

## The impact of financial instruments disclosures on the cost of equity capital

Yamani, Amal ; Hussainey, Khaled; Albitar, Khaldoon

### International Journal of Accounting and Information Management

DOI:  
[10.1108/IJAIM-02-2021-0052](https://doi.org/10.1108/IJAIM-02-2021-0052)

Published: 18/10/2021

Peer reviewed version

[Cyswllt i'r cyhoeddiad / Link to publication](#)

*Dyfyniad o'r fersiwn a gyhoeddwyd / Citation for published version (APA):*  
Yamani, A., Hussainey, K., & Albitar, K. (2021). The impact of financial instruments disclosures on the cost of equity capital. *International Journal of Accounting and Information Management*, 29(4), 528-551. <https://doi.org/10.1108/IJAIM-02-2021-0052>

#### Hawliau Cyffredinol / General rights

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
- You may freely distribute the URL identifying the publication in the public portal ?

#### Take down policy

If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

# The Impact of Financial Instruments Disclosures on the Cost of Equity Capital

Dr. Amal Yamani

Assistant Professor of Accounting

King Abdulaziz University

Saudi Arabia

Email: [amyamani@kau.edu.sa](mailto:amyamani@kau.edu.sa)

Prof. Khaled Hussainey\*

University of Portsmouth

United Kingdom

Email: [Khaled.Hussainey@port.ac.uk](mailto:Khaled.Hussainey@port.ac.uk)

Dr. Khaldoon Albitar

University of Portsmouth

United Kingdom

Email: [Khaldoon.Albitar@port.ac.uk](mailto:Khaldoon.Albitar@port.ac.uk)

\* Corresponding Author

Khaled Hussainey

Research Lead, Accounting and Financial Management

Professor of Accounting and Financial Management

Faculty of Business and Law

University of Portsmouth

Room 6.22 Richmond Building,

Portland Street

Portsmouth, PO1 3DE

United Kingdom

E: [khaled.hussainey@port.ac.uk](mailto:khaled.hussainey@port.ac.uk)

# The Impact of Financial Instruments Disclosures on the Cost of Equity Capital

## Abstract

**Purpose:** We investigate the impact of financial instrument disclosures under the International Financial Reporting Standard (IFRS) 7 on the cost of equity capital.

**Methodology:** The sample consists of 56 banks listed in the GCC stock markets over seven years from 2011 to 2017. A self-constructed index is used to measure the compliance level in addition to quantitative methods and panel data regression adopted to test the research hypotheses.

**Findings:** We find that the compliance level with IFRS 7 does not improve between 2011 and 2017 in the GCC banks. We also find that compliance with IFRS 7 disclosures reduces the cost of equity capital.

**Originality:** We provide new empirical evidence that the level of mandatory financial instruments disclosures under IFRS 7 reduces the cost of equity capital. Our findings offer policy implications and demonstrate that compliance with IFRS 7 disclosure requirements leads to desirable economic consequences.

## **1. Introduction**

As IFRS are designed to be a global common language for businesses in order to ensure understandability and comparability of financial statements across nations (Choi & Meek, 2011; Lin, Riccardi, Wang, Hopkins, & Kabureck, 2019), this language should be translated in one way only. In other words, IFRS should not be applied in different ways by various firms or countries, since any variations in practice will certainly restrict the main advantages of IFRS adoption. This would also contradict the real meaning of accounting harmonisation that seeks to remove the differences in accounting outputs across countries (Amoako & Asante, 2012). Accordingly, the non-compliance issue might raise doubts regarding the transparency, reliability and quality of financial information between countries (Hajnal, 2017). Moreover, it has been noticed that most IFRS adopters have their own versions of compliance with IFRS, which are somewhat different from those outlined by the IASB (Gina, Adeghe, & Kingsley, 2016). This, in turn, causes varying levels of compliance with IFRS and is deemed to be a controversial matter. Even though the strategies set towards IFRS adoption may vary between countries, countries should not overlook the importance of proper application as recommended by the IASB. It can also be understood that differences in national infrastructure undeniably play a significant role in non-compliance, especially when it comes to developing countries and the efficiency of the enforcement systems used (Ebrahim, 2014; Pacter, 2016; Pownall & Wieczynska, 2018).

From another perspective, the financial problems faced by companies in 2008 (the year of the financial crisis) have aroused the curiosity of all stakeholders, leading many researchers to investigate the causes beyond that crisis. It has been found that one of the most important reasons at that time was the incorrect employment of financial instruments by companies and the lack of proper control and guidance of such practices. This has prompted the IASB to focus on this problem and attempt to improve the use of financial instruments through the requirements of IFRS 7 (the selected standard for the current study) and IFRS 9 related to disclosure and measurement requirements, respectively (Deloitte, 2017a, 2017b, 2017d, 2017e). Accordingly, the effects of the financial instruments can be found on different economic aspects: financial information quality, investors, and capital markets. Consequently, one of the aspects that can be discussed in this regard is the cost of equity capital, which is the main focus of this study.

After the global financial crisis, companies faced financial difficulties, especially in the banking sector, and consequently, the Gulf banks were not isolated from this crisis. In general, the banks' efforts focused on compensating these losses by raising capital at the lowest possible cost, which can be expressed as the cost of capital. This encouraged researchers to study and analyse this cost and identify the factors that would affect it (Ikeda, 2017). In addition, current economic developments have raised political instability in the Gulf region (Al-Dulaimi & Hamad, 2018), along with the curiosity of researchers to focus on financial

instruments and the role they can play under these circumstances. GCC countries are considered developing countries that produce a significant amount of oil, which reflects well on the global economy in general (Abdelbaki, 2016). Moreover, increasing trade openness promotes the link between two significant cultures: Eastern and Western (Altaee & Al Jafari, 2018). The expansion of the mandatory application of the international standards is considered one of the steps to bring in line the economic and structural developments of the financial markets in the Gulf region. Consequently, this makes the GCC countries a fertile environment for investigation by many researchers. From another perspective, the researcher questions the relationship that may exist between the financial instruments on the one hand and the cost of equity capital in GCC banks on the other. Despite the importance of both sides, the nature of this relationship has not been discussed in the literature, to the best of the researcher's knowledge, especially in the context of GCC countries. It can be concluded that there is a clear lack of studies in the GCC countries, whether in terms of measuring the degree of compliance with financial instruments or discussing the economic impact of such compliance. Therefore, the researcher in this study answers the following question: what is the expected impact from compliance with IFRS 7 on the cost of equity capital ratio in GCC banks?

The growing interest in financial instruments among academics and practitioners, especially after 2008 and the recent updates to IFRS 7 and IFRS 9, has encouraged researchers to give more attention to measuring compliance with IFRS 7. Conducting a study like this highlights the financial instruments' role in financial reporting and how firms deal with these instruments with regard to disclosure. As financial instruments are one of the most important tools that large companies in general and the banking sector in particular deal with, this makes it necessary to monitor the application and reveal how firms deal with these financial instruments in light of IFRS application in banks. Lastly, one of the most significant motivations for conducting this study is to reveal the association between the compliance level with IFRS 7 and cost of equity capital (COEC), in terms of different aspects such as risks and investments.

The findings reveal a negative association between the compliance level with IFRS 7 requirements over seven years and the cost of equity capital in the GCC listed banks. The average value of COEC from 2011 to 2017 is 0.11, which is in line with Li (2010) and Mazzi, André, Dionysiou, and Tsalavoutas (2017). The maximum value is 0.39, in the UAE, and the minimum value is 0.01, occurring in Kuwait and Qatar. In addition, the control variables, including market development and market to book (M2B) value, have a negative association with the COEC. On the other hand, return on average assets (ROAA) has an insignificant association.

In view of the wide spread of financial instruments, the significance of IFRS 7 can be highlighted in a number of ways. IFRS 7 will broaden the scope of knowledge of stakeholders about the nature of financial

instruments and their role in a company, besides their effects on financial statements. This will make stakeholders aware of the risks arising from financial instruments, which will improve financial investment decisions and financial market performance. In addition, the effective date of mandatory application of IFRS 9 by EU companies was 2018, which has increased the focus on financial instruments, their importance and effects more than ever before. Thus, studying IFRS 7 now will provide academics and researchers with significant information that may be required for any future studies. From the review of IFRS literature and the COEC, it can be seen that previous studies (Daske, Hail, Leuz, & Verdi, 2008; Lee, Walker, Christensen, & Zhao, 2010; Li, 2010; Leung, 2013; Patro & Gupta, 2014; Gatsios, da Silva, Ambrozini, Neto, & Lima, 2016; Palea, 2016) concentrate on examining the periods pre- and post-adoption of the IFRS to identify the impact of the adoption on the COEC. However, to the best of the researcher's knowledge, there are no empirical studies that have clearly measured the impact of IFRS compliance on the COEC, with the exception of one study, namely Mazzi et al. (2017). Furthermore, a number of studies (Souissi & Khelif, 2012; Sarea & Dalal, 2015; Samaha & Khelif, 2016; Mazzi et al., 2017; Tahat et al., 2017) highlight the existing limitations of studies related to economic consequences – mainly to the COEC – of IFRS adoption in developing countries. Consequently, and in response to the numerous claims from these studies, the current study fills these gaps and, more specifically, identifies the impact of IFRS 7 compliance on the COEC in developing countries (GCC countries).

The remainder of the study has been divided into six parts. The first three sections provide an introduction, discuss prior literature in the field, and present the hypothesis development of the study. Following this, the last three sections include the research methodology employed, the findings and discussion, and the conclusion, respectively.

