

# Awareness and Adoption of IFRS 41 in the GCC: Perception of Arabian Horse Breeders

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## Abstract

**Purpose:** The purpose of this study is to analyze the state of IFRS, especially IFRS 41 among horse breeders in the GCC region regarding awareness, adoption intention, and the challenges faced during IFRS adoption.

**Design/Methodology/Approach:** The study population of this study included individuals associated with horse farms and horse industry selected through a convenient sampling method. A semi-structured questionnaire was developed and used for data collection. The relationship between IFRS awareness, influencing factors, barriers to adoption, and intent to adopt IFRS was examined using structural equation modeling (SEM) based on the theoretical frameworks of Theory of Planned Behavior (TPB) and the Technology Acceptance Model (TAM).

**Findings:** The study findings revealed a low level of awareness and adoption prevalent among horse breeders. Factors that influence the intentions to adopt IFRS were identified.

**Practical implications:** Policy makers, organizations' management, and auditors are encouraged to identify ways to improve the awareness and adoption of IFRS 41 involving biological assets.

**Originality/value:** This study is the first of its kind in which the perception of horse breeders at the ground level about IFRS adoption has been explored.

**Keywords:** Biological assets, Arabian horses, IFRS, Adoption of IFRS41, Financial reporting

**Paper type:** Research paper

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## 1. Introduction

Essentially, a nation's financial system and, more broadly, its institutional infrastructure, depend on its how it reports and discloses its accounting information (Odia & Ogiedu, 2013). Accounting has been defined as the "system of recording, classifying, and summarizing financial information and complex transactions based on which economic decisions are made" (Maina et al., 2020). From 1973 to 2001, the Board of the International Accounting Standards Committee (IASC) issued "a set of accounting standards" at a global level, known as the International Accounting Standards (IAS) (Mameche & Masood, 2021). After 2001, this was succeeded by the London-based independent organization, the International Accounting Standards Board (IASB), which then formulated a new series of accounting standards or principles called the International Financial Reporting Standards (IFRS). IFRS can be defined as the array of globally accepted guidelines for accounting practices and financial transactions of any business (Herbert et al., 2013). It can be considered as a rule book that must be followed while documenting commercial transactions in the account books. Moreover, this provides data about the financial performance of the firms. Out of two main goals of the IFRS, the first is to boost the virtue of financial reporting, make it comprehensible, comparable, and ensure transparency to lessen any asymmetry in financial information (Nguyen et al., 2023; Sharma et al., 2017), which may have an impression on foreign direct investment (FDI) inflows into emerging economies (Chehade & Procházka, 2022; Mameche & Masood, 2021; Okpala, 2012). This contributes to reducing inequality in income (Nguyen et al., 2023) The other goal focuses on the acceptance, application, and implementation of these standards at a global level (Sharma et al., 2017). Therefore, the adoption of IFRS has become essentially critical to globalization and the advancement of international trade and investments in emerging and developed nations (Nguyen et al., 2023; Owolabi & Iyoha, 2012).

The European Union (EU) pioneered the implementation of IFRS and made it compulsory for all listed organizations to follow and implement IFRS for their account reporting since 2005 (Isidro, 2019; Odia & Ogiedu, 2013). According to the latest records from the IFRS Foundation (2023), 168 countries are currently using IFRS accounting standards by jurisdiction. Implementation of IFRS has also been fostered by global organizations such as the International Organization of Securities Commissions (IOSCO), the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), the United Nations, etc. (Odia & Ogiedu, 2013). With the majority of governments giving their consent to adopt IFRS, public organizations in the nations that have adopted IFRS/ IAS are obligated to utilize the accounting standards in their financial reports to increase the accessibility, significance, dependability, and comparison of financial data equally for all investors and collaborators (Mameche & Masood, 2021). Due to institutional pressure,

emerging economies with substantially less developed accounting and regulatory frameworks have rapidly adopted IFRS (Ball, 2006; Jones & Finley, 2011). Besides improving the quality of financial evidence, some of the advantages of accepting IFRS include easy comparison, long-term stability, flexibility in economic conditions, fair distribution of wealth, increased strength, better transparency, greater understandability, lower cost capital, higher prices for shares, decreased costs for setting national standards, easier control of securities markets, better enforcement, income management, aids in recognizing loss timely, improved forecasting, induce cross-border investments, improving the efficiency of capital markets, and resilience against financial manipulations or political pressures (Abdelqader et al., 2021; Nguyen et al., 2023; Odia & Ogiedu, 2013). Harmonization and convergence of common accounting standards safeguard against any monopoly. However, proper implementation of these standards is quite challenging (Odia & Ogiedu, 2013; Sharma et al., 2017; Yamani & Almasarwah, 2019; Yamani & Hussainey, 2021). It may typically differ from country to country due to the cultural diversity, mental models, legal hurdles, political pressures, or infrastructural disparity that exists within each of the countries (Odia & Ogiedu, 2013; Yamani & Hussainey, 2021). Additionally, the outcome of IFRS adoption has been reported to be debatable (Toumeh & Yahya, 2019). Sporadic barriers have been perceived while transitioning to full compliance with the standards, which include issues related to adoption costs, increasing awareness, communication, training, translation, interpretation of standards, and other issues related to information technology that need to be addressed (Sharma et al., 2017).

The Gulf Cooperation Council (GCC) was formed during 'trade bloc' in May 1981 in Riyadh (Saudi Arabia) by an economic and political union between six Mid-Eastern nations such as Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (UAE), with the aim of enlarging the domestic markets and attract FDI in production that is based on products other than that from the oil sector (Chehade & Procházka, 2022; Mameche & Masood, 2021; Tawfik et al., 2023). The years of adoption of IFRS have greatly varied among the GCC countries, with Kuwait adopting it as early as 1990 to as late as in Saudi Arabia, which adopted it in 2017 (Mameche & Masood, 2021). Kuwait was followed by Oman (1998), Bahrain (2001), Qatar (2002), and UAE (2015). This is primarily due to the predominant segmented markets and the level of sensitivity to regional politics in each country (Siriopoulos et al., 2021). A revised corporate governance code was issued in 2015 for Oman, in 2017 for Saudi Arabia, in 2018 for Bahrain, and in 2020 for UAE (Tawfik et al., 2023). Furthermore, since 2017, Saudi Arabia has made it mandatory for all business entities. The chief objective of the present research is to investigate the extent of IFRS adoption among Arabian horse breeders from Gulf Cooperation Council (GCC) countries. Since time immemorial, horse breeding in this region has evolved and established itself as a flourishing global industry in this region (Lange, 2016). As horses that are used for breeding purposes fall under the category of biological assets, therefore, these accounting standards are highly relevant for this industry too, especially IAS/ IFRS 41 which applies to the accounting treatment of bio assets dealing with floras and faunas in the context of agriculture (Faizrakhmanov et al., 2014; Gonçalves & Lopes, 2015; Isidro, 2019). This basically deals with the accurate and precise valuation of these biological assets (Arbidane & Mietule, 2018). According to accounting standards, horse breeding can be considered as the subbranch of agriculture that is involved in the biotransformation and management of horses for the purpose of getting products through horse breeding (Faizrakhmanov et al., 2014; Isidro, 2019). The transition to IFRS is essential because indigenous agricultural products are highly valued in the global market and also by investors (Khabirov et al., 2019). However, many issues have been faced while accounting and evaluating biological assets (Arbidane & Mietule, 2018). Therefore, it becomes even more crucial to understand the perception of horse breeders on IFRS adoption. Although many studies report on IFRS (Nguyen et al., 2023); unfortunately, there are hardly any studies that have investigated this aspect in the context of the horse breeding industry. Therefore, the need for empirical evidence in this field was realized. To fill in the research gap, based on the research purpose of this study, the following objectives for this study were formulated: 1) to examine the perception of horse breeders towards the management of the Arabian horse farms from GCC nations, 2) to explore the extent of awareness IFRS adoption and its benefits in the Arabian horse industry at the GCC countries, and 3) to evaluate the effect of influence factors, awareness of IFRS, and the barriers towards adoption on the intent of IFRS adoption in the Arabian Horse industry.

