EFFECT OF IFRS ADOPTION AND CORPORATE GOVERNANCE PRACTICES ON PERFORMANCE: A STUDY ON LISTED COMPANIES IN DUBAI

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DECLARATION

I hereby certify that the substance of this thesis has not been already submitted to any degree and is not currently being submitted for any other qualification.

I certify that any assistance received in preparing this thesis and all sources used have been acknowledged and referenced in this thesis.

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Abstract

This study has been conducted on the financial market of Dubai. The purpose of the study is to understand the effect of IFRS adoption along with corporate governance characteristics over the financial performance of listed companies in Dubai. The study has taken return on assets as the measurement of performance, while IFRS adoption, board independence, board size, and audit quality as the measurement of CG. Firm size and leverage have been taken as control variables. The data has been collected from the annual reports and websites of the companies. Regression analysis is employed to understand the effect of each independent variable on performance. The study has identified that IFRS adoption; board independence, board size, and audit quality have a significant effect over financial performance of companies listed in Dubai stock market. The major contribution of the study is the combined effect of variables, as in the available literature all these variables have not yet been studied collectively.

KEY WORDS: IFRS, Corporate governance, Board of director committees, Firm size and ROA.

Abstrak

Kajian ini telah dijalankan ke atas pasaran kewangan Dubai. Tujuan kajian ini adalah untuk memahami kesan penggunaan IFRS bersama-sama dengan ciri-ciri tadbir urus korporat terhadap prestasi kewangan syarikat yang tersenarai di Dubai. Kajian ini telah mengambil pulangan atas aset sebagai pengukuran prestasi, manakala penggunaan IFRS, kebebasan lembaga pengarah, saiz lembaga pengarah, dan kualiti audit sebagai pengukuran tadbir urus korporat. Saiz firma dan leveraj telah diambil sebagai pembolehubah kawalan. Sumber data diperolehi daripada laporan tahunan dan laman web syarikat. Analisis regresi digunakan untuk memahami kesan setiap pembolehubah bebas ke atas prestasi. Kajian ini telah mengenalpasti bahawa penggunaan IFRS, kebebasan lembaga pengarah, saiz lembaga pengarah, dan kualiti audit mempunyai kesan yang signifikan ke atas prestasi kewangan syarikat yang tersenarai di pasaran saham Dubai. Sumbangan utama kajian ini adalah kesan gabungan pembolehubah kerana kesemua pembolehubah ini belum dikaji secara kolektif sebelum ini.

Kata kunci: Standard Kewangan dan pelaporan antarabangsa, tadbir urus korporat, jawatankuasa lembaga pengarah, saiz firma, pulangan atas aset

DEDICATION

Every challenging work needs self-efforts as well as guidance and

support

of others, especially those who are very close to our heart.

Therefore, I dedicate this humble work

To my sweet and beloved

FAMILY

Whose love, support, and pray of day and night for making me able to

reach such success.

To my lovely homeland

IRAQ

Which opening my eyes to this world. I hope it will get the peace soon.

To the marvelous land

MALAYSIA

Which granted me the opportunity to complete my study.

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Sincerely,

ABBAS SAAD HAMADA AL-KHUZIE

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In the recent years, a trend has emerged within accounting literature related to the term 'value-relevance' (Dechow, 1994; Costello & Wittenberg-Moerman, 2010; Alali & Foote, 2012; Wang & Hussainey, 2013). Researchers have begun to consider the pragmatic association between particular accounting numbers and the stock markets. From the perspectives of information economics, accounting and financial reporting, it can be seen that value-relevance as being significant to efficient performance. This investor-oriented information has attracted the bodies that are responsible for standard setting, such as the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB). These standard setting bodies have explicitly mentioned that the core reason behind accounting standards is to meet the requirements of financial markets (Nichols, Street & Cereola, 2012). As a result, the relationship among stock markets and accounting practices gained considerable attention.

Investors and the government institutions all are the users of financial statements. All have different interests regarding the financial position and the performance of companies (Aaker & Jacobson, 1994). For estimation of tax liability over the profit the government, need the financial statements of the companies. Another interest of the authorities is regarding assurance of implementation of laws and regulations that are designed for the same purpose. The banks and other financial institutions to check the liquidity position of the companies for granting and extending credit facilities, demand financial statements. On the other hand, investors require financial statements to assess the previous and future earnings possibilities. Based on future earning potential, they have to take investment decisions. In other words, the users require financial statements provided by the management of the companies for various purposes (Costello & Wittenberg-Moerman, 2010). The standards are required to eliminate any business for the achievement of certain objectives by the management. Such objectives include showing a constant profits history to grasp the attention of new investment for future prospect of the entity. The management may also require manipulation to avail new credit facilities from the financial market. A true and fair picture of the entity regarding the performance of the company is required by the users of financial statements for making certain decisions (Aaker & Jacobson, 1994). Thus, the understanding regarding the development of financial statements are important for a user of financial statement to understand what information these financial statements provide. The framework for presentation and preparation of financial statements explains the basic assumptions and underlie characteristics of financial statement that should be shown to ensure that these statements show a true and fair view of the financial position and performance of the company.

The conception of true and fair view is highly linked with the adoption of IFRS while developing the financial statements of the companies. Under diverse conditions caused by either the external environment or internal environment, which is depicted by the objectives of the management, information in the financial statements is manipulated. This manipulation is done only to ensure that financial statements are prepared in accordance with the management objectives. In this regard the prime objective of developing and presenting financial statements i.e. to give true and fair picture of the company to the users, which assists them in taking correct decisions, is sacrificed (Gjerde, Knivsfla & Saettem, 2008).

With the application of International Financial Reporting Standards (IFRS), it is expected that implementation of IFRS will have a significant impact over measurement and disclosure of components of financial statement, particularly in income statement, statement of cash flow and balance sheet. Alterations to the basis of disclosures and measurements are expected to have an effect upon a financial performance of company, the movement of prices of shares and the traded volume (Beneish, Miller & Yohn, 2015).

On the other hand, due to the precarious and unpredictable business environment, the regulating and governing of both the internal and external factors that are affecting firms' performance become rather challenging. These modifications attract investors who have already lost trust on market to make investment decision wisely. It is therefore, when a corporate governance (CG) strategy of a company pertaining to its performance is average, its market and business operations are likely to fail (Core, Holthausen & Larcker, 1999; Klapper & Love, 2004). The latest financial crises have recalled attention to business governance and it is acknowledged that companies possessing better corporate governance structures sign better performance. To attain financial supports from stakeholders, global businesses need to understand the issues associated with ownership structure so that they may win the trust of the shareholders. Before involving in a given business, investors need to be assured that the financial stability and security are guaranteed and that the business is sustainable. Furthermore, strong control by the governance ensures the protection of investors and other stakeholders. Corporate governance practices ensure protections; therefore, foreign direct investment in the country also increases (Alsaqqa & Sawan, 2013).

Amongst many the one best effort in dealing with the failure of corporations is perhaps the strategy put forward on code of corporate governance. The code targets to set out principles and best practices for corporations to use in their operations for gaining an optimal framework of corporate governance (Cuervo, 2002). These frameworks include matters such as board compositions, measures for the appointment of upcoming directors, compensation of directors, and the formation of board committees. In general, the code provides guidelines for directors in performing their roles i.e. to monitor management to ensure that wealth of shareholder increases over time.

Nevertheless, after the financial crisis, the United States of America subprime crisis unfolded (Ping & Tomoe, 2011). One of the main reason of the US subprime mortgage disaster was the prolonged US low rates of interests and compromised bank loans quality (Demyanyk & Hemert, 2011). The unnecessary mortgage and creation of debt (leverage) promoted by the analysis of mortgages and debts into various financial contracts. Those financial contracts that need scrutinized include mortgage-backed securities (MBS) and collateralized debt obligations (CDO). When the property bubble of US was finished, the price of properties initiated declining. Subprime mortgages supported by securities, were seriously affected because of increase in default rate by the borrowers. Main global financial institutions that had invested heavily in MBS by borrowing, such as Lehman Brothers, showed huge losses. The worst thing in this regard was the argument of experts that the function of board in financial institutions had been loosened (Rogoff, 1999).

Due to the global financial crisis, Dubai economy also suffered. The basic reason of crisis was lack of following IFRS and improper implementation of corporate governance practices (Kumah, et al., 2010). Issues related to lack of implementation of IFRS and ineffective corporate governance leads to disasters (Alsaqqa & Sawan, 2013).

The rapid development of the business environment in Arab countries and the policies that aim at attracting foreign investments to the region posed as a challenge for listed companies (Pierre-

Guillaume & Khalid, 2008; Safi, 2012). Firms have to be ready to deal with these encounters in a way that will ensure improvement in their commercial performance, which is dependent on correct information in the financial reporting. Thus, for enhancing the performance of companies, the need for IFRS and CG extend globally. In order to make investment decisions, the attention of possible investors needs focus on IFRS adoption and corporate governance practices. If a firm's CG strategy in relation to its performance is inferior, the firm would possibly lose a large proportion of its market share, and it is similar with IFRS adoption. Therefore, there is a great need to recognize the role of CG in order for better understanding the actual matters surrounding the discussion of CG, likewise the importance of IFRS adoption cannot be ignored (Irvine & Lucas, 2006). Previous researchers analyzed the influence of the external and internal mechanism of CG on decisions regarding structure of the corporate capital (Baydoun, Maguire, Ryan & Willett, 2013). This study is particularly relevant to the Dubai business context. It is supposed that there are several other countries, particularly the developing countries in the Middle Eastern and other GCC countries share the same political, economic and social environment. The findings of this present research thus are applicable and beneficial to such countries. Moreover, the findings of this research can also be used by those who are responsible in developing the policy, especially in the developing countries where the socio-economic factors are similar to the Arab countries.

Several developing economies have begun to adopt the IFRSs which are issued by the IASB. This measure from different emerging economies was a reaction of the announcements in 2002 by the countries in European Union (EU) to implement IFRSs in all European listed companies by the year 2005 (Whittingtona, 2011). Although few researchers referred to the benefit of adopting IFRS in the emerging economies such as increasing FDI, others are worried regarding such adoption because of the diversity in the environmental and cultural factors among economies which would be harmful to the adoption benefits. The United Arab Emirates (UAE) is amongst emerging economies for which these standards may have benefits or harmful for economic development. Therefore, the main purpose of this study is to analyze the major impacts and challenges of adoption of IFRSs in Dubai Financial Market (DFM). Furthermore, implementation of corporate governance practices is also new for the developing countries as well as Arab countries. Despite the fact that these countries have implemented corporate governance practices but still the impact is very weak due to which the performance of these companies suffer. The companies operating in Dubai have much more potential as compared to their current practices.