## **2. Literature Review**

### **2.1 IFRS and Cost of Equity Capital**

Since the application of IFRS began in 2005, there has been an increase in studies investigating the impact of this application in many areas, for example the volume of investments (DeFond, Hu, Hung, & Li, 2010; Gordon, Loeb, & Zhu, 2012), the complexity level of auditing and audit fees (Kim, Liu, & Zheng, 2012; Lungu, Caraiani, & Dascălu, 2017; Corrêa, Nogueira, Rangel, & de Castro, 2019), financial statements (Liu, 2011; Jermakowicz, Chen, & Donker, 2018), and the association between the financial information value relevance and conditional conservatism (Isaboke & Chen, 2019). The researchers' findings differed as to whether adopting IFRS increases the quality of accounting in general (Liu, Yao, Hu, & Liu, 2011; Chua, Cheong, & Gould, 2012; Dimitropoulos, Asteriou, Kousenidis, & Leventis, 2013; Karğın, 2013;

Elujekwute, 2018), or whether no clear improvement in quality is observed (e.g. Keong, Pengb, & Lengc, 2019; Weerathunga, Xiaofang, & Sameera, 2020).

With regard to the effect of the degree of compliance, a number of studies have been conducted in order to identify the effect of the degree of compliance with IFRS on certain variables, for example the correlation between the level of compliance with the IFRS and the share prices of Jordanian banks (Almasarwah, Omoush, & Alsharari, 2018), the impact of the level of compliance with IFRS 7 on the performance of European banks (Carlo & Steck, 2011), the impact of risk disclosure on banks' credit ratings within the availability of governance structures as a mediator (Elamer, Ntim, Abdou, Owusu, Elmagrhi, & Ibrahim, 2021), and risk disclosure practices in light of religious governance (quality of Islamic governance and quality of national governance) (Elamer, Ntim, & Abdou, 2020). On the other hand, some studies have attempted to identify the factors affecting risk disclosure and found that one of the most important factors is corporate governance (Al-Hadi, Hasan, & Habib, 2016; Al-Hadi, Al-Yahyaee, Hussain, & Taylor, 2019; Elamer, Ntim, Abdou, & Pyke, 2020).

Researchers have become increasingly interested in studying the effects of IFRS on several aspects, including the economic aspect, especially with regard to the cost of capital.<sup>1</sup> This is encouraged after the chairman of the Securities and Exchange Commission (SEC) Arthur Levitt stated: "the truth is, high standards lower the cost of capital" (Levitt, 1998, p.82). Hail and Leuz (2006) add that countries that have comprehensive disclosure requirements, powerful market regulations, and effective enforcement mechanisms should witness a reduction in the cost of capital. Also, Lambert et al. (2007) state that providing high quality accounting information to investors is the most influential factor on the cost of equity capital.

Numerous studies have discussed the argument that IFRS adoption lowers the cost of capital (Daske et al., 2008; Li, 2010; Leung, 2013; Palea, 2016; Sayumwe & Francoeur, 2017; Turki et al., 2017; de Moura, Altuwaijri, & Gupta, 2020; Nefissa & Jilani, 2020). Most previous studies support the impact of IFRS adoption on the cost of equity capital; however, other streams of research provide different results. This may be due to several reasons, including that countries with a strong regulatory nature may not notice a significant difference, especially with regard to lowering the cost of capital (Daske, 2006), as well as the way that the standards (IFRS) are applied, along with the possible need for more time in order to obtain some of the expected benefits such as reduced cost of capital (Gatsios et al., 2016; Daske et al., 2013). Another reason is that countries must take into account the compatibility between the regulations in place;

---

<sup>1</sup> Pratt (2003, p.3) defines the cost of capital (COC) as: "the expected rate of return that the market requires in order to attract funds to a particular investment". The cost of equity capital refers to the cost of ownership capital, which is also considered as a measurement of risk by equity investors (Gode & Mohanram, 2001; Sanjaya & Barus, 2017).

this means that there should be no conflict between the accounting standards adopted and the regulations set (Yim, 2020).

From another perspective, most of the results demonstrate that the level of disclosure reduces the cost of capital (Diamond & Verrecchia, 1991; Chen et al., 2003; Xiao, 2006; Espinosa & Trombetta, 2007; Lopes & de Alencar, 2010; Li & Yang, 2013; Fahdiansyah, 2016; Yim, 2020). The correlation between the degree of disclosure and the cost of equity capital may depend on a range of factors, such as the effective corporate governance in countries with a strong legal protection system (Chen et al., 2003). However, several studies found no association between disclosure level and the cost of equity capital (Swartz, 2008; Malaquias et al., 2012).

In two distinctive studies, Mazzi et al. (2017) and Nahar et al. (2016) investigate the compliance effect of IFRS on the cost of equity capital. Mazzi et al. (2017) measured the compliance level with two IFRS standards: IFRS 3 Business Combinations and IAS 36 Impairments of Assets mandated goodwill related disclosure. Based on 214 non-financial European firms, they find that there is an average compliance level at 83%, and there is a relevant negative association between the implied cost of equity capital (ICC) and compliance level. In addition, Nahar et al. (2016) constructed an index based on IFRS 7 requirements and Basel II to measure the voluntary compliance of risk disclosure on the cost of equity capital. The findings show that increasing risk disclosure and banks' performance leads to a significant reduction in the cost of equity capital.

## **2.2 Critical Evaluation in the Literature**

Horton et al. (2013, p.393) state that "If IFRS are higher-quality standards and provide better information, then IFRS adoption has the potential to generate the above benefits". It can be said that having high-quality accounting standards, such as IFRS, would reduce the cost of capital for companies (Huang & Yan, 2020; Yim, 2020). In fact, reviewing IFRS literature and its application is a theme that still requires more investigation and development (Houqe, 2018). From another perspective, review of most of the aforementioned studies shows that there is an association between IFRS and the cost of capital. It is clear that these studies discuss this relationship from the point of view of adoption rather than actual application, post-adoption, and compliance. Reviewing prior studies reveals that those addressing the level of disclosure and cost of equity capital in light of IFRS are very limited, such as Nahar et al. (2016) and Mazzi et al. (2017). However, Nahar et al. (2016) focus on voluntary disclosure, and Mazzi et al. (2017) focus on two different standards (IFRS 3 and IAS 36). In addition, the association between financial instruments – more specifically IFRS 7 – and cost of capital has not been investigated by an empirical study so far.



Thus, it can be seen that there is a clear gap in the literature in two respects: (1) the degree of compliance post-adoption, and (2) the link between financial instruments and the cost of capital in a precise manner. Accordingly, this research investigates these two aspects by finding the impact of IFRS 7 on the cost of equity capital.

### **3. Theoretical Framework and Developing Hypotheses**

Previous research indicates that the mandatory application of IFRS can reduce the cost of equity capital through two main determinants: increased financial disclosure and increased comparability. In order to reach this goal, it is assumed that there must be effective enforcement systems and proper application of IFRS (Li, 2010; Mazzi et al., 2017). From this stance, economic theory suggests that the increased disclosure level reduces the cost of capital. The literature pertaining to disclosure provides three streams of economic theory that support the negative association between the degree of disclosure and the cost of capital: estimation risk, liquidity risk, and intermediation risk (Diamond & Verrecchia, 1991; Botosan, 1997; Easley & O'Hara, 2004; Leung, 2013; Elzahar, Hussainey, Mazzi, & Tsalavoutas, 2015; Palea, 2016; Marcellina & Angela, 2018). The three streams are discussed briefly in the following section.

The first stream is reducing estimation risk, which relies on the fact that increased disclosure will reduce the estimation risk. This estimation of risk might take either form: providing more information about securities, or minimising the covariance between the firms' cash flows. In this case, investors ask for a lower cost, which means a lower cost of equity capital (Botosan, 1997; Li, 2010; Elzahar et al., 2015). The second stream is liquidity risk, which suggests that because of the high level of disclosure, information asymmetry can be reduced. Accordingly, the demand on the securities of firms that provide more information can be increased and market liquidity improves as well. On the other hand, transaction costs can be decreased through lowering the rate requested by investors (the cost of capital) (Diamond & Verrecchia, 1991; Leung, 2013; Elzahar et al., 2015). The third stream points to the role played by mediators (financial analysts) in benefitting from increased corporate disclosure; that is, increasing the number of financial analysts followed by firms can reduce information asymmetries among investors. This, in turn, enhances the amount of information that investors can obtain from companies and their confidence in its sources. As discussed above, reducing information asymmetry can lead directly or indirectly to lowering the cost of equity capital (Diamond & Verrecchia, 1991; Botosan, 1997; Easley & O'Hara, 2004; Daske, 2006; Munteanu, 2011; Souissi & Khelif, 2012; Patro & Gupta, 2014; Elzahar et al., 2015; Mazzi et al., 2017).

In terms of the current research, the risks related to financial instruments are considered one of the important aspects tested with the cost of capital through the perspective of economic theory. Despite the complex nature of financial instruments, they are applied by all companies, including accounts receivable and payable as financial instruments which must be disclosed in each company, whether small or large (Lim & Foo, 2017). Besides, adoption of financial instruments requires disclosing detailed information related to risks arising from company activities, such as liquidity risk, market risk and credit risk (Jacobs, 2009). The importance of financial instruments in IFRS adoption and their different impacts on financial information quality, investors, and capital markets has raised controversy among academics, accountants, and auditors. Furthermore, the fair value debate is still a controversial subject among researchers in terms of its actual impact on the business scope, being that fair value represents the financial instruments' core in IFRS application, and so IFRS 7 has given priority to discussing fair value in terms of disclosure (Palea, 2014; Kasyan, Santos, Pinho, & Pinto, 2017). IFRS 7 also addresses the hedging policies adopted by firms in regard to cash flow, fair value and foreign investments, as well as important information, whether quantitative or qualitative, that is considered significant to investors and lenders for evaluating the status of such companies (Deloitte, 2017d; Grosu & Chelba, 2019).