The rest of this paper is presented as follows. In Section 2, theoretical framework for the study is described, followed by Section 3, where a brief review of the relevant extant literature is summarized demarcating the research gaps, based on which the conceptual framework and the underlying research hypotheses have been developed for the current study. This is followed by the fourth section, which describes the research methodology for collecting data required for the study. Section 5 focuses on reporting the results of the study, while Section 6 discusses the most critical findings, as well as the policy implications, the major boundaries of the study, and the scope of research in the future. Finally, the conclusion is drawn from the summary of key outcomes of the study.

## 2. Theoretical framework

This study adopts its theoretical underpinnings from two popular theoretical frameworks for studying the behavior towards the adoption of IFRS such as the theory of planned behavior (TPB) and the technology acceptance model (TAM). TPB highlights on the attitudes toward behavior and the social norms that surround its influence on its behavioral intentions (Ajzen, 1991, 2011). TPB has been regarded as the “extension” of the theory of reasoned action (TRA), wherein perceived behavioral control is supplemented to the TRA model (Khan & Quadrat-Ullah, 2021). According to this model, attitude implies to an individual's positive or negative assessment of adopting a particular behavior, while subjective norm emphasizes on the perceived social pressure or normative influence related to adopting a behavior. Perceived behavioral control denotes to the perception of individuals toward the level of easiness or struggle of adopting a behavior and behavioral intention is the entity's intention or willingness to execute a behavior, which then is succeeded by the actual performance of the behavior. It has been suggested that a substantial level of correlation between attitude, behavioral control, subjective norms, and intention, which tend to predict adoption behavior. It can be claimed that for IFRS adoption, TPB can provide valuable insights into the decision-making process toward positive or negative adoption behavior as also reported (Hassen & Ramakrishna, 2020; Moqbel, 2013; Nguyen et al., 2023; Thang et al., 2020). In this setting, attitude implies to the perception of benefits or drawbacks by the individuals or organizations in implementing IFRS, while subjective norm involves considering the opinion of peers, other organizations, or regulatory bodies involved in the adoption of IFRS. Under perceived behavioral control, aspects such as the availability of resources, extent of expertise present, and the complexity of transitioning to IFRS are included and the behavioral intention here refers to the intention to adopt IFRS in their horse farms, which forms the precursor for the actual adoption and implementation. The attitude towards IFRS adoption is built based on the level of awareness towards IFRS and investigating the perceived advantages and disadvantages of adopting IFRS. Examining the factors that facilitate or hinder the adoption process such as the availability of training, resources, and technological infrastructure needed to implement IFRS successfully is essential to improve the success of IFRS adoption and implementation. This model has been particularly useful in case of emerging economies (Nguyen et al., 2023), which can be considered to be most appropriate in this case where GCC nations are also in similar conditions. In addition to TPB, TAM can also be applicable, when IFRS is considered as an equivalent to technology (Hassen & Ramakrishna, 2020; Moqbel, 2013; Thang et al., 2020). Coming to TAM, this can be considered as a further extension of TPB, wherein perceived ease of use and perceived usefulness also contributes to the attitude towards using as well as the behavioral intention (Davis, 1989). Perceived usefulness can be described as the degree to which an individual perceives that utilizing a specific system or technology would augment their job efficiency while perceived ease of use implies to the extent to which an individual feels that utilizing a certain system or technology would need no effort (Khan & Quadrat-Ullah, 2021). Even though there is sparing literature linking TAM with IFRS adoption and implementation, however, in the context of IFRS acceptance, perceived usefulness would be relevant and refers to the scope to which people within an organization perceive that adopting IFRS will bring benefits. This could include improved financial reporting, enhanced comparability, and access to international capital markets. Similarly, perceived ease of use can be related to the perceived simplicity and ease with which an organization can transition to and implement IFRS. This might include considerations of the comprehensibility of IFRS guidelines, the availability of training resources, and the ease of integrating IFRS into existing reporting systems.

## 3. Literature Review and Hypothesis development

### 3.1. Adoption of IFRS in GCC nations

For many years, the adoption of IFRS by the various countries has long piqued the curiosity of researchers around the globe (Nguyen et al., 2023; Samaha & Khelif, 2016; Zeghal & Mhedhbi, 2006) in many aspects including perception and experience toward harmonization and implementation of IFRS (Bakr & Napier, 2022; Bananuka et al., 2019; Maina et al., 2020), assessing the benefits of employing IFRS (Abdelqader et al., 2021; Nguyen et al., 2023; Owolabi & Iyoha, 2012), understanding the barriers for IFRS implementation and suggesting any solutions to overcome those (Odia & Ogiedu, 2013; Sharma et al., 2017; Yamani & Almasarwah, 2019; Yamani & Hussainey, 2021). Research supporting the behavioral intention of adopting IFRS in various countries is common (Alamin et al., 2020; Astutie & Fanani, 2015; Bakr & Napier, 2022), while many focus on the adoption of accounting standards in different sectors including agriculture (Dékán & Kiss, 2015; Kadirovich, 2022). The early factors for the adoption of these accounting standards include financial growth, educational level, level of external economic openness, social membership, and the presence of a capital trade (Zeghal & Mhedhbi, 2006). Management attitude, isomorphic forces, ownership, and capital structure tend to have a positive association with the implementation of IFRS, which is mediated by the effectiveness of the audit committee (Bananuka et al., 2019). In a recent study from Vietnam (Nguyen et al., 2023), it was suggested that the accounting qualifications and experience (AQE), accounting regime and guiding circulars (RGC), tax pressure, qualification and awareness about IFRS, mindset of the accountants, advantages of adopting IFRS,

company size, and efficiency of auditing directly influence the compliance with accounting regulation, which further influences the adoption of IFRS in organizations of varied sizes that are functional in different fields. Isomorphism such as coercive, mimetic, and normative forms along with environmental factors tends to influence the adoption of IFRS for example in Ghana (Sappor et al., 2023).