Furthermore, IFRS has been seen as influencing only accounting and auditing practices (Irvine & Lucas, 2006). The current study investigates board independence and board size by focusing particularly on Dubai environment. Thus, this research pursues to solve the essential issue regarding the requirement of IFRS adoption and company performance, which are associated with the board independence and board size. The remainder of this chapter discusses the problem statement, research questions, objectives of the study, significance and scope of the study, and the organization of the study.

1.2 Problem Statement

In the developed countries like United States of America and United Kingdom the Securities and Commodities Authority (SCA) regulate the corporate governance for several years (Kripke, 1981) which is a regulatory body developed for the regulation of securities. The newly developed code refines, clarifies, by inculcating international financial reporting standards, local law, and local circumstances. The new code is mandatory and must be complied by most listed companies. The universal crises in 2008 and the subsequent crises that affect the whole Arab world including some of the biggest companies had highlighted the importance of CG among companies in developing countries (Acharyaa & Richardsonb, 2009; Baydoun, Maguire, Ryan & Willett, 2013) and Dubai has no exception to it. Furthermore, Al-Malkawi and Pillai (2013) highlighted that basic reason behind the financial crisis in UAE was low transparency and not revealing some important financial information. This enhances the need for the implentation of corporate governance and IFRS adoption both. The need for CG in the developing countries is also suggested by Claessens and Yurtoglu (2013), according to them implementation of corporate governance is more required in developing countries as compared to developed countries (Fernando, 2012).

Another aspect that is mainly raised in any financial scandal is corporate governance practices by the company, which raises concern about directors' ability to exercise their responsibilities effectively. The appointment of independent non-executive directors who seem to agree with executive directors' decisions raised skepticism toward the independence of such directors. This is further evidenced by the significant losses suffered by companies in Dubai because of the failure of board monitoring process (Rao, 2007).

The evidence thus, has suggested that company performance is influenced by the way that company is being managed. Therefore, assessing the effect of board effectiveness particularly the performance of independent directors on company performance would also enhance the board governance literature (Johna & Senbetb, 1998).

The last decades have witnessed a noticeable growth in empirical research of multi-disciplinary nature, particularly those that emphasize on how CG mechanisms are affecting performance, which is strongly linked with adoption of IFRS. In the existing body of accounting literature, the issues of IFRS adoption and CG have received much attention and are regarded as indicators of performance. The stress of financial reporting transparency was first given by ESCA in 2006 when the draft of corporate governance was issue (Aljifri & Moustafa, 2007). Adoption of IFRS ensures transparency and proper disclosures. Studies have revealed that firms operating with a complete adoption of IFRS and vigorous mechanism of CG are better than firms operating with low adoption of IFRS and a weaker mechanism of CG (Acharya, Gottschalg, Hahn & Kehoe, 2012; Alsaqqa, 2012; Christensen, Kent, Routledge & Stewart, 2015). It is essential for companies to operate in a manner to ensure that investors' needs are taken care of (Fan, Lau & Wu, 2002). The adoption of IFRS and the system of CG offers a suitable point to initiate a policy development that is focused on efficient market development to gain the interest of investors. In UAE adoption of IFRS was make compulsory for all listed companies in July 2015 (UAE Accountants and Auditors Association, 2015).

Moreover, the adoption of IFRS and corporate governance practices are weak in developing countries including Dubai (Baydoun, Maguire, Ryan & Willett, 2013). Therefore, there exists a need for further research to provide evidence if performance of listed companies in Dubai is affected by other factors besides corporate governance such as IFRS adoption. Researchers have highlighted the need for implementing CG practices for the emerging economies for increasing FDI (Fernando, 2012). The United Arab Emirates (UAE) is amongst emerging economies for which IFRS and corporate governance may have benefits for economic development (Al-Abdel & Bose, 2015).

Hence, the principal aim of this research is to assess the relationship between CG mechanisms and adoption of IFRS with the performance of listed companies in Dubai. The previous studies that have been conducted on corporate governance (Nabil, Maguire, Ryan & Willett, 2013; (Al-Abdel & Bose, 2015) and IFRS adoption (Alsaqqa & Sawan, 2013) have not highlighted the need combine effect of IFRS adoption and corporate governance implementation among listed companies in Dubai.

1.3 Research Questions

In this study, the effect of IFRS adoption and CG practices on performance of listed companies in Dubai will be examined. The research questions of this study are presented as follows:

1. What is the relationship between IFRS adoption and performance of listed companies in Dubai?
2. What is the relationship between board independence and performance of listed companies in Dubai?
3. What is the relationship between board size and performance of listed companies in Dubai?
4. What is the relationship between audit quality and performance of listed companies in Dubai?

1.4 Research Objectives

Generally, this study investigates the effect of IFRS adoption and CG practices on performance of listed companies in Dubai. Particularly, this study aims to investigate the following objectives:

1. To investigate the relationship between IFRS adoption and performance of listed companies in Dubai.
2. To investigate the relationship between board independence and performance of listed companies in Dubai.
3. To investigate the relationship between board size and performance of listed companies in Dubai.
4. To investigate the relationship between audit quality and performance of listed companies in Dubai.

1.5 Significance and Scope of the Study

Prior studies have focused on the impact of corporate governance, and IFRS adoption on company performance separately (Aoki, 2013). However, study on board practices is limited, “possibly due to the difficulty of gaining access to boards. Moreover, researchers have analyzed very few elements like board independence. The current study fills the gap in corporate governance studies because many areas in such studies have not been explored like board size, due to difficulty of collecting data from directors. Furthermore, researchers have stressed that studying the board practices provides a better understanding of board members’ duties and practices and their impact on company performance. Therefore, the uniqueness of current study is when it collectively uses the element of corporate governance practices with IFRS adoption and company performance. By adding board practices, it provides better understanding of the performance of independent directors, the board's risk oversight, the performance evaluation of CEO, and directors' powers to access information.

Furthermore, this study has been developed to extend the existing studies by adding IFRS implementation, which is shown by IFRS adoption. By implementing IFRS, it is guaranteed that financial statements are developed in accordance with the international standards. The objective behind using IFRS adoption is that adoption of IFRS is linked with corporate governance because corporate governance stresses on disclosure requirements for the financial statements (Fernando, 2012; Bansal & Sharma, 2016). The trust of the shareholders can be gained if the financial statements are developed in an appropriate and standardized way, secondly by ensuring that the financial statements are showing a true and fair view, which can be ensured by implanting IFRS. Likewise, IFRS has developed standards that will ensure proper disclosure of financial activities (Alsaqqa & Sawan, 2013). IFRS deals with reporting quality and financial disclosures.

From the theoretical perspectives, the current research extends the agency theory in the context of board structure. Previously researchers analyzed the application of agency theory in Dubai focused on board characteristics. Whereas, this study particularly focus on the board structure and IFRS adoption along with audit quality. Thus, it is very much appropriate to look at the applicability of agency theory to corporate governance with relation to IFRS and audit quality.

Thus, it is important to conduct research on IFRS adoption and corporate governance collectively in Dubai. Therefore, the overarching objective of this study is to investigate the present issue in Dubai. This study focuses on accounting based performance methods and the findings obtained from this study contribute and supplements existing literatures. Therefore, the empirical findings of this study help in understanding the issue associated with performance of companies that are operating in open market like Dubai.

The scope of the study is limited to non-financial companies in Dubai only.

1.6 Definition of Terms

The terms used in this study are described as below:

Return on Assets

Return on Assets (ROA) refers to the ratio between the net income and the total assets of the firm.

IFRS Adoption

IFRS adoption means the extent that the company is following the rules and procedures set by the standard setting bodies.

Corporate Governance

Corporate Governance (CG) is the relationships between board of directors and the management. In this study, corporate governance is measured in terms of board independence, board size, and audit quality.

Agency Theory

Agency theory explains the relationship between one or more persons (the principals) who appoints the second person or persons (the agents) for the performance of services on his behalf. This relationship involves delegation of decision making power to agent.

Audit Quality

Audit quality refers to the reliability of the audit activities done at the company. The audit company that is providing audit services to the company determines it. If the audit is being conducted by any of the company among big four, it is considered that the audit quality is good.

1.7 Organization of Study

In Chapter One, the introduction of this research is illustrated. It elaborates the background of the research, problem statement, research questions and objectives followed by research significance, scope and the organization of this study.

In Chapter Two, extensive reviews pertaining to the subject of CG in general, CG in Dubai and the relationship between firms' performance are presented. It also includes adoption of IFRS and its impact on performance of companies.

In Chapter Three, research framework and hypotheses development are elucidated together with methodology and data analysis employed in this study.

In Chapter Four, the results of data analysis and the discussion on the hypothesis testing are presented.

In Chapter Five, the discussion and conclusions on the findings backed by literatures and results for hypothesis testing are presented, limitations and recommendations for future research are proposed.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The United Arab Emirates (UAE) is included in the list of the small countries of the Middle East. It is situated on the coast of the Arabian belt. It consists of the seven largest federation and have strong economic conditions. The UAE consists of six states i.e. Abu Dhabi, Dubai, Umm Alqowen, Ajman, Sharjah, Ras Alkheimah and Fujairah and each of these are independence and the political system has its own local ruler who govern the state. They have a supreme council which responsible to select the prime minister and some of the cabinet members. The Ruler of UAE is the president "Muhammad Bin Rashid Al Maktoom".

In the early 19th century there comes the ownership and management problems and then the separation was shown in them (Acharya, Gottschalg, Hahn & Kehoe, 2012). That comes when most of the work was done for the railways and the steel furnaces and such industries require the large amount of the capital to be invested in it. Therefore, there comes the stakeholders who invest their cash, they make the pool of the capital, and then the industries are settled. As there were, the problems that who must be selected as the real owner so the daily operations are being effected so the conflict comes between the managers and the shareholders that resulted the bad structure in early stages.

