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PhD dissertation review

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IFRS ADOPTION AND FIRM VALUE: BANKING IN GCC COUNTRIES

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Introductory remarks

From a first glance at the title of this dissertation, one can see a profound reflection on a topic that is not only timely but also central to today's global financial landscape. Observing the evolution of International Financial Reporting Standards (IFRS), their development and global adaptation have revolutionized how corporations communicate with investors, analysts, and all stakeholders.

The essence of IFRS adoption in the context of the cost of capital and enterprise value has profound significance in economic and financial science. Transparency, standardization, and comparability are the main advantages that IFRS has brought to financial reporting. Understanding these dynamics becomes extremely important in the context of the globalization of the economy and the growing investment interest in GCC countries.

The banking sector, a vital pillar of any economy, is susceptible to changes in reporting and regulation. Its ability to raise capital, manage risk, and create shareholder value depends mainly on the quality and transparency of its financial information. Therefore, analyzing the impact of IFRS on the banking sector in the GCC countries is academically meaningful and practical.

Observing the many developments in accounting standards over the years, it can be seen that IFRS, as an international standard, has the potential to profoundly impact global capital markets, especially in regions with dynamic economic growth, such as the GCC countries. The modern economy is based on trust and transparency. Standards that improve the quality of financial information play a key role in building this trust.

Scientific value of the dissertation

Originality of research:

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The dissertation under review makes a significant contribution to the literature on finance and accounting, especially in the context of the impact of IFRS on the financial markets of the GCC region. To appreciate the full significance of this work and its place among the research in this field, it is worth noting its originality and the innovative approach presented by the author. The study stands out from other academic works in several key aspects:

1. Unique data sources.

Studies of this type rarely use such specific databases as TRDB (now LSEG Eikon). Gaining access to and skillfully using these sources demonstrates a deep commitment to the study. The collaboration with Cedrus Bank, which provided critical historical data, further enriches the study by providing authentic information that is difficult for other researchers to access.

2. Comprehensiveness of the analysis.

The dissertation thoroughly analyzes the situation before and after adopting IFRS. This approach allows for a more complete understanding of the dynamics and impact of these standards on the financial markets of the GCC region. Including both periods allows for a more objective comparison and analysis of the impact of IFRS on the variables studied.

3. Using a variety of analysis methods.

The combination of OLS methods for FE models and GLS methods for RE models is a fresh look at data analysis in this type of research. The complementary nature of these methods allows for a deeper understanding of the phenomenon and eliminates potential biases resulting from a single approach. This approach provides greater reliability of the results and confirms the robustness of the analyses.

4. Focus on the GCC region.

Although many academic works analyze the impact of IFRS on global markets, few focus exclusively on the Gulf region. This specific focus not only provides a unique perspective on the region, but also provides a deeper understanding of its unique characteristics and challenges.

Each of the above points not only highlights the originality of the author's approach, but also indicates the work's contribution to the literature on the value of companies and the impact of IFRS on financial markets.

The scientific value of the chapters:

Each chapter of the presented work carries an important contribution to scientific research on the impact of the introduction of IFRS on accounting standards and the value of businesses in the Gulf Cooperation Council (GCC) countries. The author thoroughly analyzes both the theoretical aspects of the topic and the practical implications of introducing the new standards. The comprehensive approach taken in the work provides a deep understanding of the topic. It highlights the importance of the changes in accounting standards for the financial markets of the GCC region. Each chapter adds new research value, making the whole work an essential resource for researchers, practitioners, and students interested in this area of research. It is, therefore, partly of an applied nature.

Chapters Analysis

Chapter 1 INTRODUCTION

This chapter serves as an introduction to the entire work, presenting the study's primary purpose and the research problem. It is crucial to understand the context of the work, presenting the reader with the motivation for undertaking this research topic. The introduction also chalks out an overview of the research, allowing the reader to understand what steps will be taken to achieve the main objectives of the work. Its scientific value lies in providing a solid foundation and background for future chapters, enabling the reader to understand the IFRS adoption issue in GCC countries.

Chapter 2 FIRM VALUE AND COST OF CAPITAL

This chapter pays special attention to the impact of IFRS adoption on local accounting standards, information quality, goodwill, and information errors, which are key factors in corporate value. Based on the introduction, the theoretical conceptual structure and theoretical framework for business valuation are clearly outlined. The relevance of this chapter is to establish the relationship between systematic and non-systematic factors affecting business value after IFRS adoption.

Chapter 3 INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS).