Previous studies investigating the IFRS adoption in the GCC nations have mainly focused on small and medium-sized enterprises (SMEs) (Bakr & Napier, 2022) and banks (Yamani & Hussainey, 2021), more than the other sectors. It has also been established that the IFRS adoption affects the tax function (Hassan, 2020) but also contributes to the increase in FDI inflow in a longer run in these countries as well (Chehade & Procházka, 2022; Cielik & Hamza, 2022). However, Mameche and Masood (2021) construed that a positive effect was observed in the shorter run; in fact, in the longer run, there is a more than 10% reduction in the FDI inflow. In a typical corporate environment, motivating factors such as board independence, board size, duality of chief executive officer (CEO), ownership structure, audit commission, and external auditor have been known to influence the level of compliance with IFRS in the GCC nations (Abdelqader et al., 2021). It was observed that within the GCC countries, the nature of financial reporting was impacted by the diversity on the board of the listed firms (Tawfik et al., 2023). The influence of mandatory IFRS adoption on corporate risk disclosure was moderated by the size of the firm in the nonfinancial companies from Saudi Arabia (Alsheikh et al., 2021). Most of these studies have used secondary macroeconomic data as variables to inspect the various aspects of IFRS adoption and the extent of usage (Abdelqader et al., 2021; Chehade & Procházka, 2022; Mameche & Masood, 2021; Siriopoulos et al., 2021), instead of the perception of stakeholders. Therefore, this study focuses on the factors that directly effect the adoption of IFRS in emerging economies from the Middle East. A conceptual framework formulized for the study is presented as Figure 1, wherein the relationship between influencing factors, awareness of IFRS, and barriers to adoption of IFRS on intention to adopt has been assessed.

### **3.2. Influencing factors and Intent to adopt IFRS**

Although in many countries, the adoption of IFRS has been made obligatory by their administration, however, the implementation of IFRS remains challenging (Sharma et al., 2017). Therefore, it percolates to be the responsibility of organizations (Nguyen et al., 2023). The factors influencing factors include the various aspects of the organizations and their quality (Ciešlik & Hamza, 2022). In this case, the influencing factors include the performance of the horse farms and their control, the usefulness of keeping farm records and accounts, the cost incurred in the operations, and the return on investment (ROI) from the farms. The first hypothesis has been formulated to examine the effect of these factors on the intention to adopt IFRS among horse breeders.

*H1: Influencing factors such as the performance of the horse farm and its control, the usefulness of keeping farm records and accounts, the cost incurred in the operations, and the return on investment (ROI) significantly impact the intention to adopt IFRS.*

### **3.3. Impact of awareness of IFRS and its benefits on intent to adopt IFRS**

Accurate awareness of IFRS and proper attitude can be considered to be critical steps towards its adoption, especially in developing economies (Nguyen et al., 2023; Sharma et al., 2017). It has been testified that awareness about these accounting standards has been low to moderate among individuals (Mardini et al., 2015; Sappor et al., 2023; Uyar & Güngörmüş, 2013). This lack of awareness has also been pointed out in Saudi Arabia (Yamani & Almasarwah, 2019). Furthermore, in most of these studies, awareness was restricted to accountants, bankers, etc. (Sharma et al., 2017), and managers who are associated with accounting standards (Nguyen et al., 2023). This decreased level of awareness was mainly due to their inadequacy in English language and knowledge about accountancy standards (Uyar & Güngörmüş, 2013). The source of awareness of IFRS was observed to be from peers, professionals, news media, and the Internet (Herbert et al., 2013). The benefits of IFRS have been well established worldwide and specific to the GCC nations (Abdelqader et al., 2021; Nguyen et al., 2023; Owolabi & Iyoha, 2012). It can be easily speculated that the increased advantages of IFRS adoption will lead to the increased awareness, which will eventually lead to its adoption in organizations. Therefore, based on the above argument to test the role of awareness of IFRS and benefits on the intention to adopt IFRS, the following hypothesis has been proposed.

*H2: Awareness of IFRS and its benefits positively impacts the adoption of IFRS 41.*

### **3.4. Impact of barriers in IFRS Adoption on intent to adopt IFRS**

Both internal and external challenges have hindered the adoption of IFRS (Odia & Ogiedu, 2013; Owolabi & Iyoha, 2012; Sappor et al., 2023; Sharma et al., 2017). These include lack of agreement in convergence and preparedness (Sharma et al., 2017), reporting costs, complexity of understanding, absence of regulatory boards, absence of appropriate guidelines and instructions, etc. (Sappor et al., 2023). However, there are no studies that assess the issues faced by the horse breeders during the adoption and implementation. Therefore, it becomes essential to assess the challenges that these stakeholders face towards adoption in the current context. On the

basis of this, the following hypothesis was derived,

*H3: Barriers to the IFRS adoption negatively impacts the intention to adopt IFRS 41.*

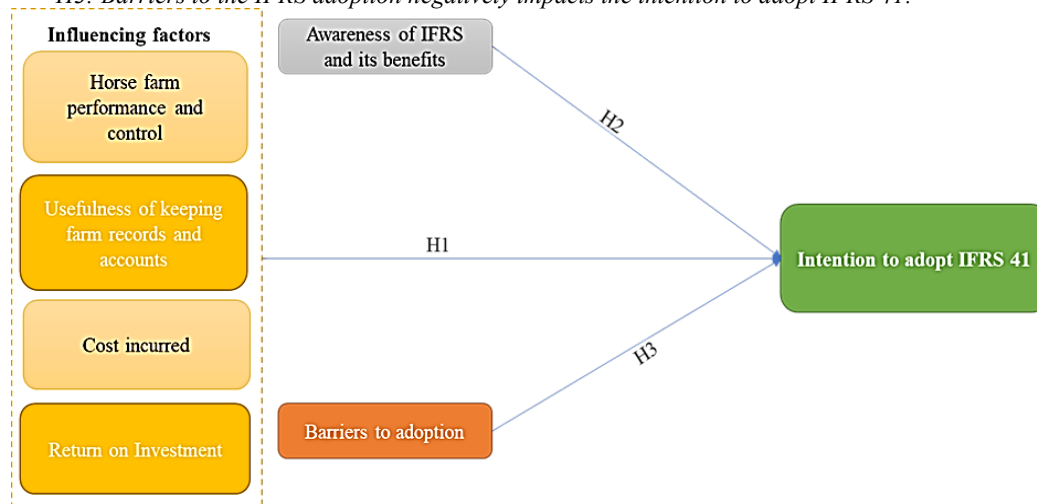


Figure 1 Conceptual framework for the study

## 4. Research methodology

### 4.1. Research design

This study employed a positivistic research philosophy with an exploratory research design that employs a quantitative deductive approach to examine the effect of factors that influence the adoption of IFRS in GCC countries with regards to horse farms. This method verifies the research objectives using hypotheses formulated by the researchers.