Despite the satisfactory rate of per capital GDP of UAE, still it is expected that its Per capita GDP can be improved by increasing foreign direct investment. The basic reason behind this rate of per capital GDP is the exploration of oil rather than their own establishment. In the last three decades, UAE has switched from developing to developed country (CIA, 2015).

Over the past few years, United Arab emirate faces the boom in the economic conditions. These economic conditions have taken the UAE among the best stable countries of the world. Now UAE has become one of the best attracting region for the capital purpose. In terms of natural resources especially oil, it is found in abundance in UAE. Along with oil, natural gas has also been found and that has given the rapid rise to the economy. UAE is now considered as the industrialized country in the world.

The companies operating in UAE are not having many opportunities. Globalization has forced the companies in UAE to move to technology orientation for developing new products. Due to this, the companies operating in UAE faced several challenges. As this require skilled workforce which is the major asset of UAE. The UAE has hired skilled workforce around the world to compete the developed countries in technology.

The UAE economic policy supports the imports and the exports of 75% of its imports are processed export it again for profit making purposes. As this country is a wealthy country so they do not need to take loans because they them-self can afford their expenses. Most of the countries take the help of International Monetary Fund (IMF) but not UAE. The economy of UAE is efficient that can create the surplus of almost 100 billion dirham by construction and investing on infrastructure, the figures are recorded as 50 billion (Katzman, 2013).

2.2 Performance of Companies

Performance is the ability and function of a company to access and manage the resources in different ways for the development of competitive advantage (Christensen, Kent, Routledge & Stewart, 2015). There are normally four broad sorts of performance. These categories include: financial performance, operational performance, market performance and organizational effectiveness. The basic ways to enhance financial performance of companies are to enhance efficiency in operations along with improvement in customer service (Uddin, Halbouni & Raj, 2014). The way a firm is operated and the efficacies in governance structure of the company are assumed to show corporate performance (Majumdar & Varadarajan, 2013). Likewise, value of firm is supposed to enhance which will consequently improve the wealth of shareholder provided that board effectively performs its duties (Al-Dubai, Ismail & Amran, 2014). This is because the current performance of companies is a result of previous actions of board and other factors that affect the choice of succeeding directors (Gates, Nicolas & Walker, 2013).

Two major performance measurements can be used to analyze the performance of a company i.e. measurement based on market performance and measurement based on accounting performance (Ameer & Othman, 2011). Both measurements of performance have their own strengths in performance measurement for companies. Therefore, using both the performance measurements may be more useful in providing a comprehensive awareness of the link between nominated variables and company performance (Alsaqqa, 2012; Bertay, Demirgüç-Kunt & Huizinga, 2013; Kukalis, 2012; Talay, Townsend & Yeniyurt, 2015). The difference between the two measurements is significant. In the light of the above discussion, some common measurements of accounting performance and market based performance are discussed ahead.

2.2.1 Market Performance Measurement

Measurement based on market performance is forward looking whereas; measurement based on accounting performance is backward looking. Another variance is that measurements based on market performance are mere estimates that what the management accomplished whereas measurements based on accounting performance are an estimate of what management had achieved (Bertay, Demirgüç-Kunt & Huizinga, 2013). Furthermore, analysts, fund's managers or shareholders compute market based performance by applying appropriate methods. Whereas, measurement based on accounting performance is measured by accountants based on standards laid by the profession.

Market based performance measurements are commonly applied in analyzing the value of a company at a particular time, thus, seems to be more important as compared to others. Talay, Townsend and Yeniyurt (2015) stated that measurements based on market performance have an advantage as compared to measurements based on accounting performance. This advantage is because it is relatively lesser susceptible to differential accounting methods, measures and assessment of the ability of a company to produce financial benefits. Measurements based on market performance are highly influenced by the expectations of the investors (Florou & Pope, 2012). The researchers highlighted that if expectation of investors regarding performance is influenced by corporate governance practices, then there would hardly be a link between returns of stocks and corporate governance despite the fact that a major link exists among performance of a company and its corporate governance practices (Hřebíček, Soukopová, Štencl & Trenz, 2014).

2.2.2 Accounting Performance Measurement

Accounting performance measurement uses financial information, which is drawn from the accounting statements of companies. Through this technique performance is measured from the historical data. Furthermore, measurements of financial performance are commonly used for providing a uniform way compare the companies during a financial period (Kukalis, 2012).

Measurement of financial performance is critical in supporting companies for analyzing their performance, therefore, helping management to plan effectively for the achievement of corporate goals (Koufteros, Verghese & Lucianetti, 2014). Therefore, performance of a company is critical and need appropriate measurement. Currently it is evident that several standards are governing the measurement of accounting records depending to the nature of the company or the industry (Bititci, Garengo, Dörfler & Nudurupati, 2012).

Return on Assets (ROA) is a measurement which is commonly used to identify the profitability of company. those companies that are initiated with huge capital usually show lower value of ROA (Schönbohm, 2013). ROA in the current study is derived by dividing net profits with total assets (Brigham & Ehrhardt, 2013).

2.3 Adoption of IFRS

The develop countries are likely to make policies that enhances their wealth. The factors such as financial health and global markets are the most important polices for the developed countries (Brüggemann, Hitz & Sellhorn, 2013). These countries have introduced such accounting standards that have globalized the business trends and they have adopted the new business practices to attract investor from all over the world. These policies work as the guiders to let the investors know how much they should invest and in which field they should invest. As accounting standards are recognized and accepted all over the globe so it's easy for the investor to make wise decisions (Horton, Serafeim & Serafeim, 2013).

The investors need security for their investments. They can be protected by providing them the true information about the company (Hamberg, Mavruk & Sjögren, 2013). In order to get true information, the international standard setting organizations have developed certain principles with the help of investors that feel comfortable while investing in the capital market of any country. IFRS are the main tool that are used by the companies of developing countries to ensure proper financial reporting (Beneish, Miller & Yohn, 2012).

2.3.1 Accounting standards in the developing countries

The experts set the standards for reporting on the basis of some assumptions. Houqe, Zijl, Dunstan and Karim (2012) indicated that financial accounting measurement / reporting is based on certain assumptions, rules and agreements. These assumptions are commonly termed as Generally Accepted Accounting Principles (GAAP). There are some of standards that changes from country to country and that are creating the difference in the economic states. Their main purpose is to make countries familiar of the accounting rules and to make them popular among investors. The advantages of these standards are that they can help the investors in managing cash and their investment in a better way (Florou & Pope, 2012). They provide the controlled atmosphere where all activities are being managed. There is an argument that the standards are used by multinational firms only as the investors better understand the standards.

There are many researchers who have tried to find out the ways through which compatibility of accounting standards in all countries can be achieved. However, these standards have faced lots of diversity problem. Some of the experts pass a compliment that it is the most complex way to get the required outcomes (Leung & Clinch, 2014).

The accounting standard is totally based on the legal system and works on the fair basis. The European counties have common law and there are some of code and on the basis of these, the standards are workable (Biddle, Callahan, Hong & Knowles, 2015). The system in Arab countries has been influenced by Islamic laws. Based on the laws the standards are set, so this make pretty big difference. Therefore, it is a strong question that impacts the accounting standards and the researchers use the individual and the other organization that provide finance and help them in arranging capital. Well the most providers of the loans are the banks. The governments also provide short term loans that are to be returned in a year or a few months. There are the shareholders who can solve the problems of financing. They bring in capital and jointly make a huge capital and then invest after analyzing the market situations. They provide the funds. The funds are preferably invested in the companies that adopt accounting standards. In order to get the funds one must be well aware of the accounting standards (Beneish, Miller & Yohn, 2015). Another factors are basically the cultural and the environmental factor. This factor has the impact on the accounting standards to understand the distance of the power.

In the last stage there is the economic and the development factors that make the accounting standards more workable. The government should check the level of the economic sector and then they should make the decisions. The fore most element of economic system is where the total control to the government officials, and in this situation the government must ensure the use of accounting standards and the main purpose is to see that how the government official works. This is mainly done to encourage them and then comes the private consumers that are basically the main owner of the economic state. The government in such situations stress on making the new regulations for developing better standards that are error free.

The use of the financial statements depends on the use basically they are used by determining the needs. They want to include the investors and the employees and more likely suppliers. As the investor that will invest require all the information that is provided or may not be provided. After having satisfaction, the investor will invest the money (Houqe, Easton & Zijl, 2014). While lending the cash they will require the information that make them satisfied and that can create interest of the external parties. Using financial statements require full knowledge of accounting standards and they have to provide full disclosure to the external parties, so that they may easily make final decisions. Thus, the process of providing the information externally tends to be a useful process.

Accounting standards may change from country to country and academicians influence the same. They can create the impact on the standards developed by the developed countries as well as developing and under developed country. By adopting IFRS, the accountants and manager can run the organizations better. The researcher emphasized that such accounting standards must be adopted and accountants must work based on them. They wanted that the managers should ensure accountants adopt accounting standards. There is much more influence of the accounting standards in the United States. The accounting standards basically help in controlling the profits of the companies. In addition, the employees' demands and the problems of the wage increase can also be solved by the adoption of accounting standards (Joos & Leung, 2013).

The government also has to make sure that the accounting standards are being implemented properly. The government should ensure that the companies are paying proper consideration on adoption of accounting standards (Wang & Choi, 2013). The accounting standards are also used to set the taxation policies as every company must have to pay tax. The taxation policies are basically being settled by looking at the size of the organization. The accounting standards are settled by the experts by looking at which company gives the independence and on that basis the standards are settled. That created the huge amount of influence on the standards setters and they develop the standards considering the same.

2.3.2 IFRS implementation in developing countries

The main purpose of implementing IFRS is to give the right shape to the accounting standards. The economies have economic and social factors that are creating the impact and that should be taken in to consideration. The United Kingdom and United States are the countries that set their standards as the base standards because it is necessary to understand and the other countries like Dubai have been adopting the standards from the developed countries (Alsaqqa, 2012).

The standardization is the only way that the standards can be preserved and the standards have been looked thorough. The policy makers have been trying to reduce the difference that may be caused by cultural or environmental factors. So by minimizing them, the difference can be minimized and the standards can be improved as most of the developed countries use the standards that have been mainly motivated by the growth of the financial markets, which includes the developmental factors as well (Homburg, Artz & Wieseke, 2012).

