the same for both tables, Brazil is performing above the cluster mean in Panel A while Korea is performing below, the situation switches in Panel B, and switches back when we examine the entire time frame in Panel C. This underlines how the adoption impacted the two countries in the same way for both indicators but differently when looking at the two countries, as one has a positive effect and one has a negative effect.

Looking at the Convergence cluster of both tables, we can clearly see that China has the highest mean values for every panel for both GDP and FDI. In the same way, Saudi Arabia has the lowest mean change over previous year for every panel for both tables. On the other hand, the two tables show different trends for the three countries: in the GDP table all three countries increase in the mean change over previous year from Panel A to Panel B, implying that all countries have more significant increase in GDP post adoption. Instead, Table 8 shows that the only country whose mean change over previous year increases is Saudi Arabia. Saudi Arabia changes from a negative mean change in FDI in the pre-adoption period (Panel A), to a positive mean change in FDI, implying a positive effect of the adoption of IFRS Standards. China and India, which have a mean change in FDI in the pre-adoption period respectively of 20635,14 and 3322,52 million dollars, suffer a decrease in the post adoption period. The mean changes to 16992,91 million dollars for China and 1650,29 for India, implying the beginning of the process of convergence of the standards had a slightly negative impact on the FDI inflows of the countries, as they are still increasing but at a slower rate.

The general trends of the three clusters compared to the trend of the entire group in the two tables shows how, in Panel A in both tables the Adoption cluster has the lowest mean and is lower than the group mean (EEG). The Adaption and Convergence clusters, instead, are both performing with a mean above the group average and the difference between the two clusters is only marginal for both indicators analysed. Both tables also show that the mean in Panel B for the Adoption and Adaption cluster decreases compared to Panel A, whilst the mean of the Convergence cluster increases. This means that Adoption and Adaption clusters both suffered from the adoption of Standards while

instead the Convergence cluster increases the speed of economic development. It is also important to underline that the lowest mean in Panel B is the one of the Adaption cluster, and this therefore implies it is also the cluster that suffers the most in the adoption of the Standards. When we move to analysing Panel C, we notice that in the GDP table both the Adoption and the Adaption cluster are performing below the group mean. Instead in the FDI inflow table the only cluster performing below the mean is the Adoption cluster.

It is also important to take into consideration the general trend of the entire group (EEG). The Emerging economies group in Table 7 shows an increase in the mean change in GDP over the previous year from Panel A to Panel B as it changes from 108,87 to 121,96 billion dollars. The fact that the mean increases signifies that economic development is increasing at a faster rate. On the other hand, looking at Table 8, we notice that the mean for the entire Emerging economies group decreases from Panel A to Panel B. The mean change over the previous year changes from 3359,40 million dollars in the pre adoption period to 1184,03. As we can see, the mean has more than halved, therefore the increase in FDI inflow is a lot less. This means the FDI inflows are still increasing overall but at a slower rate.

Conclusions

In 1973 the continuous search for a common language for accounting brought the creation of what is now called the IFRS Foundation, and the subsequent publication of the IFRS Standards. The adoption of these Standards has grown exponentially through the years, reaching over 140 jurisdictions in 2018. While the first group of countries adopting the Standards in full was the European Union starting from 2005, the gradual increase has also reached developing economies. One clear example would be the beginning of convergence of Chinese GAAP with IFRS Standards in 2007 only two years after the official adoption date of the European Union.

The IFRS Foundation's Guide suggests the one step adoption to be the best method for implementing the Standards, but also states different factors influence which adoption method is best. The benefits that a jurisdiction should obtain from the implementation of the Standards are: the global recognition, the increase of trust from investors and facilitated access to foreign capital markets (*IFRS Foundation, Adoption Guide, 2013)*. The first possible methods of adoption is the "big-bang step", an example would be Turkey who adopted the Standards through a series of dates from 2005 to 2008. The second is the convergence method where there is a more gradual approach to IFRS Standards. The last approach to adoption is adaption, this method lies in between the two previously mentioned methods as it is not a full adoption because it has some carve outs.