### 4.2. Study population

This study collected primary data from 112 horse breeders and individuals associated with Arabian horse farms geographically located across all the GCC countries obtained using the convenient nonprobability sampling technique. This number for the sample population was found to be appropriate for conducting SEM, as a sample size of 100 to 150 has been considered as the minimal sample size for conducting SEM as explained in Sappor et al. (2023). The developed questionnaire was sent to 120 individuals from the study population through email; out of which eight were found to be unusable, thus displaying a response rate of more than 93%. Along with the questionnaire, the researcher also distributed consent forms and assured the participants that strict anonymity of the participants will be maintained. Table 1 recapitulates the socio-demographic details of the participants, while Table 2 elaborates on the general information about the horse farm industry obtained from the horse breeders. It was observed that the majority of the respondents consisted of graduate and undergraduate men ranging in the age of 35- to 40-year-old. Data were obtained from 20 individuals each (19.9%) from Saudi Arabia, UAE, Bahrain, Kuwait, and Qatar with an exception of only 12 participants (10.7%) from Oman and half of them having both an international and national coverage. It can be seen from Table 2 that over half (55.4%) of the respondents were both owners of these farms as well as were managing their farms. Although most of them had not attended any formal training or certification course in horse breeding programs (78.6%), however, 69.6% of them were involved in horse breeding for more than 11 years. More than 73% of them had sole proprietorship and 30% of them owned more than 15 horses from mix bloodlines (57.1%). More than 87% of the respondents considered horse breeding a hobby, which is the reason for their involvement in the horse industry. Almost all horses were being sent to competitions at least once in a year, earning more than US\$10,000; unfortunately, 96.4% of the horses on the farms were not insured. In terms of financial accountancy, only 26.8% of them were bookkeeping their financial records and only 3.6% had an auditor to check their finances.

Table 1 Socio-demographic details of the respondents

Categories	Frequency (n=112)	Percent
Age (years)		
21-30	18	16.1
31-40	40	35.7
41-50	38	33.9
More than 50	16	14.3
Gender		
Male	106	94.6
Female	6	5.4
Highest educational qualification		
Diploma	32	28.6
Undergraduate	40	35.7
Graduate	40	35.7
Geographical location		
Saudi Arabia	20	17.9
United Arab Emirates	20	17.9
Bahrain	20	17.9
Oman	12	10.7
Kuwait	20	17.9
Qatar	20	17.9
Coverage or reach		
National	50	44.6
International	6	5.4
Both	56	50.0

Table 2 Information related to horse breeders, their farms, and the industry

Categories	Frequency (n=112)	Percentage
Role in the farm or the Arabian Horse industry		
Owner	36	32.1
Manager	14	12.5
Both	62	55.4
Duration of involvement in horse breeding (years)		
Less than 5	4	3.6
5-10	30	26.8
11-15	42	37.5
More than 15	36	32.1
Attended any training or certification in horse breeding		
No	88	78.6
Yes	24	21.4
State of ownership of the farm		
Sole proprietorship	82	73.2
Partnership	28	25.0
Rented	2	1.8
Number of horses owned		
Less than 5	18	16.1
5-10	32	28.6
11-15	28	25.0
More than 15	34	30.4
Type of horse breeds		
Straight Egyptian	6	5.4
Mix Bloodlines	64	57.1
Both	42	37.5
Reason for being in this industry		
Business	14	12.5
Hobby	98	87.5
Insurance of horses		
No	108	96.4
Yes	4	3.6

Categories	Frequency (n=112)	Percentage
Sent horses for competitions		
No	6	5.4
Yes	106	94.6
Frequency of sending horses to competitions in a year		
None	6	5.4
1	66	58.9
1-3	40	35.7
Total revenue (earnings) from horse competing last year (2022) in USD		
None	18	16.1
Less than 1000	14	12.5
1000-5000	16	14.3
5000 – 10000	22	19.6
More than 10000	42	37.5
Total revenue from horse sales last year (2022) in USD		
None	30	26.8
Less than 1000	4	3.6
1000-5000	14	12.5
5000 – 10000	20	17.9
More than 10000	44	39.3
Keep records of the finances involved (bookkeeping)		
No	82	73.2
Yes	30	26.8
Have an auditor to check finances		
No	108	96.4
Yes	4	3.6

### 4.3. Measures

A well-structured questionnaire comprising a Likert scale was used to obtain the primary data to validate these hypotheses as done by many researchers in this field (Bananuka et al., 2019; Sappor et al., 2023; Uyar & Güngörmüş, 2013). The use of questionnaire has its own benefits as it is user friendly, incurs hardly any cost for obtaining data, and requires minimal training, making it the instrument of choice for research (Cresswell & Creswell, 2014; Jones et al., 2008). The questionnaire consisted of eight main parts, commencing with collection of the demographic information of the participants, information related to horse breeding farms and industry, perception of horse breeders toward horse farms and their control, perceived advantages of keeping farm records and accounts, cost towards the farming operations, their return of investment and revenue generation, level of awareness towards benefits of IFRS and IFRS 41, which is specific to biological assets, intention to adopt IFRS and the barriers in adoption of IFRS. Within demographics, the gender, age, educational qualification of horse breeders or farm managers, and their geographical location were noted. The general information on Arabian horse farms and horse breeding industry was composed of questions related to their position in the Arabian horse industry, their degree of certification or training in horse breeding, their level of experience in horse breeding, the state of ownership of horse farms and related financial information about their horse farms as well as revenue generated, extent of bookkeeping, etc. Influencing factors were measured using a total of 34 items with horse farm performance and control (4 items), the usefulness of keeping farm records and accounts (5 items), the cost incurred in farm-related operations (17 items), and revenue generation (6 items). Each of the subfactors was categorized on a five-point Likert scale with values starting from one to five, according to the level of agreement of the participants, where 1 = Not at all; 2 – Very little; 3 – Little; 4 – To some extent; 5 – To a great extent. The questionnaire for the current study was planned by the researcher following extant review of previous studies. The awareness of International Financial Reporting Standards (IFRS) and its benefits were assessed using 10 items derived from relevant studies (Herbert et al., 2013; Mardini et al., 2019; Nair et al., 2014; Uyar & Güngörmüş, 2013). The degree of awareness towards IFRS 41 was measured using five items, while intent to adopt IFRS 41 was measured using three items based on Nair et al. (2014). Finally, barriers to IFRS adoption were evaluated through eight items. A copy of the questionnaire is available from the authors on request.