International accounting standards were set by the committee and then the ideas came in the mind that they should work as the team and they should be established. The IASC have set the standards. Most of the stock exchanges also adopted these standard as their own. By 2000 they have come to approve the standards and that has been done by the conmen body. The European commission has said that all the listed companies must use the accounting standards. They were said to have the most suitable standards that have been used by the international community.

Some of the experts said that the financial reports should be made in comparison with the accounting standards. By this the investor are able to compare the reports and then they are able to invest their hard earned money. Basically, these are said to be the most positive action that let the investors to make comparison before making investment (Brochet, Jagolinzer & Riedl, 2013).

On the other hand, the accounting standard can bring many changes. These standards are said to be the most accurate standards. These standards can help accountants and decision makers in stabilizing the economic environment. These standards may also be used to reduce the economic differences. Standards can be used in the countries that are developed nations. They can also be used in the countries that are under developed or developing. The elements of standards could be used by using the accounting standards. They can be make more effective, if the accounting bodies work on it, on the similar basis, they can be said as more professional so by involving the accounting bodies that can make better standards. Other than the fact that IAS is using the fairest and trustable way in evaluating the assets and the liabilities. The fair view is used to make the decision on regular basis. To make the comparison of the fair value the investors must have the market data. Later on they must have the values of the historical data, then finally investors can make the right decision after analyzing the concepts.

The other factor is that there is shortage of the accounting professionals and there is no proper education for them. That's why this turned into the weakness and they make improper standards. And throughout the discussion has been made about the culture of adopting accounting standards followed by the discussion on the framework. The framework that is effecting the cultural differences. They have discussed that the culture of the developing countries has the low level of standards that are set for the accounting purpose and they have to avoid the uncertainty.

The economic conditions have been bringing the change in the developing countries and they discuss that the accounting standards have the deep relationship with the external environment. This relationship includes the factors like economic growth. Experts want to develop the positive government should create interest in making the accounting standards. The government should show some involvement while making accounting standards for different industries. Then there comes the legal disclosure and the disclosure of the financial records. World bank issues the report where there is written that Egypt is ranked as the low scale country as they do not make profits while other are classified and are in the list of making high profits. They also said that majority of the gulf countries do not have stable money market (Ebaid, 2016). Secondly, there comes the main factor of religion that create the difference in the finance providers. They have explained that there are many sources like the banks and financial institutions and they work according to the proper system and updated accounting information. The companies may also need external funds providers who may provide funds in the larger amount. Basically this should be done to show high disclosure to the public for attracting more finance. This is done to show that their company is financially strong. And here it shows the relationship of accounting standards and the external environment.

The language of the accountancy is the main motivator that creates the need in the capital market. These are used to find out the difference of the firm level. These can be used only if they are not working in the same market place and the countries like UAE don't have their own accounting standards. So they can rapidly improve the accounting situations and the accounting practice and that can create the access to the global capital.

If developing countries adopt these standards, then they can save their plenty of time. Because the standards are already developed, all they need is to adopt them by adopting the standards that can lead the accounting practitioners towards the betterment and that can help them in improving the quality. By this the competitiveness can be enhanced as more competition come in the market place. So that's why has become necessary to adopt these standards (Daske, 2006).

Other factors like religion is creating the effect, so the practitioners need to investigate that why these are effecting the standards. So by looking at them the practitioners must make short amendments in the already developed standards and adjust those standards according to the country. Like Arab counties are affected by it because of the Islamic laws which cannot be matched by the accounting standards. There comes the huge difference in adopting the law, so the issues must be resolved properly before coming into the international market. Many of the countries accept the accounting standards because they want to see them in the list of world recognition and they want them self to be accepted in the global market place for attracting capital from the foreign investor.

Like Egypt has also adopted the standards and then they have made their own board and then they issue their own standards, as discussed above that the Islamic laws can be affected by adopting the international accounting standards and the organizations that are International or national tend to adopt the standards known as IFRS (Houqe, Easton & Zijl, 2014).

2.4 Corporate Governance

The management and the investor plays critical part in corporate governance. They have separated the element of the ownership and the managing bodies (Aoki, 2013). They have also discussed that the manager attitude is not the same when the manager monitors the money of other people. The manager has to control and monitors the cash of the organization. So here comes the relationship of investor and managing bodies. Sound management is needed to control the tasks and the problems (Erkens, Hung & Matos, 2012). To make people understand that how much of that they have been looking they must be careful in it and the effective monitoring is required and a positive attitude is more likely to be adapted.

In UK when the corporate governance was introduced their basic purpose was to enhance the quality and the quantity of the financial statements. It was considered that there is a strong need to boost the investors so they invest more and more in the field. The report shows that the directors mostly show the great remuneration. The report has also given the recommendations that do not support the previous mistakes and they are written for the betterment. There are the two parts and then they are divided into the sub heads like directors and their remuneration, Auditors and then then the shareholders (McCahery, Sautner & Starks, 2015). The report has given the internal control and much more priorities to the people and the companies. Then the codes of corporate governance have been issued and then they are updated for betterment. That include the addition of senior directors and the way they execute their plans for the company. The combined code include the codes of the UK so they then started jointly working and then they are said to be as UK Corporate governance code (Westphal & Zajac, 2013).

Many companies have made their own codes but the codes of very few companies are effective. There are the codes of the Singapore and the codes of the Indonesia and many as Philippines and then the Malaysian code. The agencies have also made much more codes for different companies. The codes are made by checking the needs of the organization and to protect the shareholders who invest their cash by not looking at the company but the goodwill of the company.

The corporate governance plays an important role it basically state that how we can make things better and how we can solve them to the extent. According to corporate governance a company has to be a person means that the board of directors acts as the company (Wintoki, Linck, & Netter 2012). And the board of directors are said as the main agents like they are appointed for the same purpose. They have to act on behalf of the company. In it the shareholders play the part by putting their capital and then they select the directors. All the process of selecting board of directors is done through the proper voting. Therefore, board members are selected by the shareholders to act on their behalf.

The previous researchers have discussed that the manager have to work with due diligence (Acharya, Gottschalg, Hahn & Kehoe, 2012). They have to show proper interest as the whole company depends on them. Board of directors make the decisions regarding investment for the company. Therefore, board and the managers have to take proper action in all the situations.

There are several discussions in the field of corporate governance that how the things can be improved and how the stems can be developed for securing the interest of the shareholders. What should be the way of making investments and recording the same? In it the financial market, the capital provider plays the most important role. They have to be given with the additional amount on the original investment. The corporate governance here comes and shows that how to control the processes and how the rules and regulations should be followed. The decisions of board of directors usually influence the internal and the external factors of the company (Aoki, 2013). There is also the factor of private and public company. Then there comes the turn of suppliers and the stake holders. The internal and the external factors are seen when any decision is being finalized.

Corporate governance initially was not considered as regulatory body. But later on, it slowly merges into the regulatory body (Eberlein, Abbott, Black, Meidinger & Wood, 2014). This part helps the company in making the things better and make the things more acceptable to the stakeholders. The early researchers stated that corporate governance is the process by which most of the companies are controlled and managed. The shareholders basically appoint the board of directors. The shareholders are also the owners of the companies. The directors encourage the enlargement of capital. The directors basically are appointed to make the strategic decisions like expansion of the business and to make the larger profits. Communication phase is the important part means all the department must be connected socially and physically as well. All the departments must have discussed the problems. After discussing the problems, the must has worked together on the concerned issues. The internal control shows that the capital of the shareholders are then safe guarded (Uddin, Halbouni & Raj, 2014). And the information that is provided physically is reliable. The policies regarding risk are also to be discussed in the corporate governance and to make them strengthen.

In an open aspect it is the duty of the directors to manage all the task and to manage all the duties. In this regard managers play the part of the head or can be said as the monitors. Directors have to keep a check and balance on the transactions made by the managers. This require the good monitoring by the management of the company. So on that basis higher profits can be made. Management should be trained in such a way that they can control them self and they can deal with any ambiguous situation as well. The corporate governance is a process of minimizing the risks and minimizing the self-interest of the board of directors in the organization.

2.4.1 Corporate Governance in UAE

The growth of UAE has started almost a few years ago. The majority of the business establishments in UAE are sole proprietor ship. The corporate sector has not yet been established yet in UAE. The government of UAE has developed law for the business operations. All the businesses should run under amended Federal Commercial Law No 8/1984. However, hardly the firms are registered under this act. For the development of corporate sector, it is important to develop official stock markets by privatizing the larger infrastructures. The Ministry of Economy, the Central Bank and the Emirates Securities and Commodities Authority (ESCA) are acting as the governing bodies for the corporate sector. Federal Auditing Organization is bound to monitor the companies that are being financed by the federal government.

In line with the objectives of the government the first stock market was developed in year 2000 represented by two government security exchanges, titled Abu Dhabi and Dubai supervised by the ESCA. Despite several years even today the stock markets of UAE are relatively new and small. With the passage of time especially after 2004, the market started growing the IPOs were made, and market participants started increasing. As the market is growing, therefore, the government has started enforcing the corporations to implement IFRS and start the practices of corporate governance. The government is also forcing to implement the same in the local securities markets.

Aljifri and Moustafa (2007) argued that in UAE the practices of corporate governance are in the incubation stage. A lot of development is required in the field especially regarding the development of laws and regulations. ESCA issued a draft code of corporate governance in 2006. The purpose behind the issuance of this draft was to improve the prevailing system of corporate governance in UAE. The draft focus on the quality and responsibility of the board of directors and members for showing executive decisions. Along with disclosure of executive decisions, the draft also focused on the improvement in financial reporting by bringing transparency, which can be ensured through implementation of IFRS, to gain the confidence of the investor.

2.4.2 Board of Directors

Here comes the question that who is the director? So here is the answer that a person who is likely made to act on behalf of owner for managing the activities. It is the person who is said as the alternative substitute directors. Basically the directors are the persons that have been elected by the voting, the rights are given to the shareholder (Bozec & Bozec, 2012). They vote and select the board of directors. Directors are responsible for all the tasks and the profits that company has made. Board of the directors are the main part of the company. They are the person who have been managing the capital of the people the shareholders. These people make the value by making the good will of the company.