Based on the argument above, this research argues that increased disclosure related to the financial instruments (IFRS 7) can help to reduce information asymmetry. Increased disclosure includes the proper application of the standards and compliance with their requirements. This compliance reflects the companies' keenness to adhere to the rules and regulations and raise their level of transparency, which can reassure investors by providing them with as much financial information related to financial instruments as possible to make them more aware of the firm's conditions. This, in turn, can help to reduce risk estimation and also enhance the liquidity of the capital market. As a result, investors' and shareholders' confidence will increase and they will be more connected with companies, which may encourage them to request a lower cost of capital ratio. Therefore, it is hypothesised that the degree of compliance with mandatory IFRS 7 will reduce the cost of equity capital, as follows:

*A higher degree of compliance with the mandatory disclosure requirements of IFRS 7 is negatively associated with the cost of equity capital.*

## 4 Research Methodology

### 4.1 Study Sample and Data Collection

This study investigates the financial reporting of 56 listed banks from GCC countries, namely: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates.<sup>2</sup> By relying on IFRS 7 as a base for measuring compliance, it identifies to what extent the compliance level of banks affects the COEC (see Table 1). The focus of this study is on the financial sector, particularly the banking sector, as it is one of the best sectors representing financial instruments and it is also one of the earliest sectors to mandatorily adopt IFRS in GCC countries. Furthermore, the banking sector is considered to be one of the first investment entities to attract investors in general. GCC countries have been striving for a long time to adopt IFRS, whether partially by the financial sector or fully by all sectors. Furthermore, the uniqueness of the Gulf environment, as they share similar cultural, religious, legal and political circumstances, makes it a good field of study for many researchers to investigate this type of environment.

Insert Table 1 about here

Data for the independent and dependent variables were collected from the banks' annual reports, guides, and information published on their official websites by the stock exchange of each country from 2011 to 2017. Different databases were also used to collect some of the control variables, such as Datastream and Bloomberg. The year 2011 was selected as the starting point for the annual reports based on the latest amendment issued by the International Accounting Standards Board of IFRS 7 in 2010, which came into effect at the beginning of 2011. Likewise, 2017 was chosen as the latest period that would be covered by the study.

### 4.2 Model of the Study

In this study, a linear regression model is employed to determine the associations between the variables and the impact of the level of compliance with IFRS 7 on the cost of equity capital. The index scores are calculated for each annual report and then used as an independent variable in a regression model, while

---

<sup>2</sup> The current study sample includes all of the listed GCC banks that have compulsorily adopted IFRS within the period of this study, excluding Islamic banks which have adopted different standards (Islamic standards called AAOIFI). AAOIFI is an independent international organisation that issues standards of auditing, accounting, ethics, governance, and Sharia for Islamic financial institutions. It is supported by institutional members from different countries (AAOIFI, 2020).

the implied cost of equity capital is considered as the dependent variable in the regression model. We use the following model:

$$rCOEC_{jt} = \beta_0 + \beta_1 DISC7_{jt} + \beta_2 M.Dev_{jt} + \beta_3 Inf_{jt} + \beta_4 M2B_{jt} + \beta_5 ROAA_{jt} + \beta_6 SIZE_{jt} + \Sigma Year\ dummies + \Sigma Country\ dummies + \varepsilon_{jt} \quad (1)$$

Where  $rCOEC_{jt}$  is the average of two estimations for calculating the cost of equity capital:  $r_{GM}$  and  $r_{MPEG}$  models for each bank ( $j$ ), in a specific year ( $t$ ).  $DISC7$  is the total scores of the disclosure index with IFRS 7,  $M.DEV$  is market development,  $Inf$  is inflation rate,  $M2B$  is market value to book value of equity,  $ROAA$  is return on average assets, and  $SIZE$  represents the natural logarithm of banks' total assets, besides year and country dummies.

### 4.3 Dependent Variable (Measuring the COEC)

Previous studies show major controversy in measuring the cost of capital and determining the most suitable estimation that reflects this variable. Given the multiplicity of trends in measuring the cost of equity capital in previous studies and the absence of full agreement on the most appropriate one, researchers still face a challenge in this regard. One of the measurements discussed in literature is estimating the cost of equity capital based on the returns or asset pricing models, such as the capital asset pricing model (CAPM). However, after a period, some criticisms were made of these models, such as their complexity and difficulty, not to mention the different philosophical controversies related to the models (Botosan, 1997; Daske, 2006). Later studies seek to identify a new trend to measure the cost of equity capital, namely the implied cost of equity capital (ICC). ICC relies on an average of more than one model, which helps to minimise the estimation errors that are typically related to each model. Four models are discussed widely in literature to calculate ICC: Claus and Thomas (2001), Gebhardt et al. (2001), Gode and Mohanram (2003), and Easton (2004) (Hail & Leuz, 2007; Daske et al., 2008, 2013; Li, 2010; Elzahar et al., 2015; Mazzi et al., 2017; Strache, 2019; de Moura et al., 2020).

Due to the very limited data availability related to the first two models in GCC countries, the last two models (which are called 'abnormal earnings growth' models) have been employed to calculate the COEC for the current study. Therefore, the current study adopts the implied cost of equity capital and takes the average of two models: the modified economy-wide growth model ( $r_{GM}$ ) of Gode and Mohanram (2003), and the modified price-earnings growth model ( $r_{MPEG}$ ) of Easton (2004), in line with Lee et al. (2010), Persakis and Iatridis (2017), and Karimov, Balli, Balli, and de Bruin (2020).

**Modified economy-wide growth model ( $r_{GM}$ ) - Gode and Mohanram (2003):** This model is a modified version of the Ohlson and Juettner-Nauroth (2005) model (de Moura et al., 2020). It takes into account

the growth rates (short and long) under the assumption that earnings grow in a constant ratio from year to year. However, to calculate this model correctly without any numerical issues, earnings should be in positive figures. The  $r_{GM}$  model includes short-term growth ( $g_{st}$ ) which is equal to the average of earnings for two years in advance (the next year and the year after), which are provided by analysts from the Bloomberg database. It also includes the long-term growth rate which is proxied by the forecasted inflation rate beyond period five published by the specific country's central bank from the International Monetary Fund (IMF) (Hail & Leuz, 2007; Mazzi et al., 2017; Strache, 2019; Karimov et al., 2020).

The formula of this model is as follows:

$$r_{GM} = A + \sqrt{A^2 + \frac{EPS_1}{P_0}(g_{st} - g_{ae})} \quad (2)$$

Where:

$r_{GM}$  = implied cost of equity capital under the model defined by Gode and Mohanram (2003).

$A = g_{ae} + (DPS_1/P_0)/2$ , where  $g_{ae}$  is long-term growth, and  $DPS_1$  is dividends per share for the next year.

$EPS_1$  = earnings per share for the next year provided by analysts.

$P_0$  = stock price for the current year.

$g_{st}$  = short-term growth is equal to  $(EPS_2 - EPS_1)/2$ .

$g_{ae}$  = long-term growth is equal to the expected inflation rate beyond period five.

**Modified price-earnings growth models ( $r_{MPEG}$ )- Easton (2004):** This model is also a modified version of Ohlson and Juettner-Nauroth's (2005) model, and later modified by Easton (2004) as an MPEG model. It considers that the growth rate of dividends is equal to zero, which means that dividends have a steady amount every year. Further, in this model, earnings per share requires forecasted figures for the next two years, with dividends requiring the figures for the next year. It also takes into account the stock price for the current year (Hail & Leuz, 2007; Im, Nam, & Eom, 2011; Eliwa, Haslam, & Abraham, 2016; Houqe, Monem, & van Zijl, 2016; Mazzi et al., 2017; Strache, 2019; Karimov et al., 2020).

This model is expressed as follows:

$$r_{MPEG} = A + \sqrt{A^2 + \left(\frac{EPS_2 - EPS_1}{P_0}\right)} \quad (3)$$

Where:

$r_{MPEG}$  = implied cost of equity capital under the model defined by Easton (2004).

$A = DPS_1/2P_0$ , where  $DPS_1$  is dividends per share for the next year, and  $P_0$  is stock price for the current year.

$EPS_1$  = earnings per share forecasted for the next year provided by analysts.

$EPS_2$  = earnings per share forecasted for the second year provided by analysts.

$P_0$  = stock price for the current year.

#### **4.4 Compliance Level (Index) – Independent Variable**

Previous studies show that the most common instrument employed to measure the level of compliance is the index (Lopes & Rodrigues, 2007; Al-Shammari et al., 2008; Al-Akra et al., 2010). As a result, this index can be either self-constructed or adopted from previous study. We used a recently developed disclosure index by Yamani and Hussainey (2021) for measuring the levels of IFRS 7 compliance for our sample. The index consists of 76 disclosure items (see Appendix A). These items include the latest updates of the standard in 2010 and became effective mandatorily in 2011. For coding the index, the Cooke's method is used (dichotomous approach) (Tsalavoutas, Evans, & Smith, 2010) due to its suitability for the purposes of the current study.

#### **4.5 Control Variables**

The control variables help to explain the impact of IFRS 7 compliance on the cost of equity capital in GCC listed banks. These control variables are incorporated into the regression model and are linked with the capital market, such as market development, inflation rate, and market to book value. In addition, there are other control variables more closely related to banks' attributes, such as return on average assets and size. Moreover, year and country dummies were considered as two of the control variables. The control variables were measured as shown in Table 2.