### 4.4. Data analysis

The raw data collected were converted into numerical data, coded, and subjected to statistical analysis using statistical software SPSS version 24, following which meaningful inferences were drawn from the results. The potential of SPSS in managing statistical data successfully and efficiently is well known (Coleman & Briggs, 2005). Demographic-related factors were measured using frequency and percentage, while average and standard

deviation were calculated for items testing the study variables. An independent t-test or analysis of variance (ANOVA) was assessed to compare the means of study variables based on demographic factors and other horse farm-related factors. Exploratory factor analysis (EFA), confirmatory factor analysis (CFA), and structural equation modeling (SEM) was employed to observe the link between factors that affect the IFRS adoption, awareness of IFRS and its benefits, and barriers to adoption and the intention to adopt IFRS in horse breeders from GCC countries sequentially. The hypothesis was accepted when the p-value was found to be significant at  $p < 0.05$  at a confidence level and all the acceptance criteria were met successfully. SMART- PLS 3.0 was employed to perform SEM using bootstrapping with 5000 iterations for the generation of standard errors and t-statistics, as suggested by Hair et al. (2014). The validity, reliability, and predictive power of the model were measured based on the PLS-SEM model developed for the study. The predictive power of the model was calculated with the help of  $R^2$  values and structural path coefficients, and the goodness of fit of the model was evaluated using the standardized root mean square residual (SRMR). Influencing factors in this study served as second-order constructs. The repeated indicator strategy was used to evaluate all latent variables simultaneously when it was realized that the research model in this study follows a reflective-formative approach (Becker et al., 2012). The measurement model and structural model were followed by the evaluation of path coefficients between the latent variables and the coefficient of determination values.

## 5. Findings of the study

### 5.1. Perception of influencing factors

Table 3 represents the mean and standard deviation of the perception of horse breeders of factors influencing factors of farm management, IFRS awareness, and its adoption in horse farms. From the table, it can be derived that influencing factors such as the performance and control of horse farms for breeding, the value of bookkeeping, and the cost incurred towards the farm were considered important to some extent, while there was low return on investment in the farms. The findings suggest that awareness of IFRS, IFRS 41 and its benefits was severely restricted. Most of them had heard little about IFRS ( $1.893 \pm 1.351$ ), were hardly familiar with the concept of IFRS ( $1.679 \pm 1.246$ ), and felt that IFRS was unable to get local and foreign sponsorships ( $2.643 \pm 1.207$ ). While understanding the low intention to adopt IFRS 41 among horse breeders, it was also realized that participants felt ‘very little’ towards the adoption of IFRS 41 and that early adoption will lead to the attainment of benefits. Furthermore, hardly any training was given to Arabian horse farm managers to adopt IFRS 41 ( $1.589 \pm 1.212$ ), which can also be attributed to the cause of such low intention to adopt IFRS. According to horse breeders, there were many barriers to the adoption of IFRS, including the complex nature of IFRS and the difficulty in understanding ( $4.179 \pm 1.187$ ), the clear lack of adequate knowledge and experience in IFRS ( $4.482 \pm 0.968$ ), absence of techniques to estimate fair values of the horses ( $4.411 \pm 1.000$ ), lack of guidance procedures ( $4.500 \pm 1.004$ ), unfriendly business environment ( $4.357 \pm 1.161$ ), implementation issues ( $4.321 \pm 1.141$ ), and cost conversion involved, which makes IFRS unfavorable for horse breeders ( $4.143 \pm 1.222$ ).

Table 3 Perception about influencing factors, IFRS awareness, intention to adopt, and barriers to adoption

Study variables	Mean	Std. Deviation
Influencing factors		
Horse farm performance and control	3.580	0.791
Usefulness of keeping farm records and accounts	3.750	0.822
Cost incurred	3.957	0.732
Return on Investment	2.771	0.930
Awareness of IFRS and its benefits	2.876	0.729
Intention to adopt IFRS 41	2.101	1.212
Barriers to adoption	4.279	0.933

### 5.2. Differences in the level of awareness and adoption of IFRS based on demographics of horse breeders and other farm-related factors

There were significant differences within the influencing factors such as horse farm performance and control based on the age of the horse breeders ( $F = 3.374, p = 0.021$ ), their geographical location ( $F = 3.033, p = 0.021$ ), their reach extent of reach ( $F = 11.726, p = 0.000$ ), their role on the farm ( $F = 7.528, p = 0.021$ ), duration of involvement in horse breeding ( $F = 2.912, p = 0.038$ ), and number of horses owned by them ( $F = 3.107, p = 0.030$ ; Tables not included in this paper). It was observed that horse breeders above 50 years of age, living in Qatar or Saudi Arabia, with international and national coverage, who owned the farms and were involved in horse breeding for more than 15 years, who owned less than five horses considered control over the farm performance as a crucial factor. Similarly, the perception of the horse breeder about the usefulness of maintaining farm records and accounts varied significantly with their age ( $F = 3.755, p = 0.013$ ), educational qualification ( $F = 12.248, p = 0.000$ ), received training or certification in horse breeding ( $F = 3.399, p = 0.001$ ), geographic location ( $F = 5.331, p = 0.000$ ), role on the farm ( $F = 9.348, p = 0.000$ ), and duration of involvement



in horse breeding ( $F = 4.668$ ,  $p = 0.004$ ). Graduate participants aged 31-40 years, who are farm owners, have received training in horse breeding, have participated in horse breeding for more than 15 years, and staying in Saudi Arabia mainly believed in the advantages of bookkeeping. Significant variation in the perception of horse breeders towards the cost incurred in the farm was observed based on the age of the breeders ( $F = 4.636$ ,  $p = 0.004$ ), their educational qualification ( $F = 3.516$ ,  $p = 0.033$ ), training or certification in horse breeding ( $F = 3.992$ ,  $p = 0.000$ ), coverage or reach of the farms ( $F = 26.063$ ,  $p = 0.000$ ), their role in the farm ( $F = 21.017$ ,  $p = 0.000$ ), the number of horses owned ( $F = 4.089$ ,  $p = 0.009$ ) and types of horse breeding kept in their farms ( $F = 4.293$ ,  $p = 0.016$ ). Statistically significant variances between the study population based on the return on investment as an influencing factor based on their age ( $F = 5.460$ ,  $p = 0.002$ ), geographic location ( $F = 3.131$ ,  $p = 0.011$ ), coverage or reach ( $F = 28.427$ ,  $p = 0.000$ ), their role in the farm ( $F = 24.431$ ,  $p = 0.000$ ), the number of horses owned by them ( $F = 13.777$ ,  $p = 0.000$ ), types of breeds present in the farm ( $F = 13.223$ ,  $p = 0.000$ ), reason for being in this industry ( $F = 4.506$ ,  $p = 0.000$ ), insurance of horses ( $F = -3.817$ ,  $p = 0.000$ ), sending horses for competition ( $F = -2.934$ ,  $p = 0.004$ ), frequency for sending horses for competition in a year ( $F = 22.926$ ,  $p = 0.000$ ), total revenue generated from competitions in the last year ( $F = 19.041$ ,  $p = 0.000$ ), and the total revenue from horse sales last year ( $F = 20.062$ ,  $p = 0.000$ ). Horse breeders (mean age  $>50$  years), living in Saudi Arabia, having a national and international reach, working as farm managers, having more than 15 insured horses on the farm, with horse breeding as business motive, sending horses for competitions in a tune of one to three times in a year, generating a revenue of more than US\$ 10,000 from horse competitions, and horse sales considered return on investment as the foremost influencing factor.