These are some of the functions that some of the director have to perform

1. They have to make the strategic plans for the company.

2. They have to see that the company is properly managed or not.
3. They have to engage in the succession planning.
4. They have to make the investor relations and shareholder communication.

2.4.2.1 Board independence.

There are mainly two types of the directors one is called the internal director and the other is called the external directors. They can also be said as the inside directors and the other one is called the outside directors. The Executive director is one who looks the internal operations. They provide their service on the basis of the contract and they work on the timely basis. They can sit at the board on the same time. There are the chairman and the directors and they have to provide the opinion that is different from the CEO's. The board must see that which person act strongly must be selected (Graaf & Paanakker, 2014).

Then there comes the outside directors and they are said that they are the independent directors. They are the person that do not work for the company for the full time and they work for the short time and they do not give some extra time to the company. They are not involved in the managing body and they work in a very strict way. They do not have any influence. They usually also do not have any stake in the company except their name that is associated with the company.

2.4.2.2 Board size.

Board composition referred to board size. Previous studies have focused on the proportion of independent directors to total number of members in the board of a company (Shukeri, Shin & Shaari, 2012). However, this measure is not very good especially when considering that the higher proportion of non-executive directors leads to high level of independence especially when such a group has significant shareholdings or a close link with the management of the company. Therefore, the current study used only board size. board size will act as proxy of board composition.

For determining effectiveness of the board, number of directors is an important factor. To date, there are inconsistent suggestions regarding the suitable size of a board in a corporation. When a board size is too big individual directors usually feel reserved regarding active participation in decisions of the board and feel lesser sense of accountability. On the other hand, if the company board comprises of few members, the members may become incapable of making effective decisions. The small board may also face some degree of difficulty in functioning due to limited time. The Price water house Coopers survey conducted in 2002 finds that the average board size is eight persons (Ghazali, 2010). The ideal board size is around eight members. Increase in board size is more likely to inhibit with group crescendos and hinder the performance of board. Several studies find that larger companies usually have huge board. This can be understood by the need of these big companies to develop more linkages with the external environment, which is supported by the perspective of resource dependence theory (Desender, Aguilera, Crespi & GarcÍa-cestona, 2013). A major advantage of a large board is opportunities generation because of more networking and better access to resources because of appointment of more outside directors. Outside directors usually foster unbiased decisions taking the decisions. Larger boards would increase monitoring function of the directors. As monitoring by board enhances the quality in decision making process (Harford, Mansi & Maxwell, 2012).

In addition, larger companies face big burden of administration, thus, the need of more members becomes important. Currently, larger companies are mostly multifarious corporations. As organizations become larger and more complex, it is impossible for every director to become more aware of every significant aspect of company operations (Velnampy, 2013). Hence, the board members are broken down into committees that monitor specific aspects of a company such as audit, remuneration, nomination, and risk management. Therefore, boards need to appoint more members to accommodate the establishment of such committees.

Numerous studies have been conducted to determine the association between size of board and performance of companies. A positive relationship exists between board size and company performance (Larmou & Vafeas, 2009; Connell & Cramer, 2010; Yasser, Entebang & Mansor, 2011). The board size influence the maturity of a company, but the result shows that as a company matures, and the size of the board tends to be larger. Based on Malaysian listed companies' data from 2002 to 2004, a study provided evidence that larger boards enhance the monitoring function of management and lead to sound financial performance (Shukeri, Shin & Shaari, 2012).

On the other hand, a negative relationship has also been seen between board size and company value. Similarly, Mahadeo, Soobaroyen and Hanuman (2012) concluded that the size of board has a negative relationship with performance of the company. The researchers argued that companies might add more directors in their board for converting losses into profitability. Smaller boards contribute to effectiveness in decision making as every director is able to participate effectively (Malik, Wan, Ahmad, Naseem & Rehman, 2014).

Board structures are concerned with different kinds of committees, committee membership, information flow among these committees, size of board, and committee membership patterns

(Desender, Aguilera, Crespi & GarcÍa-cestona, 2013). The current study focuses on independence of board of directors. The type of board independence determines the level of checks and balances on the head of the management team by the chairman of the board.

2.5 Audit Quality

Auditors uses the different type of the statements. Auditor uses the accounting standards to decrease the risk factor while auditing which ensures the quality of Audit (Soliman & Ragab, 2014). There may be the problem of misrepresentation. This can also create the problems in disclosing the data and the external auditors have to check the data. External auditors may face problems in the data while obtaining the data of the companies that are operating in the countries like Dubai i.e. Arab states.

2.6 Firm Size

In this study, size of the firm serves as control variable because firm characteristics diverse significantly. Growth and firm size are significant determinants of the structure and size of the boards. The association between firm size and board size portrays a positive linkage although it is negatively linked to growth opportunities (Hřebíček, Soukopová, Štencl & Trenz, 2014). Thus, it can be determined size of firm influences a firm's performance considerably.

The size of the firm affects the performance of the firm. This is commonly used as one of the control variables in CG researches (Siregar & Utama, 2008; Eng & Makb, 2003). In comparison with smaller firms, larger firms are not usually affected due to greater agency problems. However, due to the use of economies of scale, more skilled labor such as managers who possess more power in the market, larger firms are hence more effective than their smaller counterparts.

2.7 Leverage

The second control variable that is tested in this study is leverage which plays a crucial role towards firm performance. According to few researchers leverage has no impact over firm performance (Welch, 2003), but on the other hand Leng (2004) analyzes the influence of leverage on performance in accordance to a sample of 77 firms listed in Bursa Malaysia and found a direct significant impact of leverage over performance. Increased access to finance because of leverage has a strong impact over performance of firms (Güner, Malmendier & Tate, 2006). This relationship between debt access and financial performance is endorsed by Alsaeed (2006). In the light of the above discussion this study takes leverage as a control variable in examining the relationship that exists between the independet variables.

2.8 Underpinning Theory

Research theory is a general knowledge held by members of a given group about a social phenomenon while theoretical framework provides explanations to the problem from the existing works in a particular field of study e.g. functionalism, phenomenology, social action, recognition theory (Eisenhardt, 1989). Agency theory provides theoretical justification and arguments for board characteristics; therefore, this theory is taken as underpinning justification for this study.

2.8.1 Agency theory

As there are the board of directors and shareholders conflicts so the shareholders do not have the liberty to look on the activities of the company. The company matters can be looked more effectively when there is separation of shareholders and management. In corporate settings management the agent is the board of directors and owners are the shareholders. The agents must show their best interest to act in the best interest of the owners.

The conflicts also exist when there are separate decision of the managers and the shareholders and when there are questions about who will take the risk on them and who will take this responsibility as the managers control the company and make the decisions and the shareholders have to face all the consequences (Wahba & Elsayed, 2014). Then there is a divergence cost that arise due to the agency problems. Monitoring cost is applicable on the shareholders and they have to face this cost. Monitoring is done to safe guard the investment of the shareholders. The managers are accountable for the situation and they will be blamed for their actions.

The agency has a cost and they are divided into two parts like the total cost and the loss factor. The monitoring is included in the total cost and the residual loss is included in the losses. So the agency has to act with the best of their knowledge and expertise for the benefit of owner. Corporate governance is related to controlling and monitoring of the activities by the management and by appointing the directors. The cost is implemented on the procedures and it is done so that the procedure of the companies works in a better way. Management should show the interest in the company to improve performance (Westphal & Zajac, 2013).

Studies have shown that the directors show interest and control the affairs of the company to improve performance (Acharya, Gottschalg, Hahn & Kehoe, 2012; Bansal & Sharma, 2016). The directors are appointed by shareholders for the monitoring purposes. This shows that the rules are made by looking at the roles and the duties and then the role of the board of directors are set.

The most important part is that how the directors execute the jobs and duties and how they supervise the management of the company in the best interest of the shareholders (Siebels & Knyphausen-Aufse, 2012). This all happens due to the development of rules and procedures and by looking at the capital markets. The company operations are run by the management teams. The mangers are liable for making decisions they basically tend to settle their own interest in the work.

The company with the higher representatives will tend to have the greater access to financial resources, basically it can also be said as the goodwill of the company (Ball, Li & Shivakumar, 2015). The agency theory argues regarding two main aspects for controlling agency costs i.e. board independence and disclosure. By applying the basic principle of agency theory, independence and disclosure, the agency costs can be minimized and the performance of the companies can be improved (Fernando, 2012). The directors are appointed by the shareholders as their agents. By bringing independence and appropriate size the agency issues can be solved.

As far as the disclosure requirements are concerned, these can be resolved by the adoption of IFRS. Considering the importance of board of directors and IFRS adoption, agency theory support the argument raised in the study.

2.9 Summary

This chapter covers the literature review of the topic. The literature regarding accounting systems and accounting standards in the developing countries has been discussed. Later on the implementation of IFRS in listed companies of Dubai has been discussed. The reason why the companies need to implement accounting standards has been highlighted. The discussion further proceeds with the discussion on corporate governance. The emergence and need of corporate governance has been highlighted. The reason that why the companies need to adopt certain standards of corporate governance have been highlighted. The discussion proceeds with the role and duties of board of directors and the theories governing corporate governance. At the end a brief discussion has been made regarding the control variable.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The chapter elaborates research methodology used in the current study for conducting data analysis. The research methodology used in this research facilitates the investigations and analyses of the research and is explicated in the following sections. The research methodology facilitates the investigations. Methodology section of the current study is explicated in the following subsections. In this chapter, the research process is elucidated. The research design, the data collection techniques, specification of econometric model and ways to measure the variables are also described. Finally, the chapter a summary is finally presented.