In order to maintain its global objectives the Foundation bases a lot of its work on cooperation. In fact, the Foundation is able to directly cooperate with interested parties in different matters through its consultative bodies. These are groups created by the Foundation itself, and are composed of professionals specialised on different topics that offer the Board their input and advice on specific matters. The Standing consultative groups are part of the permanent consultative bodies created by the IFRS Foundation, and the Emerging Economies Group (EEG) is the Standing consultative group on which we have focused this study. It was created in 2011 in order to improve and increase the participation of the emerging economies in the future growth of IFRS Standards (IFRS Foundation). For this reason, the EEG focuses on the application of Standards in emerging economies. The study decided to focus on this Group as it plays a very significant role in the implementation of IFRS Standards in emerging economies and

increasing the participation of members in the future of IFRS. At the same time, it gives support for the understanding of standards even to non-members of the EEG through Meeting Reports. The member countries of the EEG have all adopted the Standards, except Indonesia which is in process of converging with IFRS Standards. The method utilised by these emerging economies for the adoption of the Standards is not the same for all, as a consequence, they were divided in three clusters based on the adoption method used.

As the adoption of IFRS Standards increased, theories over the drivers that push countries to adopt and subsequent consequences of adoption also emerged. In our academic literature review we covered the Institutional Theory, the Network Theory, and the Eclectic Theory. As well as studies on theories over the drivers of the adoption of IFRS Standards, there are also many studies investigating the effect of the Standards on economic development. In particular, as adoption of the Standards has increased, the studies surrounding the economic impact on developing economies has widened. This is due to the high degree of difference between developing countries and developed ones, especially when typically developing countries have the tendency to have lower quality accounting standards (Gordon et. al 2012). The present paper analysed a total of twelve studies that empirically examined emerging economies and the effect caused by the adoption of IFRS Standards on economic growth. We found seven studies concluding that the adoption of the Standards resulted in a positive economic growth with some focusing on GDP and others instead on FDI inflows. Contrastingly, the present study also found two main papers whose results yielded very different conclusions, as they observed a negative effect on the economy caused by the adoption of IFRS Standards. Lastly, we also reviewed three papers that had different results depending on the type of test that was conducted on the data, and therefore had contradictory conclusions within the papers. Aside from the different conclusions of the studies, many agree that the different levels of adoption play a significant impact on the effect of the adoption on the economy.

The main objective of the present study was the investigation of possible economic effects of the adoption of IFRS Standards, but also the possible analysis of the differences caused by the diverging methods of adoption. This resulted in the formation of our research questions:

1. Does the adoption of IFRS Standards impact the economic development of emerging economies?

2. Does the chosen method of adoption impact differently on the economic development of emerging economies?

Out of the population of Emerging Economies we decided to investigate the Emerging Economies Group. The final selection was composed of 11 emerging economies that not only have an important role in the eyes of the foundation but are well geographically balanced, allowing a well-rounded picture of emerging economies. We selected GDP and FDI as the economic indicators on which to focus our analysis as they were the indicators that most of the studies, present in the literature review, utilised. The data for each jurisdiction was divided into two categories: before IFRS adoption and after IFRS adoption, in order to be able to observe changes accurately.

The results analysed for GDP showed that all countries from both the Adoption cluster and the Adaption cluster suffered a decrease in the mean from pre to post adoption. Some of the countries in the Adoption cluster exposed not only a decrease from before to after but also had a negative mean for the post adoption period, which means that GDP is not merely slowing down but it is actually decreasing on average. Instead, all the countries in the Convergence cluster experienced an increase in mean from pre to post adoption, and China also showed the highest results of the entire table. Therefore the cluster with the lowest degree of adoption, those countries that completely readapted the Standards to best fit the local needs, resulted in an increase in the mean GDP in the five years post the beginning of the convergence procedure. The highest degree of adoption, which is represented by the Adoption cluster (those countries that adopted the Standards in full) resulted in a negative mean in GDP in the five years post adoption. Lastly, we find the group of countries that have adopted the Standards with some exceptions, these are part of the Adaption cluster, and have suffered the most pronounced decrease in mean GDP change for the five years post adoption. So, we can conclude that the method that is neither a full adoption nor a complete adaptation to local need, and is merely a partial adoption, is also the cluster that suffers the most from the adoption of the Standards.