The awareness of IFRS in the study population significantly differed with their educational degree ( $F = 9.870$ ,  $p = 0.000$ ), geographical location ( $F = 5.128$ ,  $p = 0.000$ ), extent of coverage ( $F = 16.593$ ,  $p = 0.000$ ), role in horse farms ( $F = 13.235$ ,  $p = 0.000$ ), types of breeds present in the farm ( $F = 11.880$ ,  $p = 0.000$ ), insurance of horses ( $F = -2.548$ ,  $p = 0.012$ ), frequency of horses sent for competition ( $F = 3.219$ ,  $p = 0.044$ ), level of bookkeeping ( $F = -3.114$ ,  $p = 0.002$ ), and having an auditor to check their finances ( $F = -2.248$ ,  $p = 0.027$ ). IFRS awareness was higher in horse breeders who were farm owners with a graduate degree, living in Qatar, had both international and national coverage, had both straight Egyptian and mix bloodline breed of insured horses in their farms, who sent their horses to competition for more than once in the last year, believed in keeping records of the finances and had an auditor to evaluate their finances.

The perception of barriers towards IFRS adoption varied significantly based on the highest educational qualification of the horse breeders ( $F = 14.227$ ,  $p = 0.000$ ), the extent of training received in horse breeding ( $F = 8.670$ ,  $p = 0.000$ ), their extent of coverage ( $F = 24.456$ ,  $p = 0.000$ ), role on the farm ( $F = 16.224$ ,  $p = 0.000$ ), practice of record keeping ( $F = 5.998$ ,  $p = 0.000$ ), and the availability of an auditor in the farm ( $F = 3.035$ ,  $p = 0.003$ ). Participants working as managers with diploma as their educational qualification, without any training or certification in horse breeding, with national coverage, who were not keep any records about their finances, and who did not have any auditors on their farms experienced the most barriers in adopting IFRS.

The intention of adopting IFRS among the participants too varied significantly with respect to whether they had any formal training in horse breeding ( $F = -7.494$ ,  $p = 0.000$ ), their extent of coverage ( $F = 6.395$ ,  $p = 0.002$ ), their role on the farm ( $F = 21.772$ ,  $p = 0.000$ ), the duration of involvement in horse breeding ( $F = 3.045$ ,  $p = 0.032$ ), number of horses owned by the farm ( $F = 2.892$ ,  $p = 0.039$ ), type of breeds present in the farm ( $F = 11.812$ ,  $p = 0.000$ ), status of insurance of horses ( $F = -3.996$ ,  $p = 0.000$ ), habit of keeping records of the finances ( $F = -7.771$ ,  $p = 0.000$ ), and the presence of an auditor to check finances ( $F = -3.659$ ,  $p = 0.000$ ). Horse breeders who have received training or certification in horse breeding, have international coverage, are owners of the farms, have been involved with horse breeding for more than 15 years, had more than 15 insured horses of both types of breed, kept records of the finances, and had an auditor to check the accounts had a higher intention of adopting IFRS.

### 5.3. Testing of hypotheses

Regarding the hypotheses of this study, the impact of influencing factors, awareness of IFRS, and barriers to adoption of IFRS on the intention of adoption among horse breeders was examined using SEM. The measurement indicators of the SEM model (presented in Appendix A1) were evaluated by examining the values of construct reliability and validity values of the construct such as composite reliability (CR), Cronbach's alpha ( $\alpha$ ), average variance (AVE), convergent and discriminant validity (Roldán & Sánchez-Franco, 2012). It was found that Cronbach's  $\alpha$ , CR, and rho\_A value for all study constructs were more than 0.7, which implied that the measurement scales are internally consistent and have a high degree of reliability. Furthermore, the reliability of the scale was confirmed since the indicator reliability was found to be greater than 0.4 in all the constructs. All AVE values were more than 0.5, which implied a higher convergent validity of the factors adopted to measure the constructs (Hair et al., 2017). The variance inflation factor (VIF) was found to be less than five, which validated that there was no collinearity between the variables. In this study, the VIF ranged from 1.325 (Horse farm performance and control) to 4.986 as observed in awareness of IFRS and its benefits. Discriminant

validity was assessed using the Fornell and Larcker criterion and Heterotrait-Monotrait (HTMT) ratios (Appendices A2 and A3). The Fornell-Larcker criterion findings (Table A2) show that the values for all the factors namely, awareness of IFRS (0.806), barriers to adoption (0.892), cost incurred in the farm (0.871), horse farm performance and control (0.864), intention to adopt IFRS (0.903), return on investment in the farm (0.808) and usefulness of record keeping (0.856), are greater than the highest correlation of the specific variable with other variables in the model. This establishes the discriminant validity of the constructs. The HTMT values (Table A3) of all constructs were found to be less than the cut-off value of 0.85, which implied that the optimal variance was established between the constructs and therefore the validity of the factors is ensured.

The R-square values, the effect size, the predictive relevance (Figure A2), and path coefficients was assessed using the structural model. The coefficient of determination ( $R^2$ ) value in this case indicates that 99.5% of the variation in the influencing factors and 69.9% of the variation in the intention to adopt IFRS could be explained by the equation of the model (Table A4). The Stone-Geisser's  $Q^2$  value evaluates predictive relevance. When the  $Q^2$  value is more than zero, then it can be construed that the model is predictive. In this study, the  $Q^2$  value for the intention to adopt IFRS was 0.680. Evidently, the model shows good predictive relevance. The goodness of fit was evaluated using the standardized root mean square residual (SRMR). A value less than 0.08 designates a good fit. In the current study, the SRMR value of 0.053, the  $d\_ULS$  value of 2.89, the  $d\_G$  value of 2.88, the chi-square value of 2972.72, and the NFI value of 0.903 specifies a good fit for the model (Table A5).

Table 4 presents the results of the proposed hypotheses with corresponding path coefficients and t-values in the structural model. Taking into account the critical t-value criterion of greater than 1.96 for the two tailed test ( $p < 0.05$ ), the testing of the path coefficient showed that the path coefficients values were significant. Thus, all three hypotheses, *H1: Influencing factors such as the performance of the horse farm and its control, the usefulness of keeping farm records and accounts, cost incurred in the operations, and the Return on Investment (ROI) significantly impact the intention to adopt IFRS*, *H2: Awareness of IFRS and its benefits positively impacts the adoption of IFRS 41*, and *H3: Barriers to IFRS adoption negatively impacts the intention to adopt IFRS 41*, stands are accepted. Figure 2 shows the structural model related to this study.