Insert Table 2 about here

#### **4.6 Statistical Analysis of Data**

All variables have been winsorized to overcome the outliers (Kothari, Sabino, & Zach, 2005; Doyle, Ge, & McVay, 2007). The outliers for all variables were winsorized from 1 to 99% to reduce the effect of any potential outliers (Li, 2010; Alhadi, Taylor, & Hossain, 2014). For regression, the five assumptions have been tested to ensure the suitability of applying Ordinary Least Squares (OLS) regression, and consequently OLS with transformation has been employed. Further, another regression (Tobit) was applied as an additional test, since using more than one regression gives more robustness to the results of

the study. Since the dependent variable (total disclosure) is limited, meaning that it has a value over zero and is positive, the Tobit model gives a prediction within the specified range. This, in turn, gives this regression the suitability to be used in the disclosure measurement methods (Abdel-Fattah, 2008). Finally, the endogeneity problem is discussed in the last stage of the analysis process.

## 5 Findings and Discussion

### 5.1 Descriptive Statistics

Table 3 shows that the maximum value of the cost of equity capital is 0.39, the minimum value is 0.01, and the mean is 0.11. With respect to the independent variable (the score of the compliance level), the maximum level reached is 0.96, the minimum is 0.47, the mean is 0.78, and the median is 0.79. These compliance level figures indicate that the GCC listed banks still suffered from full compliance from 2011 to 2017. Consequently, they still need to work on the development processes related to the enforcement mechanisms and investigate any other factors that may relate to IFRS implementation.

In terms of the other (control) variables, market development is shown to have a maximum score of 0.94, belonging to Qatar, and a minimum score of 0.26, belonging to Oman. The mean of market development in the GCC countries has a value of 0.53. Further, the median of the inflation rate and ROAA is equal to 0.02, with a maximum of 0.04 and 0.05, and a minimum of -0.01 and -0.02, respectively. Additionally, the market to book value of banks has a maximum ratio of 3.37, a minimum ratio of 0.33, and a mean of 1.10. Finally, the table concludes with the descriptive figures related to the bank size (shown in full figures and in the currency of USD): max = 134000000000, min = 171872000, mean = 25428748779, and median = 27985299743.

Insert Table 3 about here

### 5.2 Pearson's Correlation Analysis

Table 4 shows that the cost of equity capital (COEC) has a significant negative correlation with market development (M.Dev) and market to book value (M2B) and a less significant correlation with inflation rate (Inf). However, there is no correlation between COEC and compliance level (DINDEX). In addition, DINDEX shows a significant (positive) association with M.Dev and bank size (SIZE), and a negative correlation with M2B at a confidence level of 99%. Further, return on average assets (ROAA) has no significant relationship with the other variables. As for inflation rate (Inf), there is a weak relationship with both M2B (positively) and DINDEX (negatively) at a confidence level of 95% each.

Insert Table 4 about here

### 5.3 Regression Results

For disclosure literature, the ordinary least squares (OLS) regression is widely employed. For this, there are a number of assumptions that must be met to apply OLS:<sup>3</sup> linearity, normality, heteroscedasticity, multicollinearity, and autocorrelation (Atkinson, Taylor, Flesher, & Stocks, 2002).

#### 5.3.1 Multivariate Analysis Results

After transforming the variable and applying OLS, Tobit, FE, lagged and GMM regressions, the result of the multivariate analysis is clarified through Table 5. The results show that all regressions confirm the negative relationship between compliance level (DINDEX) and the cost of equity capital (COEC). Further, they indicate a significant association between the two variables at a confidence level of 90%, which confirms a strong relationship between degree of compliance and COEC. Accordingly, our research hypothesis is accepted.

Regarding the control variables, the regressions, in general, show a similar relationship between the variables. Market development and M2B value have a negative significant relationship with the COEC at a confidence level of 99%. In contrast, ROAA has an insignificant relationship based on all regressions. Inflation rate shows an insignificant impact in both OLS regression and Tobit. Bank size also has a positive relationship with the COEC, significantly appearing in the regressions.

Insert Table 5 about here

Given that this study has employed an average of two estimations, further analysis was conducted. The correlation matrix of Pearson's test was applied to investigate the correlation coefficients between the equations employed (see Table 6). The three models are: the average of the cost of equity capital used for the study (COEC), the first estimation (GM), and the second estimation (MPEG). All three models are positively correlated with each other and statistically significant at 99%. This, in turn, indicates that the models might provide similar results and suggests that the COEC employed for the current study is robust.

Insert Table 6 about here

---

<sup>3</sup> OLS assumptions (linearity, normality, heteroscedasticity) have not been met, therefore transformation was conducted to overcome this issue.



## 5.4 Discussion

The main finding confirms the nature of the negative association between disclosure level and cost of equity capital that many previous studies provide (Daske et al., 2008; Li, 2010; Leung, 2013; Alhadi et al., 2014; Nahar et al., 2016; Palea, 2016; Mazzi et al., 2017; Sayumwe & Francoeur, 2017; Turki et al., 2017; de Moura et al., 2020; Nefissa & Jilani, 2020). By looking at the degree of compliance specifically, the result is in agreement with those provided by Mazzi et al. (2017), which provides evidence of the negative association between compliance level (with IFRS 3 and IAS 36) and the cost of equity capital. In addition, Nahar et al. (2016) share the same result, finding an obvious reduction in the cost of equity capital followed by increased risk disclosure and banks' performance. From the theoretical overview, the finding is consistent with the direction of economic theory; this study emphasises the important role that financial instruments play in general, and IFRS 7 in particular, in influencing the cost of equity capital. Despite the adoption of IFRS some considerable time ago (more than 10 years), a clear effect is still observable on reducing the cost of equity capital. Based on economic theory, the disclosure information adopted by IFRS 7 includes the most important information that stakeholders and investors look to in order to evaluate the company's performance. The increased disclosure (which reflects compliance with the regulations) contributes to the increased consistency of information. Moreover, this compliance enhances the transparency of the organisations and lowers risk estimation, which encourages investors to request a lower cost of capital and be satisfied with a small percentage in exchange for the safety and confidence they receive.

Turning to the GCC countries, it can be seen that the Gulf environment, in general, seems to seek to expand the circle of knowledge and awareness of IFRS. For example, in the Kingdom of Saudi Arabia, accounting curricula are being developed in universities as well as the regulations in the Saudi Organization for Certified Public Accountants (SOCPA) to conform to the requirements of IFRS. This confirms that understanding the standards and their application is one of the most important means of their success and achievement of benefits. Undoubtedly, one of the most important of these benefits is increasing investments with the largest possible return for both parties (investors and companies) and the lowest possible cost with the fewest risks. In addition, the GCC countries have recently improved their governance systems in a way that helps them improve risk disclosure – that is, having good risk disclosure practices requires the application of high quality corporate governance in the countries (Al-Hadi, Hasan, & Habib, 2016; Al-Hadi, Al-Yahyaee, Hussain, & Taylor, 2019). All of this contributes to increased investor confidence in these countries and a reduction in information asymmetry among stakeholders, which would affect the assessment of financial risks and future cash flows.

The results of the current study confirm that the Gulf community is increasingly aware of the importance of adhering to the IFRS as well as to accounting treatments and financial instruments employed in the financial sectors (Gulf banks).

## **6. Conclusion**

Throughout this study, two important aspects have been discussed: financial instruments and the cost of capital, and the relationship between them. The effect of compliance with IFRS 7 on the cost of equity capital in the GCC listed banks from 2011 to 2017 was tested. In addition, a number of control variables were tested, whether related to the capital market (market development, inflation rate, market to book value) or bank attributes (ROAA, SIZE). The findings support the research hypothesis, which confirms that compliance with IFRS 7 reduces the COEC in GCC banks.

This result clarifies that the disclosure of financial instruments can affect the decisions of investors and their confidence in the organisations in which they invest. An organisation's commitment to the adopted standards (IFRS) reflects its sense of responsibility and seriousness, which reassures investors and reduces risk estimations. All this leads investors towards reducing the cost of equity capital and not committing organisations to pay high rates, which supports the adopted theory (economic theory) and its trends. Although there are few studies examining the relationship between the level of compliance with IFRS after implementation and the cost of equity capital (Nahar et al., 2016; Mazzi et al., 2017), the principle of the negative relationship between IFRS adoption and the COEC has been found in many studies (Daske et al., 2008; Li, 2010; Alhadi et al., 2014; Palea, 2016; Mazzi et al., 2017; Sayumwe & Francoeur, 2017; Turki et al., 2017; de Moura et al., 2020), which supports the outcome of this study.

The outcomes of this study present a number of implications for regulatory bodies and formal associations in the country. They provide practical evidence from banks registered in GCC countries on the reality of their compliance with IFRS 7. Therefore, the study helps support the country's monitoring system on the one hand, and investors on the other. This is because investors who are aware of the importance of financial instruments realise the importance of the various risks associated with such instruments, which affects their future investment decisions and the cost of equity capital required. Therefore, it highlights the nature of the relationship between the application of and compliance with the IFRS and the cost of equity capital. In addition, the results of the study provide the IASB with more practical investigations from developing countries and the reality of the application of IFRS 7, which supports the objectives of the IFRS towards global accounting harmonisation.