This chapter focuses on an in-depth analysis of the consequences of adopting IFRS as the global financial reporting language on company valuation. It includes sections outlining the background and current global status of IFRS, its importance, and its impact on the cost of capital, equity, and financial instruments. It reveals the evolution of IFRS/IAS in the context of globalization and the role of international investors in adopting these standards. The importance of this chapter lies in a deep understanding of the historical approach to IFRS implementation and the technical impact of these standards on financial statements.

Chapter 4 IFRS ADOPTION IN GCC - LITERATURE REVIEW

This chapter focuses on the main objective of IFRS adoption, which is to improve market efficiency and provide a single set of accounting standards. The literature analysis points out the various factors affecting the accounting system and how adopting IFRS can shape them. The chapter also focuses on the cultural and religious influence of the GCC region on IFRS implementation, which adds to the multidimensionality of the research approach.

Chapter 5: QUANTITATIVE FINDINGS AND DISCUSSION

While earlier chapters focused on theoretical and conceptual approaches to the impact of IFRS on GCC countries, this chapter is the crucial practical part of the work. It contains the data analysis, the study results, and the interpretation of these results in the context of the hypotheses adopted. This chapter is essential for empirically confirming or refuting the theoretical assumptions presented in the previous chapters. Its scientific value lies in providing a concrete analysis that combines the theoretical framework with actual observations on the impact of IFRS on listed banks in GCC countries.

Chapter 6 CONCLUSION

This chapter summarizes the main research findings on the impact of IFRS adoption on the value of companies in GCC countries. A thorough quantitative analysis confirms the benefits of IFRS adoption on the cost of capital and goodwill. The chapter also highlights the study's limitations, the practical implications of the results and recommendations for future research, underscoring its deep commitment to the scientific analysis of the topic.

Each analyzed chapter significantly contributes to the scientific understanding of the impact of IFRS on firm value in GCC countries. Through a theoretical framework, literature analysis, quantitative research, and practical implications, the overall work offers a comprehensive and in-depth look at the topic, highlighting its scientific value.

The substantive value of the dissertation

In the dissertation under review, the author delves into the issue of the impact of the introduction of IFRS on local accounting standards with remarkable precision and commitment, mainly focusing on the Gulf countries. His research on the impact of these standards on the quality of information, the value of companies, and potential errors in assessing the value of companies is detailed and thorough. The literature cited, in which the author refers to theoretical approaches to corporate valuation and analyses of the effects of

IFRS adoption in the context of market value per share versus book value per share, demonstrates his in-depth understanding and knowledge of the subject. Moreover, contextualizing these standards considering globalization and the implications of their adoption for the value of companies in the Gulf countries adds depth and broad perspective to the dissertation.

Evaluation of work layout and consistency

Analyzing the layout of the study on "IFRS ADOPTION AND FIRM VALUE: BANKING IN GCC COUNTRIES," one can see a logical sequence and structure that leads the reader from the introductory introduction to the topic, through the literature review to the conclusions drawn from the research. Each chapter has been planned to gradually develop the main idea of the work and introduce the reader to increasingly advanced aspects of the topic. The literature review chapter provides a solid theoretical foundation for the work's research, highlighting key concepts and research on the introduction of IFRS and its impact on the value of companies in the banking sector. The following sections focus on introducing IFRS in GCC countries, providing a deeper understanding of the topic.

However, while the work layout is logical and coherent, it is worth considering whether all relevant areas have been covered. Based on the layout presented, several regions can be identified that could be further developed or addressed:

- Deeper comparative analysis - conducting a more detailed comparative analysis of the introduction of IFRS in each GCC country would be valuable. While separate sections on the impact of culture on IFRS adoption in specific countries are included in the dissertation, a deeper analysis of differences and similarities could provide additional value.
- Impact on other economic sectors - while the study focuses on the banking sector, it could be interesting to consider how the introduction of IFRS has affected other economic sectors in GCC countries.
- Reactions and opinions of key stakeholders - analyzing the views and responses of key stakeholders, such as auditors, financial analysts, and regulators, to introducing IFRS could provide important information.
- Mechanisms for rationalizing decisions when choosing IFRS - what were the key arguments "for" and "against" the introduction of IFRS in GCC countries? What rationalization processes prevailed and why? The role of beliefs and stereotypes in adopting standards - did existing beliefs or stereotypes about IFRS or financial reporting influence the decision-making process? Strategies for dealing with uncertainty: what strategies were adopted to manage the uncertainty associated with introducing new standards?