Table 4 Path coefficients showing direct effects

Path	Path coefficient ( $\beta$ )	t	p value	Decision
Influencing factors -> Intention to adopt IFRS 41	0.258	2.456	0.014	Positive and significant
Awareness of IFRS and its benefits -> Intention to adopt IFRS 41	0.554	6.602	0.000	Positive and significant
Barriers to adoption -> Intention to adopt IFRS 41	-0.224	4.565	0.000	Negative and significant

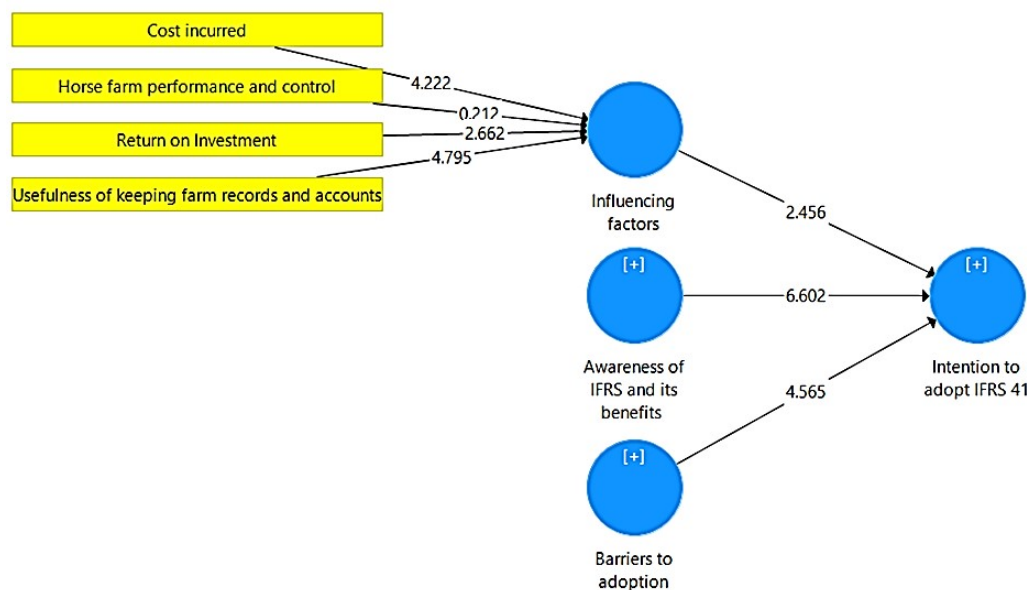


Figure 2 Structural model for the study

## 6. Discussion, Implications, and Conclusions

The findings indicated that the level of awareness of IFRS and the intention of IFRS adoption among the

participating Arabian horse breeders in the GCC region was low. This is similar to the results reported by Uyar and Güngörmüş (2013) as evidenced in Turkey. Moreover, current horse breeders also faced lots of barriers to adopt IFRS. Furthermore, factors influencing awareness of IFRS and its benefits and barriers to IFRS adoption significantly impacted the adoption of IFRS among horse breeders in the GCC region. Nguyen et al. (2023) also observed that educational qualifications and awareness among managers positively affected the adoption of IFRS. The results of our study are contradictory to the findings reported by Sappor et al. (2023) from Ghana, where they found no noteworthy effect between the challenges associated with IFRS and the level of awareness. Moreover, it was realized that many demographic factors such as age, educational qualification, etc. were present. controlled the influencing factors, as well as the level of awareness of IFRS, its intention to adopt, and the barriers faced. The critical factors that influence awareness of IFRS include the highest educational qualification, geographical location, extent of coverage, nature of role in the farm, types of horse breeds present in the farm, insurance status of the horses, frequency of horses sent for competition, the habit of bookkeeping, and getting an auditor, while the high degree of adoption of IFRS was higher in horse breeders who had training or were involved with horses and interested in record keeping. However, none of the study variables varied due to their gender or state of ownership of the farms. On the contrary, female participants were found to have statistically significantly higher awareness of the adoption of IFRS by Sharma et al. (2017), which was not evidenced in our studies. This may be because of low contribution of women respondents in this study was comparatively much lower. Although it has been repeatedly construed that the intention of adoption is dependent on geographical location (Nguyen et al., 2023; Samaha & Khelif, 2016; Zeghal & Mhedhbi, 2006); however, in this study, no differences were observed in the intention of adopting or the barriers that they faced during adoption. This implies that policies can be univocally shared within the GCC countries to improve the situation. Since there were hardly any comparable studies on IFRS adoption by horse breeders, drawing insights for discussion from other studies has become difficult. In conclusion, it can be interpreted that to the best of our knowledge, this is the foremost study to deal with the awareness and adoption of IFRS involving the perception of horse breeders.

In terms of theoretical implications, this study has contributed extensively to the knowledge and literature on IFRS practices at a global level, while with regard to the practical implication, the findings of this study validates that the state of IFRS practices among horse farms needs drastic improvement, especially in most of the GCC nations. This study also highlights the importance of awareness and the challenges facing the public regularly but has not received due attention. This study also forms a baseline for all major stakeholders, especially policy makers, to update the policies and make the adoption of IFRS a user-friendly process. Regarding the limitations, this study was restricted by the number of participants and the typical issues faced during the design of cross-sectional quantitative research. The future scope of research lies in the extending the number of participants and the introduction of qualitative research in order to explore the various issues faced during implementation. Furthermore, various aspects of accounting information must be examined simultaneously with managers and farm owners through the perception of auditors and other experts.

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**Appendix**

Table A1 Construct reliability and validity

Item	Loadings	Indicator reliability	VIF	Cronbach's Alpha	rho A	CR	AVE
<b>Influencing factors</b>							
Horse farm performance and control				0.662	0.677	0.855	0.746
P_3	0.890	0.792	1.325				
P_4	0.837	0.700	1.325				
Usefulness of keeping farm records and accounts				0.880	0.926	0.916	0.733
U_1	0.780	0.609	1.932				
U_2	0.869	0.755	2.417				
U_3	0.920	0.846	3.072				
U_4	0.849	0.721	2.426				
Cost incurred				0.940	0.932	0.966	0.759
CI_1	0.891	0.794	3.556				
CI_10	0.830	0.689	3.141				
CI_11	0.902	0.814	3.355				
CI_12	0.905	0.819	3.539				
CI_13	0.930	0.864	3.101				
CI_14	0.902	0.814	3.320				
CI_2	0.886	0.785	3.481				
CI_3	0.825	0.681	3.445				
CI_9	0.754	0.568	2.915				
Return on Investment				0.823	0.851	0.882	0.653
RI_3	0.690	0.476	1.543				
RI_4	0.828	0.686	2.425				
RI_5	0.908	0.824	2.952				
RI_6	0.792	0.627	1.675				
Awareness of IFRS and its benefits				0.931	0.946	0.943	0.650
A_1	0.828	0.685	3.133				
A_10	0.913	0.833	3.110				
A_14	0.667	0.445	2.201				
A_2	0.807	0.652	4.759				
A_5	0.856	0.732	3.629				
A_6	0.773	0.598	2.566				
A_7	0.831	0.690	4.986				
A_8	0.904	0.817	3.952				
A_9	0.630	0.397	2.575				
Barriers to adoption				0.937	0.942	0.964	0.795
B_1	0.934	0.872	3.707				
B_2	0.859	0.738	4.007				
B_4	0.829	0.687	3.110				
B_5	0.846	0.715	3.668				
B_6	0.898	0.806	3.524				
B_7	0.933	0.871	3.380				
B_8	0.935	0.875					
Intention to adopt IFRS 41				0.883	0.897	0.929	0.815
I_1	0.960	0.921	3.341				
I_2	0.946	0.894	3.503				
I_3	0.794	0.631	1.640				