This study includes some limitations, like any other study; the first is measurement. Due to the limited time and data availability, the cost of equity capital was measured based on an average of only two equations. Therefore, the diversity of measures discussed in literature can be considered when measuring this variable. Also, the focus has only been on the cost of equity capital, and therefore the cost of debt capital can also be implied. In addition, this study is limited to only one standard (IFRS 7), so it is possible to identify the impact of compliance with all other standards on the cost of equity capital. Accordingly, new theories from other perspectives could be explored that could explain the relationship between the degree of compliance with IFRS and the cost of equity capital. Moreover, the current study focused only on developing countries and on the financial sector alone, and therefore it is suggested that future researchers expand the scope of research to include other countries – either developing or developed – as well as various other sectors. Although the current study includes the banks that have mandatorily adopted and applied IFRS, it does not differentiate between Islamic and non-Islamic banks. Consequently, researchers can conduct a comparison study between these two bank types in light of the accounting standards. Finally, increasing the number of years when measuring the compliance level is recommended, which would lead to more robust results related to the association between IFRS compliance and cost of equity capital.

## References

- Al-Akra, M., Eddie, I.A., & Ali, M.J. (2010) 'The influence of the introduction of accounting disclosure regulation on mandatory disclosure compliance: Evidence from Jordan'. *British Accounting Review*, 42(3), pp.170-186.
- Abdel-Fattah, T.M.H. (2008) *Voluntary disclosure practices in emerging capital markets: the case of Egypt* (Doctoral dissertation, Durham University).
- Al-Dulaimi, A., & Hamad, M. (2018) 'The implications of the 2008 global financial crisis on the economies of the GCC countries'. *Al-Anbar University Journal of Economic and Administration Sciences*, 10(22), p.115-137.
- Alfraih, M.M. (2018) 'The role of corporate governance in intellectual capital disclosure'. *International Journal of Ethics and Systems*, 34(1), pp.101-121.
- Al-Hadi, A., Taylor, G., & Hossain, M. (2015) 'Disaggregation, auditor conservatism and implied cost of equity capital: An international evidence from the GCC'. *Journal of Multinational Financial Management*, 29, pp.66-98.
- Al-Hadi, A., Hasan, M.M., & Habib, A. (2016) 'Risk committee, firm life cycle, and market risk disclosures'. *Corporate Governance: An International Review*, 24(2), pp.145-170.
- Al-Hadi, A., Al-Yahyaee, K.H., Hussain, S.M., & Taylor, G. (2019) 'Market risk disclosures and corporate governance structure: Evidence from GCC financial firms'. *The Quarterly Review of Economics and Finance*, 73, pp.136-150.
- Al-Hadi, A., Hussain, S.M., Al-Yahyaee, K.H., & Al-Jabri, H.S. (2018) 'Risk committees and implied cost of equity capital'. *International Review of Finance*, 18(4), pp.689-703.
- Almasarwah, A.K., Omoush, A.M., & Alsharari, N. (2018) 'IFRS compliance and stock prices influence: Evidence from Jordanian banks'. *Banks and Bank Systems*, 13(3), p.24.
- Al-Shaer, H., Salama, A., & Toms, S. (2017) 'Audit committees and financial reporting quality'. *Journal of Applied Accounting Research*, 18(1), pp.2-21.
- Al-Shammari, Bader, Brown, P., & Tarca, A. (2008) 'An investigation of compliance with international accounting standards by listed companies in the Gulf Co-Operation Council member states'. *International Journal of Accounting*, 43(4), pp.425-447.
- Amoako, G., & Asante, S. (2012) 'Compliance with International Financial Reporting Standard 7 (IFRS 7): A study of listed banks in Ghana'. *Research Journal of Finance and Accounting*, 3(4), pp.66-73.
- Atkinson, K., Taylor, C., Flesher, D., & Stocks, M. (2002) 'The impact of accounting standards on audit firm switch rates'. *International Journal of Auditing*, 6(3), pp.215-229.
- Botosan, C.A. (1997) 'Disclosure level and the cost of equity capital'. *The Accounting Review*, 72(3), pp.323-349.

- Carlo, G., & Steck, S. (2011) *IFRS 7: Disclosure of financial instruments – Do European banks comply with the new standard in terms of credit risk and risk management?* Karlstad Business School.
- Chen, K.C.W., Chen, Z., & Wei, K.C.J.J. (2003) ‘Disclosure, corporate governance, and the cost of equity capital: Evidence from Asia’s emerging markets’. *SSRN Electronic Journal*.
- Choi, F., & Meek, G. (2011) *International Accounting* (7<sup>th</sup> ed.). Upper Saddle River, New Jersey: Pearson Education Inc.
- Chua, Y., Cheong, C., & Gould, G. (2012) ‘The impact of mandatory IFRS adoption on accounting quality: Evidence from Australia’. *Journal of International Accounting Research*, 11(1), pp.119-146.
- Claus, J., & Thomas, J. (2001) ‘Equity premia as low as three percent? Evidence from analysts' earnings forecasts for domestic and international stock markets’. *The Journal of Finance*, 56(5), pp.1629-1666.
- Corrêa, M., Nogueira, M., Rangel, L., & de Castro, W. (2019) ‘Adoption of international accounting standards-IFRS and the impact on foreign investment in the stock exchange’. *Research, Society and Development*, 8(8).
- Daske, H. (2006) ‘Economic benefits of adopting IFRS or US-GAAP – Have the expected costs of equity capital really decreased?’. *Journal of Business Finance and Accounting*, 33, pp.329-373.
- Daske, H., Hail, L., Leuz, C., & Verdi, R. (2008) ‘Mandatory IFRS reporting around the world: Early evidence on the economic consequences’. *Journal of Accounting Research*, 46(5), pp.1085-1142.
- Daske, H., Hail, L., Leuz, C., & Verdi, R. (2013) ‘Adopting a label: Heterogeneity in the economic consequences around IAS/IFRS adoptions’. *Journal of Accounting Research*, 51(3), pp.495-547.
- de Moura, A.A.F., Altuwajjri, A., & Gupta, J. (2020) ‘Did mandatory IFRS adoption affect the cost of capital in Latin American countries?’. *Journal of International Accounting, Auditing and Taxation*, 38, 100301.
- DeFond, M., Hu, X., Hung, M., & Li, S. (2011) ‘The impact of mandatory IFRS adoption on foreign mutual fund ownership: The role of comparability’. *Journal of Accounting and Economics*, 51(3), pp.240-258.
- Deloitte. (2017a) *IAS 30: Disclosures in the Financial Statements of Banks and Similar Financial Institutions*. Available at: <https://www.iasplus.com/en/standards/ias/ias30#link0> [Accessed 3<sup>rd</sup> April 2017].
- Deloitte. (2017b) *IAS 32: Financial Instruments: Presentation*. Available at: <https://www.iasplus.com/en/standards/ias/ias32> [Accessed 20<sup>th</sup> July 2017].
- Deloitte. (2017d) *IFRS 7: Financial Instruments: Disclosures*. Available at: <https://www.iasplus.com/en-gb/standards/ifrs-en-gb/ifrs7> [Accessed 3<sup>rd</sup> April 2017].
- Deloitte. (2017e) *Standards*. Available at: <https://www.iasplus.com/en-gb/standards> [Accessed 3<sup>rd</sup> April 2017].

- Diamond, D., & Verrecchia, R. (1991) 'Disclosure, liquidity, and the cost of capital'. *The Journal of Finance*, 46(4), pp.1325-1359.
- Dimitropoulos, P.E., Asteriou, D., Kousenidis, D., & Leventis, S. (2013) 'The impact of IFRS on accounting quality: Evidence from Greece'. *Advances in Accounting*, 29(1), pp.108-123.
- Doyle, J., Ge, W., & McVay, S. (2007) 'Determinants of weaknesses in internal control over financial reporting'. *Journal of Accounting and Economics*, 44(1-2), pp.193-223.
- Easley, D., & O'Hara, M. (2004) 'Information and the cost of capital'. *Journal of Finance*, 59, pp.1553-1583.
- Easton, P. (2004) 'PE ratios, PEG ratios, and estimating the implied expected rate of return on equity capital'. *Accounting Review*, 79(1), pp.73-96.
- Ebrahim, A. (2014) 'IFRS compliance and audit quality in developing countries: The case of income tax accounting in Egypt'. *Journal of International Business Research*, 13(2), pp.19-37.
- Elamer, A.A., Ntim, C.G., Abdou, H.A., Zalata, A.M., & Elmagrhi, M. (2019) 'The impact of multi-layer governance on bank risk disclosure in emerging markets: The case of Middle East and North Africa'. *Accounting Forum*. 43(2), pp.246-281.
- Elamer, A.A., Ntim, C.G., & Abdou, H.A. (2020) 'Islamic governance, national governance, and bank risk management and disclosure in MENA countries'. *Business & Society*, 59(5), pp.914-955.
- Elamer, A.A., Ntim, C.G., Abdou, H.A., & Pyke, C. (2020) 'Sharia supervisory boards, governance structures and operational risk disclosures: Evidence from Islamic banks in MENA countries'. *Global Finance Journal*, 46, 100488.
- Elamer, A.A., Ntim, C.G., Abdou, H.A., Owusu, A., Elmagrhi, M., & Ibrahim, A.E.A. (2021) 'Are bank risk disclosures informative? Evidence from debt markets'. *International Journal of Finance & Economics*, 26(1), pp.1270-1298.
- Eliwa, Y., Haslam, J., & Abraham, S. (2016) 'The association between earnings quality and the cost of equity capital: Evidence from the UK'. *International Review of Financial Analysis*, 48, pp.125-139.
- Elujekwute, L.A. (2018) *Impact of International Financial Reporting Standard (IFRS) adoption on value relevance of financial information of listed consumer goods firms in Nigeria*. Benue State University.
- Eluyela, D., Akintimehin, O., Okere, W., Ozordi, E., Osuma, G., Ilogho, S., & Oladipo, O. (2018) 'Datasets for board meeting frequency and financial performance of Nigerian deposit money banks'. *Data in Brief*, 19, pp.1852-1855.
- Elzahar, H., Hussainey, K., Mazzi, F., & Tsalavoutas, I. (2015) 'Economic consequences of key performance indicators' disclosure quality'. *International Review of Financial Analysis*, 39, pp.96-112.