Developing these areas could have made the work even more comprehensive and provided a more complete picture of the introduction of IFRS in GCC countries. While the work layout is logical and well thought out, consideration could be given to adding a few additional sections that would provide a more complete and comprehensive approach to the topic. Introducing such sections could make the work even more comprehensive and exhaustive.

Editorial correctness of the dissertation

The editorial correctness of the analyzed dissertation appears to be solid at first glance, but upon closer examination of the text, some inconsistencies can be seen. Although the structure of the dissertation is clear and logical, making it easy to follow the author's

arguments, there are some inconsistencies in the formatting. Such discrepancies can give the impression that the work was written in fragments at different times, which affects its coherence and overall perception.

While not numerous, linguistic errors occur, especially in longer paragraphs, where the author seems to get lost in the complex sentence structure. Such linguistic stumbling blocks can introduce ambiguity into the interpretation of the text, which is undesirable in a scientific context.

Although most of the dissertation was formatted uniformly and aesthetically pleasing, certain elements, such as illustrations or tables, have been technically inserted haphazardly without a uniform scheme or guidelines.

Although some inconsistencies and minor linguistic errors can be seen in the analyzed dissertation, they do not significantly affect the overall quality and readability of the text. In the context of the overall evaluation of the work, these shortcomings are marginal and do not detract from the substantive value of the dissertation. Nevertheless, a little proofreading, especially in terms of formatting and language, would further enhance the professionalism and consistency of the text.

Research methods

The research methods described in this chapter are appropriate for the dissertation topic, the research objective, and the hypotheses outlined in the work. The author analyzed the impact of International Financial Reporting Standards (IFRS) on the value of companies in the Gulf countries (GCC) before and after adopting these standards.

The method uses panel data and econometric models to analyze the impact of independent variables on the dependent variable, the cost of capital, and the value of companies. The models used, such as the Ohlson 95 model and the modified Ohlson model, are suitable for studying the relationship between accounting information and the market value of companies.

The data analysis covers periods before and after adopting IFRS and compares the results for individual countries and the GCC region. In addition, various independent variables such as company size, earnings per share, dividends, assets, debt ratio, and others are included in the analysis, allowing for a more detailed understanding of the impact of IFRS on the value of companies.

Remarks on research methodology.

The analyzed dissertation's main topic is the impact of IFRS implementation on the value of companies in the Gulf Cooperation Council countries. The defined objectives of the dissertation are:

1. To study the impact of IFRS implementation on local accounting standards.
2. Analyze the impact of IFRS on information quality, goodwill and information errors.
3. Identify the relationship between systematic and non-systematic factors of goodwill in the context of IFRS implementation.
4. Identify the relationship between market value per share (MVPS) and book value per share (BVPS) as a result of IFRS implementation in the Gulf Cooperation Council countries.

The hypotheses posed are:

H0: IFRS adoption affects the key factors that rationalize the decision-making process and diminish the cost of capital value for listed banks in GCC countries, increasing their intrinsic values.

H1: IFRS adoption will not affect the key factors that rationalize the decision-making process and diminish the cost of capital value for listed banks in GCC countries, increasing their intrinsic values.

In evaluating the dissertation "IFRS ADOPTION AND FIRM VALUE: BANKING IN GCC COUNTRIES" in terms of the consistency of the topic with the stated objectives and hypotheses, the following observations can be made.

The dissertation focuses explicitly on the impact of IFRS implementation on the value of companies in the banking sector in the Gulf Cooperation Council countries. Its central focus is on the relationship between IFRS adoption and firm value, which aligns with the objectives of examining the impact of IFRS on the banking sector in these countries and identifying the impact of IFRS on the cost of capital and firm value. However, while important, the objective to examine the impact of IFRS implementation on local accounting standards seems separate from the dissertation's central theme.

The hypotheses refer to the impact of IFRS implementation on the value of firms in the banking sector, which is directly related to the dissertation topic. However, hypothesis H0, indicating the impact of IFRS on "key factors that rationalize decision-making," can be somewhat vague. It could be made more specific to more accurately reflect the particular factors analyzed regarding the impact of IFRS.

The concept of "decision rationalization" in "IFRS ADOPTION AND FIRM VALUE: BANKING IN GCC COUNTRIES" is exciting and relevant. Decision rationalization is the process by which organizations or individuals make decisions based on logical and objective criteria to achieve a set goal. Applying uniform accounting standards would facilitate more rational financial decisions by banks, investors, and other stakeholders in the context of IFRS implementation.

The very concept of "rationalization" can be seen as somewhat vague. Therefore, it would be essential to define precisely what is meant by "decision rationalization" in the context of this work. Is it about the ability of banks to more accurately predict risk? Or is it about the ability to more accurately assess the value of assets and liabilities? Or is it about something else?