CR: Composite Reliability

Table A2 Fornell-Larcker Criterion

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Awareness of IFRS and its benefits (1)	0.806						
Barriers to adoption (2)	-0.254	0.892					
Cost incurred (3)	-0.029	0.794	0.871				
Horse farm performance and control (4)	0.534	0.067	0.232	0.864			
Intention to adopt IFRS 41 (5)	0.774	-0.499	-0.293	0.311	0.903		
Return on Investment (6)	0.360	0.222	0.333	0.336	0.176	0.808	
Usefulness of keeping farm records and accounts (7)	0.620	-0.129	0.133	0.539	0.606	0.239	0.856

Table A3 Heterotrait-Monotrait Ratio (HTMT)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Awareness of IFRS and its benefits (1)							
Barriers to adoption (2)	0.289						
Cost incurred (3)	0.261	0.830					
Horse farm performance and control (4)	0.712	0.237	0.293				
Intention to adopt IFRS 41 (5)	0.818	0.530	0.333	0.433			
Return on Investment (6)	0.444	0.228	0.357	0.429	0.218		
Usefulness of keeping farm records and accounts (7)	0.696	0.237	0.190	0.710	0.702	0.263	

Table A4 R square

	R Square	R Square Adjusted
Influencing factors	0.995	0.995
Intention to adopt IFRS 41	0.699	0.690

Table A5 Model summary and predictive relevance

	SSO	SSE	Q <sup>2</sup> (=1-SSE/SSO)
Intention to adopt IFRS 41	112.000	35.857	0.680

Overall model fit indices: SRMR = 0.053, d\_ ULS = 2.89, d\_ G = 2.88,  $\chi^2 = 2972.89$ , NFI = 0.903

Table A6 F square

	Influencing factors	Intention to adopt IFRS 41
Horse farm performance and control	6.451	
Usefulness of keeping farm records and accounts	21.577	
Cost incurred	38.794	
Return on Investment	20.278	
Awareness of IFRS and its benefits		0.738
Barriers to adoption		0.241
Influencing factors		0.006

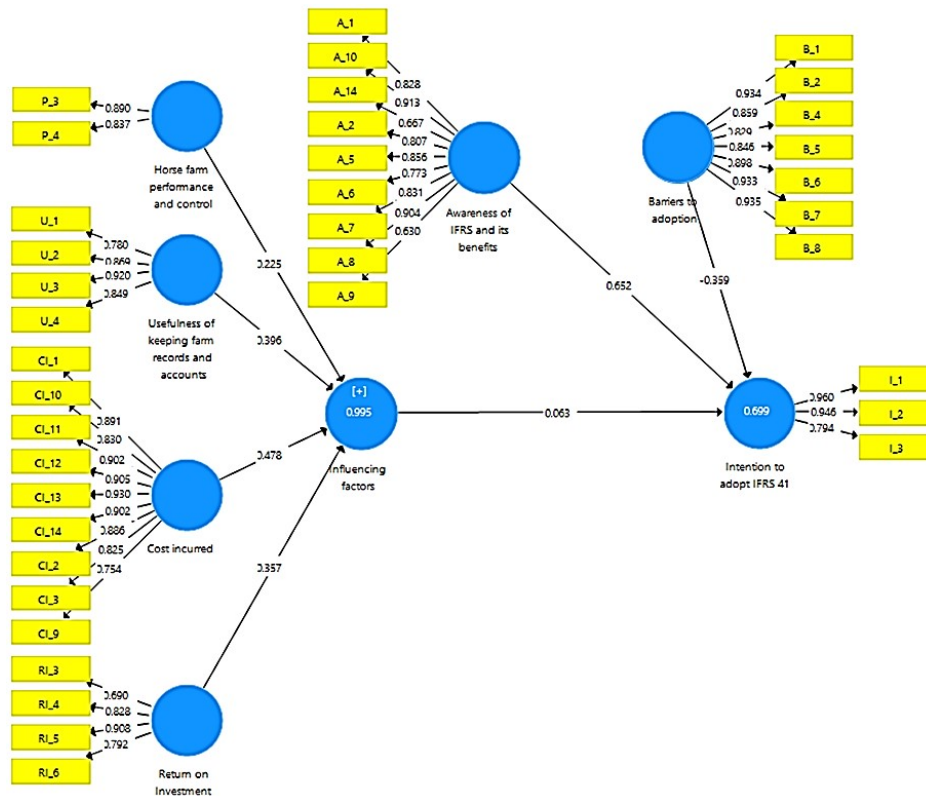


Figure A1 Measurement model

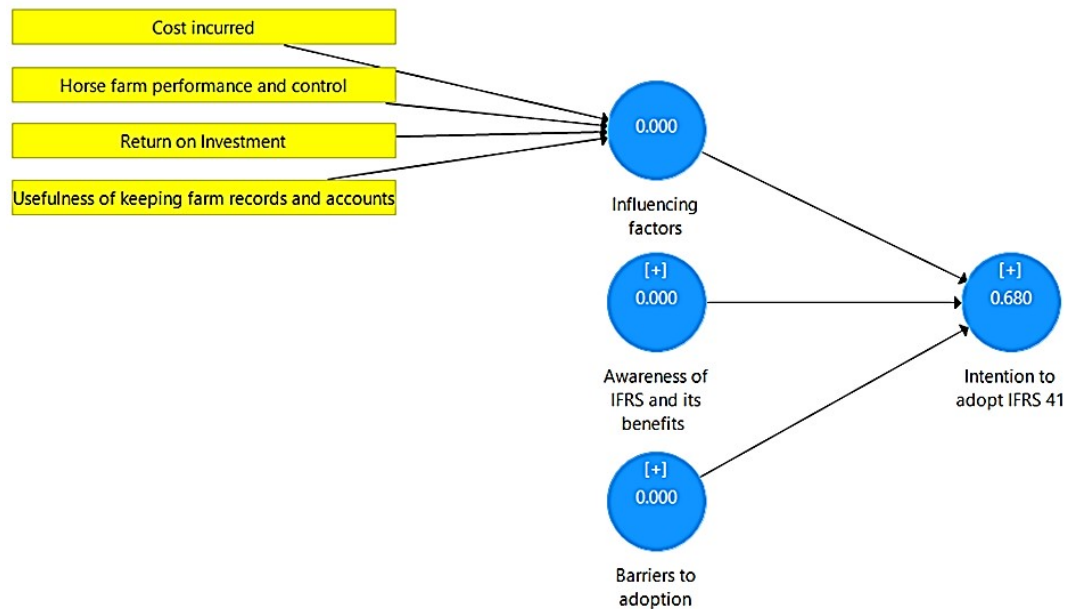


Figure A2 Predictive relevance