- Ernawati, D., & Aryani, Y. (2019) 'Controlling shareholders, audit committee characteristics, and related party transaction disclosure: Evidence from Indonesia'. *Jurnal Keuangan Dan Perbankan*, 23(1), pp.14-28.
- Espinosa, M., & Trombetta, M. (2007) 'Disclosure interactions and the cost of equity capital: Evidence from the Spanish continuous market'. *Journal of Business Finance and Accounting*, 34(9-10), pp.1371-1392.
- Fahdiansyah, R. (2016) 'The influence of voluntary disclosure, asymmetric information, stock risk, firm size and institutional ownership towards cost of capital (COC)'. *Jurnal Aplikasi Manajemen*, 14(2), pp.387-397.
- Gatsios, R., da Silva, J., Ambrozini, M., Neto, A., & Lima, F. (2016) 'Impact of adopting IFRS standards on the equity cost of Brazilian open capital companies'. *RAM: Revista de Administração Mackenzie*, 17(4), pp.85-108.
- Gebhardt, W.R., Lee, C.M., & Swaminathan, B. (2001) 'Toward an implied cost of capital'. *Journal of Accounting Research*, 39(1), pp.135-176.
- Gina, O.A., Adeghe, I.R., & Kingsley, A.O.-E.O. (2016) 'Challenges of the implementation of IFRS in less developed and developing countries'. *Igbinedion University Journal of Accounting*, 1, pp.1-26.
- Glaum, M., Schmidt, P., Street, D., & Vogel, S. (2013) 'Compliance with IFRS 3- and IAS 36-required disclosures across 17 European countries: Company- and country-level determinants'. *Accounting and Business Research*, 43(3), pp.163-204.
- Gode, D.K., & Mohanram, P.S. (2001) 'What affects the implied cost of equity capital?'. *SSRN Electronic Journal*.
- Gong, G., Xu, S., & Gong, X. (2018) 'On the value of corporate social responsibility disclosure: An empirical investigation of corporate bond issues in China'. *Journal of Business Ethics*, 150(1), pp.227-258.
- Gordon, L., Loeb, M., & Zhu, W. (2012) 'The impact of IFRS adoption on foreign direct investment'. *Journal of Accounting and Public Policy*, 31(4), pp.374-398.
- Grosu, V., & Chelba, A.A. (2019) 'IFRS 7–Financial Instruments Disclosures'. *Ecoforum Journal*, 8(1).
- Hail, L., & Leuz, C. (2006) 'International differences in the cost of equity capital: Do legal institutions and securities regulation matter?'. *Journal of Accounting Research*, 44(3), pp.485-531.
- Hail, L., & Leuz, C. (2007). *Capital market effects of mandatory IFRS reporting in the EU: Empirical evidence*. Available at: <https://ssrn.com/abstract=1511671> [Accessed 9<sup>th</sup> May 2021].
- Hajnal, N. (2017) 'The harmonization of accounting'. *Acta Universitatis Sapientiae, Economics and Business*, 5(1), pp.29-43.
- Hossain, I. (2014) 'Regulatory compliance of IFRS 7 of the banks' disclosures: A case study on the nationalized commercial banks of Bangladesh'. *Banglavisian*, 13(1), pp.186-201.

- Houqe, M.N., Monem, R.M., & van Zijl, T. (2016) 'The economic consequences of IFRS adoption: Evidence from New Zealand'. *Journal of International Accounting, Auditing and Taxation*, 27, pp.40-48.
- Houqe, N. (2018) 'A review of the current debate on the determinants and consequences of mandatory IFRS adoption'. *International Journal of Accounting & Information Management*, 26(3), pp.413-442.
- Huang, Y., & Yan, C. (2020) 'Global accounting standards, financial statement comparability, and the cost of capital'. *International Review of Economics & Finance*, 69, pp.301-318.
- Hussainey, K., Tahat, Y., & Aladwan, M. (2019) 'The impact of corporate governance on risk disclosure: Jordanian evidence'. *Academy of Accounting and Financial Studies Journal*, 23(1).
- Ibrahim, A., & Hussainey, K. (2019) 'Developing the narrative risk disclosure measurement'. *International Review of Financial Analysis*, 64, pp.126-144.
- Ikeda, K. (2017) 'Impact of Japanese banks' strategic stockholdings on their cost of capital'. *Bank of Japan*, 17(E), p.4.
- Im, C., Nam, G., & Eom, K. (2011) *Assessing the impact of information risk on cost of capital using the fair value disclosure*. KAAKASBA Summer Conference, pp.5294-5331.
- Isaboke, C., & Chen, Y. (2019) 'IFRS adoption, value relevance and conditional conservatism: Evidence from China'. *International Journal of Accounting & Information Management*, 27(4), pp.529-546.
- Jacobs, B.I. (2009) 'Tumbling tower of Babel: Subprime securitisation and the credit crisis'. *Financial Analysts Journal*, 65(2), pp.17-30.
- Jermakowicz, E., Chen, C., & Donker, H. (2018) 'Financial statement effects of adopting IFRS: The Canadian experience'. *International Journal of Accounting & Information Management*, 26(4), pp.466-491.
- Karğın, S. (2013) 'The impact of IFRS on the value relevance of accounting information: Evidence from Turkish firms'. *International Journal of Economics and Finance*, 5(4), pp.71-80.
- Karimov, J., Balli, F., Balli, H.O., & de Bruin, A. (2020) 'Shari'ah compliance requirements and the cost of equity capital'. *Pacific-Basin Finance Journal*, 101349.
- Kasyan, A., Santos, P.G.D., Pinho, C., & Pinto, V. (2017) 'Disclosure of fair value measurement techniques of financial instruments: Study applied to the Portuguese banking sector according to IFRS 7'. *International Review of Management and Business Research*, 6(4), pp.1453-1468.
- Keong, O., Pengb, L., & Lengc, L. (2019) 'The impact of International Financial Reporting Standards (IFRS) on accounting quality in Malaysia'. *Journal of Accounting and Finance in Emerging Economies*, 5(1), pp.93-104.
- Kim, J., Liu, X., & Zheng, L. (2012) 'The impact of mandatory IFRS adoption on audit fees: Theory and evidence'. *The Accounting Review*, 87(6), pp.2061-2094.



- Kothari, S., Sabino, J., & Zach, T. (2005) 'Implications of survival and data trimming for tests of market efficiency'. *Journal of Accounting and Economics*, 39(1), pp.129-161.
- Lambert, R., Leuz, C., & Verrecchia, R.E. (2007) 'Accounting information, disclosure, and the cost of capital'. *Journal of Accounting Research*, 45(2), pp.385-420.
- Lee, E., Walker, M., Christensen, H.B., & Zhao, R. (2010) 'Mandating IFRS: Its impact on the cost of equity capital in Europe'. *Journal of International Accounting Research*, 9.
- Leung, R. (2013) *Cost of equity effects from mandatory IFRS adoption: The importance of reporting incentives*. Heriot-Watt University.
- Levitt, A. (1998) 'The importance of high quality accounting standards'. *Accounting Horizons*, 12, pp.79-82.
- Li, S. (2010) 'Does mandatory adoption of International Financial Reporting Standards in the European Union reduce the cost of equity capital?'. *The Accounting Review*, 85(2), pp.607-636.
- Li, Y., & Yang, H. (2013) 'Disclosure and cost of equity capital: An analysis at the market level'. *The Accounting Review*, 72(3).
- Lim, C., & Foo, S. (2017) 'Financial reporting risks in relation to financial instruments'. In: M. Woods & P. Linsley (Eds.), *The Routledge companion to accounting and risk* (1<sup>st</sup> ed., pp.49-63). Routledge; Taylor & Francis.
- Lin, S., Riccardi, W., Wang, C., Hopkins, P., & Kabureck, G. (2019) 'Relative effects of IFRS adoption and IFRS convergence on financial statement comparability'. *Contemporary Accounting Research*, 36(2), pp.588-628.
- Liu, C., Yao, L., Hu, N., & Liu, L. (2011) 'The impact of IFRS on accounting quality in a regulated market: An empirical study of China'. *Journal of Accounting, Auditing & Finance*, 26(4), pp.659-676.
- Liu, C. (2011) 'IFRS and US-GAAP comparability before release no. 33-8879: Some evidence from US-listed Chinese companies'. *International Journal of Accounting and Information Management*, 19(1), pp.24-33.
- Lopes, P.T., & Rodrigues, L.L. (2007) 'Accounting for financial instruments: An analysis of the determinants of disclosure in the Portuguese stock exchange'. *International Journal of Accounting*, 42(1), pp.25-56.
- Lopes, A.B., & de Alencar, R.C. (2010) 'Disclosure and cost of equity capital in emerging markets: The Brazilian case'. *International Journal of Accounting*, 45(4), pp.443-464.
- Lungu, C., Caraiani, C., & Dascălu, C. (2017) 'The impact of IFRS adoption on foreign direct investments: Insights for emerging countries'. *Accounting in Europe*, 14(3), pp.331-357.
- Malaquias, R., Lemes, S., Carvalho, L., & Tavares, M. (2012) 'Disclosure of financial instruments and capital cost of Brazilian companies'. *Asian Journal of Business and Management Sciences*, 1(9), pp.16-27.