3.2 Research Framework and Hypotheses Development

The proposed framework deals with IFRS adoption and corporate governance practices as independent variables and firm performance as dependent variable. The framework shows that adoption of IFRS has a positive impact over firm performance, if the companies will adopt IFRS their performance can be enhanced (Alsaqqa, 2012). Likewise, by adopting IFRS it becomes easier for the companies to attract foreign investment from the foreign investors, which is the main issue of Dubai. On the other hand, the implementation of corporate governance practices is also very important for the companies. When the companies adopt corporate governance, practices they usually perform well because the chances of frauds are minimized (Al-Matari, Al-Swidi, Bt Fadzil, Fadzil & Al-Matari, 2012). The agency theory also argues the same thing. Agency theory argues about disclosure and independence and quality of the board (Fernando, 2012). Therefore, based on the above discussion the following research framework has been developed:

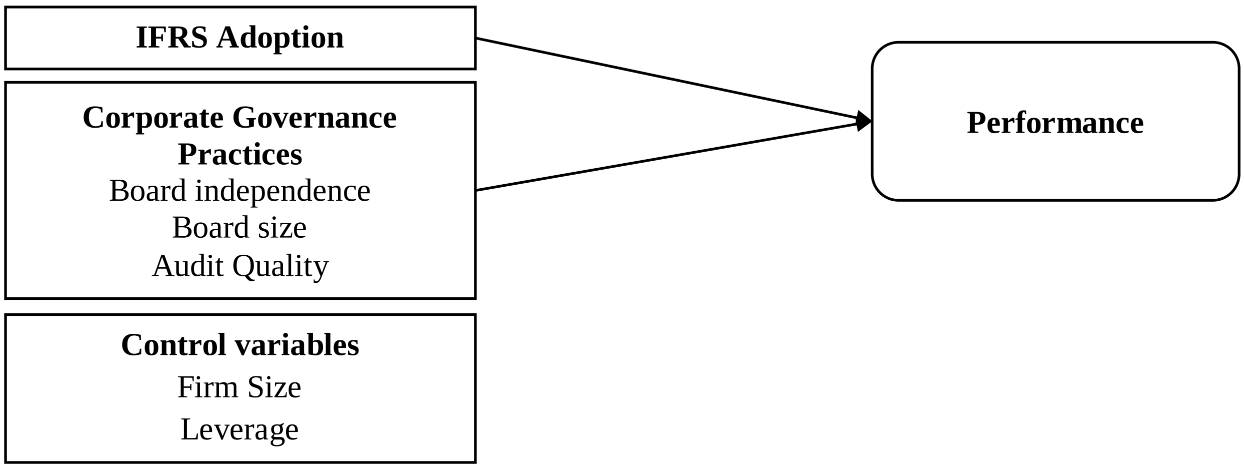

Figure 3.1
Research Framework

Based on the proposed framework and the literature reviewed this study propose following hypotheses:

3.2.1 IFRS adoption and performance of companies.

The basic purpose of IFRS adoption is to improve the quality of financial reporting (Aaker & Jacobson, 1994). By adopting IFRS companies ensure that the financial reporting is up to the international standards, disclosure requirements are fulfilled (Alsaqqa, 2012). The underlying principle behind IFRS is to ensure transparency besides true and fair disclosure (Wu & Zhang, 2009). It automatically improves the performance because the management has to work with diligence which improves the performance of companies (Nichols, Street & Cereola, 2012). Therefore, the proposed hypothesis is as follows:

H$_1$: There is a relationship between IFRS adoption and performance of listed companies in Dubai.

3.2.2 Board Independence and performance of companies.

Board independence shows the numbers of independent directors in board of the company. Higher number of independent directors reduces agency problem (Acharya, Gottschalg, Hahn & Kehoe, 2012). Researchers have confirmed that performance of companies improve in line with the presence of non-executive directors (Aoki, 2013). To fulfill a firm's objectives, an equilibrium between executive and non-executive directors needs to be presented (Beasley, 1996). This maintains that non-executive directors should be excluded, not only in businesses but also from other contacts and affiliations that may influence them from exercising autonomous judgment (Cadbury, 1992). Thus, they should be made independent and separated from management. In the same way, it is asserted that the aim of independent board is to gain maximum number of independent directors in the management team. Therefore, the proposed hypothesis is as follows:

H$_2$: There is a relationship between board independence and performance of listed companies in Dubai.

3.2.3 Board size and performance of companies.

Few researchers have argued that there is a positive relationship between board size and performance of companies (Kyereboah-Coleman & Biekpe, 2006). Furthermore, Nicholson and Kiel (2004) highlighted the relationship between board size and performance of companies, they argued that board size affects firm performance. Additionally, if the board is very large, then cost of administrative expenses will increase and firm performance will decline. However, some studies disapprove by claiming that board size has a negative influence over performance of companies (Mak & Kusnadi, 2005; Eisenberg, Sundgren & Wells, 1998). Therefore, there is a need to further explore the relationship but on the basis of several studies the proposed hypothesis is:

H_3: There is a relationship between board size and performance of companies listed in Dubai.

3.2.4 Audit quality and performance of listed.

Several researchers have argued that audit quality improves performance because audit quality ensures quality reporting which is free of errors and frauds (Becker, Defond & Subramanyam, 1998). Therefore, it would be right to say that audit quality has a positive impact over performance of the companies. In the light of the above discussion the proposed hypothesis is:

H_4: There is a relationship between audit quality and performance of listed companies in Dubai.

3.3 Research Design

In order to achieve the objectives of the research, which was to examine the relationship between the predictors namely, IFRS adoption, board independence, board size, and audit quality over the dependent variable performance of listed companies in Dubai, a regression analysis is conducted to check the relationship among the variables.

The output of the regression analysis will demonstrate the best predictions of the dependent variable from a set of explanatory variables.

The Proposed equation is as follows:

$$\textbf{FIRMPFC} = \alpha 0 + \beta 1 \textbf{ IRFS adoption} + \beta 2 \textbf{ BOARDIND} + \beta 3 \textbf{ BOADSIZE} + \beta 4 \textbf{ AUDQUAL} + \beta 5 \textbf{ FIRMSIZE} + \beta 6 \textbf{ LEV} + \varepsilon$$

Where:

- **FIRMPFC** Firm's Performance
- **IFRS** IFRS Adoption
- **INDDIR** Board of Directors Independence
- **BOARDSIZE** Board Size
- **AUDQUL** Audit Quality
- **FIRMSIZE** Firm size
- **LEV** Leverage
- **α0** denotes constant
- **ε** denotes error term

To assess the explanatory variables of selected dependent variable, implementation of IFRS, board independence, board size, and audit quality have been used. Firm size and leverage have been used as a controlling variables.

3.3.1 Unit of Analysis

Sekaran (2007) and Zikmund, Babin, Carr and Griffin (2012) find that in order to resolve the problem statement of any study, researchers need to explain the level of analyses in addition to the level of aggregations that occur during the data analysis phase after data collection. The analysis level can be discussed at the group, individual, business units and company levels. This study employs the company level as the level of analysis because this level contains the higher level of company structures. In fact, high-level managers act as a set of evaluators of activities of companies (Nonaka & Takeuchi, 1995). In accordance with the objectives of this study, it was compulsory to choose appropriate and reliable companies listed in Dubai.

3.4 Operational Definition of Variables

3.4.1 Return on Assets

ROA as defined by Van Horne and Wachowicz (2008) and Xiao, Yang and Chow (2004) refer to the ratio between the net income and the total assets of the firm. ROA is used to measure profitability or the financial performance of a firm.

3.4.2 IFRS Adoption

IFRS adoption means to what extant the company is following the rules and procedures set by the standard setting bodies. It is adopted to ensure proper and fair evaluation of the financial position of the company (Alsaqqa & Sawan, 2013).

3.4.3 Board independence.

Board independence means the number of independent directors in the board. It is calculated by dividing independent number of director with total number of directors (Beasley, 1996).

3.4.4 Board size.

Board size refers to the number of members in the board of directors in the company (Cheng, 2008).

3.4.5 Audit Quality

Audit quality ensures the reliability of the audit activities done at the company it is measured in terms of the audit company that is providing audit services to the company (Bansal & Sharma, 2016).

3.5 Measurement of the Variables

The measurements for dependent and independent variables and the controls variables are described in the following sections.

3.5.1 Dependent variable

The measurement used to measure performance is ROA. ROA is measured as the ratio between the earning after tax and the entire assets of the firm. Core, Guay and Rusticus (2006) recommended to used ROA which shows operating performance of the company. the main reason behind choosing ROA is that it is relatively lesser affected by leverage or other discretionary income. Also ROA highlights the overall efficiency of assets utilization by firm in term of improving the wealth of shareholder. Nevertheless, if there are low revenue, ROA will also be low; this will also be the case if booked assets are unproductive or expenses are high.

3.5.2 Independent variables

The independent variables of this study (IFRS adoption, board independence, board size, and audit quality) are discussed below:

IFRS Adoption: **(IFRS)** Implementation or non-Implementation of IFRS

Board Independence: **(INDDIR)** Total number of independent directors in the board

Board size: **(BRDSIZ)** Total number of directors on the board.

Audit Quality: **(AUDQUL)** The quality of the audit ensured if one of the big four is conducting the audit.

3.5.3 Control variables

The firm size and leverage will be measured by taking the natural log of total assets of the company.

Firm size: **(FRMSIZ)** The value of total assets was taken and then log of all the values was taken for further analysis.

Leverage: **(LEV)** the leverage of the company is calculated by dividing total debt to total assets.

3.6 Data Collection

The sample consists of non- financial firms that are listed in Dubai Financial Market (DFM) (http://www.dfm.ae/Default.aspx) in the year 2014. Concerning 64 companies, in DFM have been taken. Because of changes in the regulatory requirements, and difference in the characteristics of financial statements, as financial statements of non-financial companies are different, this study excluded banks and other financial institutions as they have a different pattern of financial statements (Alsaeed, 2006). On the basis of the availability of the data, the year 2014 is chosen in this research for non-financial listed companies in Dubai as the data of all the companies for the year 2015 was not available. The annual reports of 2014 shaped the most recent information obtainable at the time of the study. So, the year 2014 is chosen in this research for non-financial companies. Thus, this study based on secondary data. As, this study is based on secondary data so therefore, no need of checking the reliability of the data.

3.6.1 Sampling

Usually the sampling is done when a huge number of population is there (Zikmund, 2007). This study is being conducted on the companies listed in Dubai Financial Market. The entire population consists of 64 companies. Secondly, this study was conducted on non-financial companies only, therefore, banks and other financial institutions have not been included in the study. As a result, eight banks were eliminated from this research. The data of three companies was not available, so, only 53 companies were analyzed. Sample for this research consists of 53 companies only.