If we look at the analysis for FDI we can see a less defined picture compared to GDP results. The analysis shows that the Adoption cluster overall suffers negatively in FDI inflow when comparing pre adoption to post adoption however, surprisingly it also has the country that experiences the highest increase. The Adaption cluster also suffers a negative change from pre adoption to post adoption, with Brazil being the country that suffers the most of the entire table. The convergence cluster has an overall increase from before the adoption to after, but this seems to be caused by the high average FDI of China,

and as the only country that has a positive effect is Saudi Arabia. For this reason we may agree with the network effect studies that believed countries adopted more for the synchronisation value of the Standards rather than the possible easier investment. Though the cluster results for FDI are the same as the ones from the GDP analysis, the cluster with the lowest degree of adoption, therefore those countries that readapted the Standards to best fit the local needs, resulted in very slight increase in the mean FDI inflow in the five years post the beginning of the convergence procedure. The highest degree of adoption, which is represented by the Adoption cluster resulted in a negative mean in FDI inflow in the five years post adoption. Lastly, we find the group of countries that have adopted the Standards with some exceptions, these are part of the Adaption cluster, they have suffered the most pronounced decrease in mean FDI inflow change for the five years post adoption. Instead, different from GDP are the results of the entire group, as they have a decrease in the mean change in FDI from pre adoption to post adoption, therefore we are not able to agree with the theoretical studies that analysed the Eclectic Theory. They believed IFRS Standards would increase the location advantages of a country resulting in an increase in FDI, instead we saw the increase continuing but at a slower rate compared to the pre-adoption period.

On the other hand, we know the type of study conducted in this paper has limitations. The study did not utilise econometrics tests to analyse the quantitative data collected from the World Bank, which was instead done by previous academics. This is the reason why we utilise part of their conclusions to compare them with the results shown in the present study. The study also takes into consideration different years for each jurisdiction which could impact the results, but since countries from the same cluster behave in a similar manner even if different years were considered, the possible economic events which could have impacted the data should be eliminated. The last main difference with the previous literature is the fact that the present study only takes into account the two selected economic indicators, which do not allow for a well-rounded image of the event of adoption in the jurisdiction.

In conclusion, notwithstanding the limitations of the study just discussed we are able to conclude that the trend for the entire group of countries analysed showed an average increase in the mean change in GDP for the post adoption period and an average decrease for the mean change in FDI inflows post-adoption. The decrease of the mean change in FDI inflows makes us agree with the conclusions made by Lasmin (2012) that argued that the adoption of the Standards may not be enough to attract investment, and

that the adoption may be more of a prerequisite. We have noticed a well-defined difference in the economic effect of the Standards based on the method of adoption of the countries. For GDP, the convergence cluster has had a positive growth, while both Adoption and Adaption clusters suffered negatively. Adoption and Adaption clusters not only decrease but also have negative mean change in post adoption, this means they have decreasing GDP, and the Adaption cluster has the worst case scenario. The image portrayed by FDI inflows is slightly less defined, but we can still determine that the convergence cluster is the only one that on average reflects a slight increase in the average FDI inflow post adoption. Both Adoption and Adaption clusters suffer and result in a negative mean change in FDI inflows, therefore decreasing FDI inflows. These results show there is a clear difference in the type of results the different levels of adoption have on the economy of developing countries. Those that decide to readapt the Standards to meet the local needs, through the slower, more time consuming and, more expensive method of adoption seem to receive the highest economic growth. The full adoption of the Standards, seems to be the easiest of the options but does not guarantee economic growth in the five years post adoption as stated by Larson and Kenny (1995). Instead, those that decide to adopt the standards with carve outs, experience the worst case scenario, suffering negatively on economic development, which is in line with what was said by Othman and Kossentini (2015).

The topic covered in the present study which is the relationship between the accounting system of jurisdictions and their economic development is extremely wide, therefore there is space for the research to be extended in the future. We hope others will replicate and deepen the topics analysed in the present study. It would be interesting to see the long-term effects of the Standards on the economic indicators, especially for those countries that adopted in more recent years like Saudi Arabia that adopted in 2017. Since our limitations include the limited number of indicators analysed, it would be valid to insert in any future research other indicators such as education, inflation and financial aid.

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