Another aspect is the possibility of incorporating the concept of decision rationalization into the topic of the work itself, which could point to the process by which banks in GCC countries are adapting to new accounting standards to improve and streamline their decision-making process. This approach could focus on how uniform accounting standards affect the quality of financial information and how this improved quality of information translates into more rational and effective decisions.

Although the topic of the study is well defined and points to a specific field of research, both the objectives and hypotheses could benefit from greater precision. In particular, it would be useful to define more precisely what "key factors" are being studied in terms of the impact of IFRS on decision-making in the banking sector. In addition, strengthening the consistency between the topic and the objective on the impact on local accounting standards could contribute to greater clarity and understanding for the reader.

Results of the research work

The conclusions presented in the dissertation fulfill the stated purpose and verify the hypotheses. The study analyzes the impact of adopting International Financial Reporting Standards (IFRS) on the cost of capital and value of listed companies in the Gulf Coast (GCC) countries.

A summary of the study's findings indicates that adopting IFRS positively impacted firms' decisions, cost of capital, and value of firms in the GCC region. The study results suggest that IFRS contributed to an increase in the market value of shares (MVPS) and earnings per share (EPS) in the GCC region, indicating an increase in profits and value of companies. The study also found a significant correlation between the independent variables and the rise in the market value of shares, suggesting that information from IFRS is more reliable and widely available, which translates into an increase in the value of companies.

The main conclusion suggests that the null hypothesis (H0) is verified and the alternative hypothesis (H1) is rejected, meaning that IFRS has positively impacted the value of companies in the GCC region.

However, it should be noted that the study points out some limitations, such as the lack of complete historical data before the introduction of IFRS and the shorter observation period before the introduction of IFRS, which may affect the overall quality of the study's results.

Recommendations for future research suggest analyzing data at the level of individual countries and banking sectors and using different valuation models, which may provide more detailed and reliable results. In addition, qualitative research is suggested to understand the cultural factors affecting IFRS implementation in countries with different cultures.

Summary

In summarizing the review of this dissertation on the introduction of IFRS in the banking sector of GCC countries, it is worth highlighting several key observations.

On the positive side, the dissertation is an essential and valuable contribution to the literature on IFRS in the context of GCC countries. The study is thorough, and the author uses a methodical approach to answer the questions posed in the dissertation. The analysis of cultural, psychological, and sociological influences on accepting IFRS is fascinating and represents a novel treatment. It provides the reader with an in-depth understanding of the decision-making dynamics in GCC countries in the context of IFRS.

However, like any scientific work, this one also has some shortcomings. Some inconsistencies in the structure of the work and incomplete portrayal of some aspects of decision rationalization were pointed out earlier. In addition, certain areas, such as the mechanisms of decision rationalization or the impact of institutional pressures, could have been more comprehensively presented.

Nevertheless, the positive aspects of the work far outweigh the negatives. This is a solid, well-written, and thoughtful study that makes a valuable contribution to the field of IFRS research in GCC countries. It is, therefore, worth congratulating the author for his diligence and commitment in preparing this work and thanking him for his interesting and entertaining contribution to the literature on the above topic.

Questions for the PhD candidate

1. In light of the various accounting practices used worldwide, what critical differences in IFRS implementation and adaptation can be observed between the Gulf countries (GCC) and other major economic regions? To what extent are these differences driven by cultural factors, and to what extent by economic aspects and legal and supervisory regulations specific to the banking sector?

2. Analyzing the dynamics of the global banking market and the importance of transparency and uniformity in financial reporting, how has the adoption of IFRS by GCC countries affected the competitive position of their banking sector internationally? Has introducing these standards contributed to the confidence of international investors and other stakeholders, and if so, through what specific mechanisms and practices?

3. In the context of the evolution of International Financial Reporting Standards and their growing importance in the global economy, what key trends and practices in using IFRS can be distinguished worldwide? Does GCC countries' adaptation and application of IFRS reflect these global trends, or can some deviations, interpretations, or adaptations unique to the region be observed?

Final evaluation

I, the undersigned, state that the reviewed doctoral dissertation of M.Sc. Bassam Salame meets the conditions outlined in Article 13.1 of the Law of March 14, 2003 on Scientific Degrees and Academic Title and Degrees and Title in Art (Journal of Laws of 2017, item 1789, as amended) and request that M.Sc. Bassam Salame be admitted to further stages of the doctoral program.

Thomas Bernat