3.6.2 Data Collection Procedure

The procedure used to collect the data in this research focused on secondly sources that was to be retrieved from annual reports of companies listed in Dubai Financial Market during the year 2014. Hence, as to answer the research questions, the annual reports of Dubai listed companies was gathered from DFM. Along with saving time, the retrieving of secondary data for information also saves cost. These sources provide considerable information for solving the problem under consideration (Sekaran, 2007). Data stream is employed to collect the financial data, typically ROA, furthermore, the for gathering the data regarding IFRS adoption, board independence, board size, and audit quality has been gathered from the annual reports as well as the websites of the companies.

Concurrently, the goal behind the analyses is the impact of independent variables (IFRS adoption, board independence, board size, and audit quality) that are important to determine performance of companies listed in Dubai stock exchange (ROA).

3.7 Techniques of Data Analysis

The data collected are analyzed using SPSS 22 that consists of descriptive statistics and inferential statistics respectively. It provides the summary and detailed answers of the research questions using the information collected from the companies that are enlisted in Dubai Financial Market.

3.7.1 Descriptive analysis

Descriptive analysis analyses the mean values, minimum and maximum values of the data set, standard deviations, and variance of all the variables employed in this study.

3.7.2 Correlation of Variables

This research establishes the interrelationship between and among variables. The outcomes of correlation analysis depict the natures, directions and significance of the mutual linear association among involved variables that are employed in the research. Pearson's coefficient of correlation is used to analyze the mutual linear association.

3.7.3 Multiple Linear Regression Analysis

This research employs the multiple linear regression analysis to investigate the dependency of dependent variable (ROA) over the independent variables (IFRS adoption, board independence, board size, and audit quality). The analysis includes predictors or explanatory variables that are controlling the effects of control variable in the regression analysis.

3.8 Summary

The methodology employed in this study is explained in this chapter. It includes the measurements and the explanation of the variables employed in this study. The regression model, techniques for collection and analysis of data are illustrated. The discussion of data collection illustrates the population of this study and the sample size. Additionally, SPSS version 22 is employed to analyze the data. The data analysis involves the statistical techniques of correlation, descriptive analysis and regression analysis. The subsequent chapter discusses the results of the research.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the findings based on the analysis of the relationship of CG variables and IFRS adoption and firm performance (measured in terms of ROA). Results of the research are illustrated in the tables found throughout this study. Descriptive statistics are calculated in this chapter to check the normality of the data. After assessing the descriptive the next step that has been checked to confirm the normality is Skewness and Kurtosis. After ensuring the normality of the data, next step was to check the issue of multicollinearity. To identify multicollinearity, initially variable inflation factor and tolerance levels have been measured. After ensuring this cross correlations have been measured. When it was quite sure that the data is normal then R^2 and coefficients have been calculated. To further strengthen the analysis, the assumptions of the regression analysis have been checked and finally multiple regression analysis was conducted. Lastly, the output of multiple linear regressions is discussed. The SPSS V.22 is used for data analysis.

4.2 Descriptive Statistics

The analysis begins with the descriptive analysis of multivariate data in which the mean and standard deviation along with minimum and maximum values have been calculated. Table 4.1 below displays the values of the minimum, maximum, mean, and standard deviations of the collected data. The values appear to be normal and present the normality of the data.

Table 4.1

Descriptive Analysis of Variables

	N	Minimum	Maximum	Mean	Std. Deviation
Variables	Statistic	Statistic	Statistic	Statistic	Statistic
Return on Assets	53	.001	0.185	0.066	0.048
IFRS Adoption	53	0	1	0.530	0.504
Board Independence	53	0.167	0.990	0.533	0.285
Board Size	53	4	11	6.530	1.815
Audit Quality	53	0	1	0.360	0.484
Firm Size	53	3.540	10.180	7.653	1.523
Leverage	53	0.050	0.930	0.669	0.269

In Table 4.1, the descriptive of the variables used in the study is shown. The descriptive analysis reveal that the variables in the model are substantially dispersed as shown in terms of the difference in the minimum and maximum values in between the variables. All the values show that the data is normal as there are no extreme values, which may be termed as out-liers, and secondly the data is not at the same point. This shows that the data is distributed normally and scattered normally.

4.3 Normality Test

Another important measure used to analyses that weather the data is fit for further analysis is to check its normality. For measuring normality skewness and kurtosis are usually measured.

4.3.1 Skewness and kurtosis

Two analyses namely skewness and kurtosis are usually performed to test the normality of the data. The acceptable threshold statistical values (Z) for Skewness and Kurtosis are <3 and <8 respectively (Hair, Black, Babin & Anderson, 2010).

Table 4.2 displays the outcome of the two analyses. The analysis implies that all the value of skewness is located between the ranges of +3 and -3 (Hair, et. al., 2010). Therefore, ROA, IFRS adoption, board independence, board size, audit quality, firm size and leverage are distributed normally as shown by kurtosis statistical value of not more than +8 and -8 (Hair, et. al., 2010). According to (Hair, 2010) this value is accepted and thus the data is capable of further analysis. For better understanding and to be more clear both the values have been found. The values of skewness and kurtosis are shown in table 4.2

Table 4.2

Skewness and Kurtosis

	N	Skewness	Kurtosis
Variables	Statistic	Statistic	Statistic
Return on Assets	53	0.718	-0.346
IFRS Adoption	53	-0.117	-2.066
Board Independence	53	-0.065	-1.544
Board Size	53	0.766	-0.482
Audit Quality	53	0.607	-1.696
Firm Size	53	-0.607	-0.010
Leverage	53	-1.210	0.103

From the table 4.2 which shows the values of skewness and kurtosis for all the variables, the variables seem to be normal and are fit for further analysis. All the values calculated above are in the given level. Thus, there is no harm in saying that the data is quite normal and is ready for further analysis. For further screening and checking the normality of the data diagnostic tests for checking the issue of multicollinearity have been applied.

4.3.2 Tolerance and Variable Inflation Factor

If the outcome of the multicollinearity is high, then one of the variable has to be deleted. This poses a critical issue in multiple regressions due to the challenges that arise in identifying the effect of one variable upon the dependent variable. According to Hair, et. al. (2010), one of the many ways to check for the existence of relationships among independent variables is through multicollinearity test, in which it generally explains how one variable is determined by another variable. A popular method of multicollinearity detection and measurement utilizes VIF to determine the influence of a study's independent variable (Mansfield & Helms, 1982).

It is for this reason that the multicollinearity diagnostics with VIF is chosen when analyzing the multiple regression models. According to Wheeler and Tiefelsdorf (2005), the variance inflates factor (VIF) indicates that an issue with multicollinearity persists if VIF exceeds 10%. Likewise, in cases whereby VIF is more than 10, this signifies that a high correlation is presence among the independent variables and thus poses an issue to multicollinearity Wheeler and Tiefelsdorf (2005). However, when the value of VIF falls below 10%, that independent variable can safely be run in the same model.

According to the table 4.3, it is discovered that all correlation between independent variables are less than 10%. This study finds that all the variables are suitable for study as the value for VIF for all the variables is below 10. Hence, the issue of multicollinearity does not exists in this study, therefore, all the variables can be combined in the same regression equation model. Therefore, it would be right to say that the study reveals absence of multicollinearity as the independent variables are not highly correlated.

Table 4.3

Tolerance and Variable Inflation Factor

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
IFRS Adoption	.765	1.307
Board Independence	.121	5.278
Board Size	.181	4.530
Audit Quality	.509	1.964
Firm Size	.612	1.635
Leverage	.770	1.298

The acceptable threshold level refers to tolerance value greater than 0.10 and VIF value less than 10 (Cornell, 1987; Silver, 1997). From the above table it can been seen that there is no issue of multicollinearity among the variables.

4.4 Correlation Analysis

Correlation analysis is used to establish and examine the degree of mutual linear association among variables involved in the analysis (Wheeler & Tiefelsdorf, 2005). The correlation analysis is the beginning step in the statistical techniques that determines if a mutual relationship between two or more variables exists. For this reason, the correlation analysis used to examine the level and direction of mutual association of variables involved in the study. Cross correlational analysis needs to be conducted before running regression.

The value of the correlation coefficient lies between minus one and plus one. Minus one represents perfect negative correlation whereas, plus one represents perfect positive correlation and a value of zero shows no correlation between two variables. Table 4.4 discloses the values of the coefficient of correlation among IFRS adoption, board independence, board size, audit quality, firm size and leverage with performance of listed companies in Dubai (ROA). If the value of correlation coefficient exceeds 0.90 among the variables, it indicates the occurrence of multicollinearity (Mansfield & Helms, 1982). Furthermore, multicollinearity is an issue in multiple regressions. This issue develops when two or more independent variables are highly correlated with other independent variables. Table 4.4 shows the values of cross correlations.

Table 4.4

Cross Correlations (Pearson)

	ROA	IFRS	BRDIND	BRDSIZ	AUDQUL	F S	FINLEV
ROA	1						
IFRS	0.278*	1					
BRDIND	0.618**	0.451**	1				
BRDSIZ	0.545**	0.332*	0.679**	1			
AUDQUL	0.459**	0.391**	0.640**	0.439**	1		
FS	0.497**	-0.311*	0.563**	0.471**	-0.322*	1	
LEV	0.404**	-0.131	0.301*	0.382**	-0.163	0.380**	1

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

Table 4.4 above depicts the correlations among the variables used in the study. The results indicate that dependent variable namely ROA has a weak link with IFRS as the coefficient correlation is 0.287. The correlation between ROA and board independence is strong and positive as depicted by correlation coefficient value i.e. 0.518. The correlation between ROA and board size is strong and positive as per the coefficient correlation value i.e. 0.545. ROA has a moderate link with audit quality as represented by the correlation coefficient between them i.e. 0.459. The correlation coefficient between ROA and firm size is moderate as depicted by 0.497. ROA has a moderate link with leverage as represented by the correlation coefficient between them i.e. 0.404.

The next independent variable i.e. IFRS has a moderate link with board independence as its correlation coefficient is 0.451. IFRS has a weak link with board size, as the value of its correlation coefficient is 0.332. IFRS has a moderate positive correlation with audit quality, as its correlation coefficient is 0.391. The correlation coefficient between IFRS and firm size is weak and negative as its correlation coefficient is -0.311. Likewise, the correlation coefficient between IFRS and leverage is weak and negative as its correlation coefficient is -0.131.