- Marcellina, B., & Angela, A. (2018) 'Information asymmetry in the post-IFRS adoption period: Evidence from developing countries'. *Accounting and Finance Review*, 3(4), pp.114-123.
- Mazzi, F., André, P., Dionysiou, D., & Tsalavoutas, I. (2017) 'Compliance with goodwill-related mandatory disclosure requirements and the cost of equity capital'. *Accounting and Business Research*, 47(3), pp.268-312.
- Mohammadi, A., & Mardini, G.H. (2016) 'Financial instruments disclosure: The case of Qatari listed banks'. *Afro-Asian Journal of Finance and Accounting*, 6(2), p.160.
- Molina, S., & Ramirez, S. (2015) 'Assessing the impact of accounting choices and the economic context on firm's compliance with the mandatory requirements of IFRS'. *Актуальні Проблеми Економіки*, 2, pp.355-365.
- Munteanu, L. (2011) 'Cost of equity, financial information disclosure, and IFRS adoption: A literature review'. *Internal Auditing & Risk Management*, 6(4).
- Nahar, S., Azim, M., & Jubb, C. (2016) 'Risk disclosure, cost of capital and bank performance'. *International Journal of Accounting & Information Management*, 24(4), pp.476-494.
- Neifar, S., & Utz, S. (2019) 'The effect of earnings management and tax aggressiveness on shareholder wealth and stock price crash risk of German companies'. *Journal of Applied Accounting Research*, 20(1), pp.94-119.
- Nefissa, B.B., & Jilani, F. (2020) 'The effect of mandatory adoption of IFRS on the cost of equity of capital in the French context'. *International Journal of Critical Accounting*, 11(4), pp.350-367.
- Ojeka, S., Adegboye, A., Adetula, D., Adegboye, K., & Udoh, I. (2019) 'IFRS adoption and CEO compensation: Evidence from listed banks in Nigeria'. *Banks and Bank Systems*, 14(3), pp.1-8.
- Ohlson, J., & Juettner-Nauroth, B. (2005) 'Expected EPS and EPS growth as determinants of value'. *Review of Accounting Studies*, 10(2-3), pp.349-365.
- Ozili, P., & Outa, E. (2019) 'Bank earnings management using commission and fee income: The role of investor protection and economic fluctuation'. *Journal of Applied Accounting Research*, 20(2), pp.172-189.
- Pacter, P. (2016) *Pocket Guide to IFRS Standards: The Global Financial Reporting Language*. London: IFRS Foundation, IFRS Publications Department.
- Palea, V. (2016) 'The effects of IFRS adoption in the European Union on banks' cost of equity: Some evidence from an event study'. *International Journal of Business and Social Science*, 7(10).
- Patro, A., & Gupta, V. (2014) 'Impact of International Financial Reporting Standards on cost of equity capital for Asian countries'. *International Journal of Accounting and Financial Reporting*, 4(2), p.148.
- Persakis, A., & Iatridis, G.E. (2017) 'The joint effect of investor protection, IFRS and earnings quality on cost of capital: An international study'. *Journal of International Financial Markets, Institutions and Money*, 46, pp.1-29.

- Pownall, G., & Wieczynska, M. (2018) 'Deviations from the mandatory adoption of IFRS in the European Union: Implementation, enforcement, incentives, and compliance'. *Contemporary Accounting Research*, 35(2), pp.1029-1066.
- Pratt, S. (2003) *Cost of capital: Estimation and applications* (2<sup>nd</sup> ed.). John Wiley & Sons.
- Rouhou, N., Douagi, W., & Hussainey, K. (2015) 'The effect of IFRS enforcement factors on analysts' earnings forecasts accuracy'. *Corporate Ownership and Control*, 13(1), pp.256-281.
- Samaha, K., & Khelif, H. (2016) 'Adoption of and compliance with IFRS in developing countries'. *Journal of Accounting in Emerging Economies*, 6(1), pp.33-49.
- Sanjaya, I., & Barus, M. (2017) 'The differences cost of equity capital between before and after adoption of IFRS'. *Jurnal Keuangan Dan Perbankan*, 21(4).
- Sarea, A.M., & Dalal, Z.A.A. (2015) 'The level of compliance with International Financial Reporting Standards (IFRS 7): Evidence from Bahrain Bourse'. *World Journal of Entrepreneurship, Management and Sustainable Development*, 11(3), pp.231-244.
- Sayumwe, M., & Francoeur, C. (2017) 'Who really benefits from mandatory adoption of IFRS? A closer look at preparers and users of financial information'. *Research in Applied Economics*, 9(1), pp.1-25.
- Sellami, Y., & Fendri, H. (2017) 'The effect of audit committee characteristics on compliance with IFRS for related party disclosures: Evidence from South Africa'. *Managerial Auditing Journal*, 32(6), pp.603-626.
- Souissi, M., & Khelif, H. (2012) 'Meta-analytic review of disclosure level and cost of equity capital'. *International Journal of Accounting & Information Management*, 20(1), pp.49-62.
- Strache, M. (2019) 'Does mandatory adoption of IFRS have similar economic consequences across country classification? A cross-sample comparison of developed versus developing countries'. *Accounting and Financial Management*.
- Swartz, C. (2008) *Disclosure level and the cost of equity capital: South African evidence*. University of Cape Town.
- Tahat, Y., Mardini, G.H., & Power, D.M. (2017) 'Factors affecting financial instruments disclosure in emerging economies: The case of Jordan'. *Afro-Asian Journal of Finance and Accounting*, 7(3).
- Tauringana, V., & Chithambo, L. (2016) 'Determinants of risk disclosure compliance in Malawi: A mixed-method approach'. *Journal of Accounting in Emerging Economies*, 6(2), pp.111-137.
- Tsalavoutas, I., Evans, L., & Smith, M. (2010) 'Comparison of two methods for measuring compliance with IFRS mandatory disclosure requirements'. *Journal of Applied Accounting Research*, 11(3), pp.213-228.
- Tessema, A.M., Garas, S., & Tee, K. (2017) 'The impact of Islamic accounting standards on information asymmetry: The case of Gulf Cooperation Council (GCC) member countries'. *International Journal of Islamic and Middle Eastern Finance and Management*, 10(2).

- Turki, H., Wali, S., & Boujelbene, Y. (2017) 'IFRS mandatory adoption effect on information asymmetry: Immediate or delayed?'. *Australasian Accounting Business & Finance Journal*, 11(1), p.55.
- Weerathunga, P., Xiaofang, C., & Sameera, T. (2020) 'Heterogeneity in earning management of listed companies following International Financial Reporting Standards convergence: A developing country experiences'. *International Journal of Economics and Financial Issues*, 10(1), pp.101-108.
- Xiao, J. (2006) 'Information disclosure, income opacity and the cost of equity capital'. *China Accounting Review*, 1, p.6.
- Yamani, A., & Hussainey, K. (2021) 'Compliance with IFRS 7 by financial institutions: Evidence from GCC'. *International Journal of Disclosure and Governance*, forthcoming.
- Yim, S.G. (2020) 'The influence of IFRS adoption on banks' cost of equity: Evidence from European banks'. *Sustainability*, 12(9), p.3535.

**Table 1** Selected Banks in Sample

<b>GCC</b>	<b>All Listed Banks</b>	<b>Not Meeting Criteria</b>	<b>Selected Banks</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Total Obs.</b>
<b>Saudi Arabia</b>	12	0	12	11	11	9	10	9	10	12	72
<b>Kuwait</b>	12	2	10	7	7	9	9	10	10	10	62
<b>Oman</b>	8	2	6	6	5	6	4	5	6	6	38
<b>Qatar</b>	9	4	5	4	4	5	5	5	5	5	33
<b>Bahrain</b>	15	10	5	4	4	4	4	5	5	5	31
<b>UAE</b>	25	7	18	15	17	13	9	17	16	13	100
<b>Total</b>	81	25	56	47	48	46	41	51	52	51	336

**Table 2** Variables Measurements and Sources

Variable	Measurement	Reference	Data Source
<b><i>Dependent variable:</i></b>			
rCOEC	The average of the four ICC estimates based on ( $r_{GM}$ ) and ( $r_{MPEG}$ )	Lee et al. (2010); Persakis and Iatridis (2017)	Annual reports
<b><i>Independent variable:</i></b>			
Compliance level (D.INDX)	Disclosure index score with IFRS 7 of 76 items	Yamani and Hussainey (2021)	Annual reports
<b><i>Control variables:</i></b>			
Market development	The market value of listed companies as a percentage of GDP	Al-Hadi (2015); Mazzi et al. (2017)	Database (Bloomberg)
Inflation rate	The inflation rate of country $i$ in year $t$ from IMF	Al-Hadi (2015); Li (2010)	Database (Bloomberg)
Market to book value	Market value to book value of equity	Houqe et al. (2016); Tessema et al. (2017); Al-Hadi et al. (2018)	Annual reports/ Database (Bloomberg)
ROAA	Return on average assets: net income / total assets	Glaum (2013); Ibrahim et al. (2019); Hussainey et al. (2019)	Database (Bloomberg)
Bank SIZE	Natural logarithm of firms' total assets	Sellami and Fendri (2017); Alfraih (2018); Eluyela et al. (2018); Ojeka et al. (2019); Ibrahim et al. (2019); Ernawati and Aryani (2019); Hussainey et al. (2019)	Annual reports / Database (Bloomberg)
Year dummies (YEAR)	Year dummies	Rouhou et al. (2015); Mohammadi and Mardini (2016); Houqe et al. (2016)	Literature
Country dummies (CNTR)	Country of domicile, country dummies	Molina and Ramirez (2015)	Literature

**Table 3** Descriptive Statistics

Variables	No.	Max.	Min.	Mean	Median	S.D.
Cost of equity capital (dependent)	336	0.39	0.01	0.11	0.10	0.070
Score of disclosure (independent)	336	0.96	0.47	0.78	0.79	0.113
Market development	336	0.94	0.26	0.53	0.53	0.167
Inflation rate	336	0.04	-0.01	0.02	0.02	0.011
Market to book	336	3.37	0.33	1.10	1.01	0.524
ROAA	336	0.05	-0.02	0.01	0.02	0.009
SIZE	336	134000000000	171872000	25428748779	14403854133	27985299743

**Table 4** Pearson's Correlation

	COEC	DINDEX	M.Dev	Inf	M2B	ROAA	SIZE
COEC	1	.099	-.159**	-.113*	-.295**	.090	.092
DINDEX		1	.165**	-.138*	-.288**	.098	.250**
M.Dev			1	.007	.213**	-.020	.303**
Inf				1	.129*	-.067	-.067
M2B					1	.007	.077
ROAA						1	.139*
SIZE							1
VIF		1.36	1.20	1.03	1.19	1.02	1.29
Mean VIF		1.18					
Tolerance		0.737	0.835	0.968	0.837	0.983	0.774

\*\* . Correlation is significant at the 0.01 level (2-tailed).  
\* . Correlation is significant at the 0.05 level (2-tailed).

**Table 5** Regressions Outcomes

VARIABLES	(1) OLS	(2) Tobit	(3) Lagged Reg	(4) FE	(5) GMM
DINDEX	-0.0319* (0.0189)	-0.0638* (0.0373)	-0.0428** (0.0216)	-0.233* (0.132)	-0.0140* (0.00793)
M.Dev	0.00347 (0.0271)	0.00347 (0.0267)	0.00946 (0.0309)	-0.0565* (0.0298)	-0.0507 (0.0522)
Inf.	-0.798** (0.328)	-0.798** (0.324)	-0.983*** (0.366)	-0.857*** (0.226)	-0.700** (0.342)
M2B	-0.0344*** (0.00742)	-0.0344*** (0.00732)	-0.0307*** (0.00811)	-0.0368*** (0.00699)	-0.197** (0.0986)
ROAA	0.355 (0.397)	0.355 (0.392)	0.236 (0.470)	0.133 (0.369)	0.371 (0.998)
SIZE	0.0105*** (0.00356)	0.0105*** (0.00351)	0.0117*** (0.00414)	-0.0340*** (0.0117)	-0.0187 (0.0187)
Year dummies	Yes	Yes	Yes	Yes	Yes
Country dummies	Yes	Yes	Yes	Yes	Yes
L.COEC					-0.204*** (0.0761)
Constant	-0.0461 (0.0776)	-0.0461 (0.0766)	-0.0503 (0.0914)	1.174*** (0.270)	0.546 (0.440)
Observations	336	336	250	336	250
R-squared	0.189		0.206	0.215	

Standard errors in parentheses

\*\*\* p&lt;0.01, \*\* p&lt;0.05, \* p&lt;0.1

**Table 6** Robustness Test for the COEC

	COEC	GM	MPEG
COEC	1	0.866***	0.921***
GM		1	0.667***
MPEG			1
***. Correlation is significant at the 0.01 level (2-tailed).			

## Appendix A: Disclosure Index of IFRS 7

No.	Title
<b>SIGNIFICANCE OF FINANCIAL INSTRUMENTS FOR FINANCIAL POSITION AND PERFORMANCE</b>	
<b>Statement of financial position</b>	
<b>Categories of financial assets and financial liabilities</b>	
Carrying amounts of each of the following categories shall be disclosed either in the statement of financial position or in the notes:	
1.	Financial assets measured at fair value through profit or loss – designated
2.	Financial liabilities at fair value through profit or loss - designated
3.	Financial liabilities at fair value through profit or loss - held for trading
4.	Financial assets measured at amortised cost
5.	Financial liabilities measured at amortised cost
6.	Financial assets measured at fair value through other comprehensive income
7.	Investments in equity instruments at fair value through other comprehensive income – designated
<b>Reclassification</b>	
8.	Date and amount of reclassification
9.	Qualitative description of the change its effect on the entity’s financial statements
<b>Offsetting financial assets and financial liabilities</b>	
10.	Offsetting disclosures information for all recognised financial instruments
<b>Collateral</b>	
11.	Financial assets pledged as collateral
12.	Terms and conditions relating to pledge
<b>Compound financial instruments with multiple embedded derivatives</b>	
13.	Instrument that contains both a liability and an equity component the instrument has multiple embedded derivatives
<b>Defaults and breaches</b>	
14.	Any defaults and breaches during the period of principal, interest, sinking fund, or redemption terms of those loans payable
<b>Statement of income: Items of income, expense, gains or losses - Other comprehensive income</b>	
15.	Net gains/losses on by classes of financial instruments at fair value (designated or held for trading)
16.	Net gains/losses on financial liabilities and financial assets measured at amortised cost
17.	Total interest revenue and total interest expense
18.	Fee income and expense
19.	Gain/loss arising from derecognition of financial assets measured at amortised cost
<b>Other disclosures</b>	
<b>Accounting policies</b>	
20.	Recognition and measurement for financial assets and financial liabilities designation
21.	The nature of financial assets measured at fair value through profit or loss – designated
22.	Terms and conditions for financial assets and financial liabilities designation
23.	Terms and conditions of impairment about financial instruments
<b>Hedge accounting</b>	
24.	An entity’s risk management strategy and how it is applied to manage risk



25.	How the entity's hedging activities may affect the amount, timing and uncertainty of its future cash flows
26.	Description of the hedging instruments that are used to hedge risk exposures
27.	Gains/losses on hedge ineffectiveness associated with financial instrument
	<b>Cash flow hedges (CFH)/hedge of a net investment in a foreign operation</b>
28.	Forecast transaction for which hedge accounting had been used
29.	Carrying amount of the hedging instruments (financial assets separately from financial liabilities)
30.	The change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period
31.	Gains/losses of CFH recognised in other comprehensive income
	<b>Fair value hedges (FVH)</b>
32.	Carrying amount of the hedging instruments (financial assets separately from financial liabilities)
33.	The change in fair value of the hedged item used as the basis for recognising hedge ineffectiveness for the period
34.	Gains/losses of FVH
	<b>Fair value</b>
35.	Fair value for each class of financial assets and financial liabilities
36.	Comparable carrying amounts
37.	Measurement methods and assumptions
38.	Information if fair value cannot be recognised or measured
39.	Changes in fair value of financial instruments
	<b>NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS</b>
	<b>Credit risk</b>
40.	Exposure to risk and how they arise - Qualitative information
41.	Objectives, policies and processes for managing the risk and the methods used to measure the risk
42.	Summary quantitative data: exposure to risk at the reporting date
43.	Concentrations of credit risk if not apparent from summary quantitative data and sensitivity analysis
44.	Amount of maximum exposure to credit risk (before deducting value collateral)
45.	A description of collateral held as security and other credit enhancements security and credit-impaired at the reporting date
46.	A summary of credit risk rating grades that shows credit quality of financial instruments by asset class
47.	Allowance account for credit losses - qualitative information
48.	Allowance account for credit losses - quantitative information (changes in the loss allowance during the period)
49.	Allowance account for credit losses - information about financial instruments for which credit-impaired/not credit-impaired
50.	Nature and carrying amount of assets obtained by taking possession of collateral it holds as security or calling on other credit enhancements
51.	Policies for disposing assets or use of it in its operations when the assets are not readily convertible into cash
	<b>Liquidity risk</b>
52.	Exposure to risk and how they arise - Qualitative information
53.	Objectives, policies and processes for managing the risk and the methods used to measure the risk
54.	Maturity analysis for financial liabilities that show the remaining contractual maturities

	<b>Market risk – interest rate risk</b>
55.	Exposure to risk and how they arise - Qualitative information
56.	Objectives, policies and processes for managing the risk and the methods used to measure the risk
57.	Summary quantitative data: exposure to risk at the reporting date
58.	Concentrations of interest rate risk if not apparent from summary quantitative data and sensitivity analysis
59.	Interest rate sensitivity analysis showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date
60.	Methods and assumptions used in preparing the sensitivity analysis
	<b>Market risk – currency risk</b>
61.	Exposure to risk and how they arise - Qualitative information
62.	Objectives, policies and processes for managing the risk and the methods used to measure the risk
63.	Summary quantitative data: exposure to risk at the reporting date
64.	Concentrations of currency risk if not apparent from summary quantitative data and sensitivity analysis
65.	Currency risk sensitivity analysis showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date
66.	Methods and assumptions used in preparing the sensitivity analysis
	<b>Market risk – other price risk</b>
67.	Exposure to risk and how they arise - Qualitative information
68.	Objectives, policies and processes for managing the risk and the methods used to measure the risk
69.	Summary quantitative data: exposure to risk at the reporting date
70.	Concentrations of other price risk if not apparent from summary quantitative data and sensitivity analysis
71.	Other price risk sensitivity analysis showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date
72.	Methods and assumptions used in preparing the sensitivity analysis
<b>TRANSFERS OF FINANCIAL ASSETS</b>	
	An entity shall provide the required disclosures for all transferred financial assets that are derecognition/not derecognised:
73.	The nature of the transferred financial assets
74.	The nature of the risks, rewards and liabilities associated with the transferred financial assets
75.	The carrying amounts of the transferred assets and the associated liabilities
76.	The gain or loss recognised at the date of transfer of the assets

Source: Yamani and Hussainey (2021)