Board independence has a strong positive link with board size as shown by the coefficient of correlation i.e. 0.679. Board independence also has a strong positive link with audit quality as shown by the correlation coefficient i.e. 0.640. Board independence has a moderate positive correlation with firm size, as the value of correlation coefficient is 0.563. Board independence has a weak positive link with leverage as shown by the coefficient of correlation i.e. 0.301.

Board size has a moderate and positive relationship with audit quality as the correlation coefficient is 0.439. Board size has a moderate and positive correlation with firm size as shown by the correlation coefficient i.e. 0.471. Board size has a weak and positive relationship with leverage as the correlation coefficient is 0.382.

The correlation between audit quality and firm size is moderate and negative as depicted by the correlation coefficient value of -0.322. Likewise, the correlation between audit quality and leverage is weak and negative as depicted by the correlation coefficient value of -0.163.

The final correlation between firm size and leverage is positive and moderate as depicted by the correlation coefficient value i.e. 0.380. All these correlation coefficients have relationships but these relationships are not that much strong where one variable may be deleted. The relationship among ROA, board independence and board size are significant at 0.01 % level of significance (Rodgers & Nicewander, 1988). Similarly, the correlation between IFRS adoption and board size have shown a very significant correlation at 0.05 % level of significance (Rodgers & Nicewander, 1988).

4.5 Multiple Regression Analysis

Multiple regression analysis technique is employed to determine the relationships between independent variables (IFRS adoption, board independence, board size, audit quality, firm size and leverage) and dependent variable (ROA) statistically. Two assumptions of multiple regressions tests, namely normality test and multicollinearity tests have already been discussed above which shows that the data is suitable for this analysis.

4.5.1 Assumption of Multiple Regression

Prior to formally initiating the multiple regression analysis, it was vital to examine the basic assumptions underlying the classical linear regression model. Therefore, in order to test the normality and linearity assumptions of the regression model, normality and multicollinearity tests were conducted above and therefore, there is no harm in running the multiple regression as the tests have shown results below the threshold levels.

4.5.2 The Coefficients of Multiple Regression Analysis

After having the surety that the data is suitable for analysis the multiple regression analysis was conducted. By means of multiple regressions, this section elaborates the discussion and analysis of relationships between a performance of companies depicted by ROA and the independent variables depicted by IFRS adoption, board independence, board size, audit quality, and control variables (firm size and leverage).

The outcomes are measured by R^2 and this denotes the effect of independent variables (IFRS adoption, board independence, board size, audit quality, firm size and leverage) over the dependent variable (ROA). According to the R^2 of 56.2%, it can be ensured that above 50% of the relationship with ROA can be determined by the six independent variables while the remaining impact with ROA is determined by other factors. To further strengthen the analysis the value of Durbin Watson has been calculated. The threshold level for Durbin Watson is that the value should be in between 1.5 to 2.5, these rages suggested that the issue of autocorrelation is not there (Fomby & Guilkey, 1978). The calculated value of Durbin Watson is 2.118, which shows that the model is acceptable (Hill & Flack, 1987).

Table 4.5

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.748[a]	0.562	0.540	0.118	2.118

a. Dependent Variable: Return on Assets

b. Predictors: (Constant), leverage, Firm Size, IFRS Adoption, Audit Quality, Board Size, Board Independence

Later on, the coefficients have been calculated to check the hypothesis of the study. In Table 4.6, the analysis of multiple regressions with the dependent variable ROA is illustrated.

Based on the ROA equation as stated in Table 4.6, if company adopts IFRS its performance will increase, if the board independence is increased, similarly the quality of audit also improves the performance of companies. In brief all the variables have a significant and positive influence over the dependent variable.

One important thing that has been observed in the analysis is that among the two control variables firm size has a negative sign which shows negative influence but this influence is not significant as depicted by the t values. On the other hand, the value of leverage is positive which shows a positive influence of leverage as it is significant. Therefore, it would be right to say that one control variable i.e. leverage has a controlling effect over performance of listed companies in Dubai.

Table 4.6

Coefficients

Model	Standardized Coefficients Beta	T	Sig.
(Constant)		-6.916	.000
IFRS Adoption	.105	2.692	.010
Board Independence	.600	6.090	.000
Board Size	.480	5.696	.000
Audit Quality	.097	2.026	.049
Firm Size	-.034	-0.778	.441
Leverage	.082	2.115	.040

a. Dependent Variable: Return on Assets

The results of regression analysis regarding the dependent variable ROA and independent variables (IFRS adoption, board independence, board size, audit quality), and control variables (firm size and leverage) are displayed in Table 4.6. In the following section, the findings are discussed to check the hypotheses that have been drawn to meet the objectives of the study.

4.5.2.1 Hypothesis 1

Based on Table 4.6 this study discovered that ROA is influenced by IFRS adoption and has a significant positive relationship as shown by beta value beta i.e. 0.105 and t value i.e. 2.692. The relationship between the independent variable and the dependent variable is significant. The findings are in support of studies conducted by Capkun, Cazavan, Jeanjean and Weiss (2008). Therefore, hypothesis 1 is supported, that there is a significant relationship between IFRS adoption and performance of listed companies in Dubai.

4.5.2.2 Hypothesis 2

Based on Table 4.6 this study has identified that ROA is influenced by board independence as it has shown a significant positive relationship as depicted by the beta value i.e. 0.600 and t value i.e. 6.090. The relationship between the independent variable and the dependent variable is significant and positive. The findings are in support of Bhagat and Black (1999). Therefore, hypothesis 2 is supported, that there is a positive relationship between board independence and performance of listed companies in Dubai.

4.5.2.3 Hypothesis 3

Based on Table 4.6 this study highlighted that ROA is influenced by board size as it has a significant positive relationship as shown by beta value of 0.480 and t value of 5.969. The relationship between the independent variable and the dependent variable is positive and significant. The results of the study are in association with the findings conducted by Kyereboah-Coleman and Biekpe (2006), Larmou and Vafeas (2009) Connell and Cramer (2010) Yasser, Entebang and Mansor (2011). Therefore, hypothesis 3 is supported, that there is a positive relationship between board size and performance of listed companies in Dubai.

4.5.2.4 Hypothesis 4

Based on Table 4.6 this study has an opinion that ROA is influenced by audit quality and has a significant relationship with ROA of listed companies in Dubai as shown by the beta value of 0.097 and t value of 2.026. The relationship between the independent variable and the dependent variable is positive and significant and is consistent with the results of Weir, Laing, and McKnight (2002). Therefore, hypothesis 4 is supported, that there is a positive relationship between audit quality and performance of listed companies in Dubai.

4.6 Control Variables

For first control variable i.e. firm size it has been observed that it is, showing a negative relationship but it is insignificant (Kyereboah-Coleman & Biekpe, 2006). This clearly shows that control variable has no affect over the performance of listed companies in Dubai. However, for the second control variable, the calculated value is 0.082 and the significance level is 2.115, which shows that there is a significant positive controlling effect of leverage.

4.7 Summary

The results of this study are measured through a variety of tools. The results are discussed and presented in this chapter. In order to validate the data, the assumptions of multiple regressions were fulfilled. For checking the relationship both correlation and regression analyses are conducted. The initial testing regarding the normality of the data was analyzed and the data was found to be normal. Later on the issue of multicollinearity has been checked and the data was free of multicollinearity. All the hypothesis laid in the study to fulfill the objectives of the study have been checked and are found to be significant. The summary of the results has been given in the following table:

Table 4.7

Summary of Hypothesis Testing

Hypothesis	Statement	Findings
H_1	There is a positive relationship between IFRS adoption and performance of listed companies in Dubai.	Positive and Significant
H_2	There is a positive relationship between board independence and performance of listed companies in Dubai.	Positive and Significant
H_3	There is a positive relationship between board size and performance of companies listed in Dubai.	Positive and Significant
H_4	There is a positive relationship between audit quality and performance of listed companies in Dubai.	Positive and Significant

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study is to identify the relationship between IFRS adoption, board independence, board size, and audit quality with performance of listed companies in Dubai. The sample of this study comprised of 64 companies which are listed in Dubai financial market in the year 2014. Primarily, in this chapter, the summary of this study is presented. Secondly, contribution of this study is discussed and finally, the limitations of this study are explained along with the recommendations for future researches.

5.2 Summary of the Study

In examining the effects of IFRS adoption, board independence, board size, and audit quality on firm performance of listed companies in Dubai, this study succeeded in achieving its objectives. It is found that performance of listed companies in Dubai and IFRS adoption is significantly related. This is consistent with previous researches where it is learnt that financial performance of listed companies in Dubai and IFRS adoption is significantly and positively associated (Capkun, Cazavan, Jeanjean & Weiss, 2008). Furthermore, based on the findings, it is discovered that financial performance among Dubai listed firms is enhanced by IFRS adoption.

Meanwhile, board independence and performance of listed companies in Dubai portrays a significant positive association. This is in harmony with the studies conducted by Bhagat and Black

(1999) in which it is realized that an important association exists between board independence and financial performance of listed companies in Dubai.

It is found that board size and performance of listed companies in Dubai is significantly related. This is consistent with previous researches which also demonstrate the same relationship (Kiel & Nicholson, 2003). Furthermore, based on the findings, it is discovered that financial performance among Dubai listed firms is enhanced by board size.

Meanwhile, audit quality and performance of listed companies in Dubai also portrays a significant positive association. This is in harmony with the studies conducted by Weir, Laing, and McKnight (2002) in which it is realized that an important association exists between financial performance of listed companies in Dubai and audit quality.

The control variables in this study (firm size and leverage) along with the independent variables were also analyzed to find out the impact of firm size and leverage have on performance of listed companies in Dubai. On the basis of the regression analysis that is mentioned in Table 4.6 it is depicted that firm size and financial performance of listed companies in Dubai have an insignificant relationship and thus, the size of the firm is unable in determining financial performance of listed companies in Dubai. But on the basis of the regression analysis that is mentioned in Table 4.6 depicts that leverage and financial performance of listed companies in Dubai have a significant relationship and thus, the leverage has a significant controlling effect over the financial performance of listed companies in Dubai.

5.3 Discussion

On the basis of the problems raised in the study that financial crises were caused because of lack of implementation of corporate governance practices and implementation of IFRS. According to the findings of the study, if IFRS is implemented then manipulation will become very difficult. Likewise, the prevalence of corporate governance practices and adequate size of the board will resolve the problems of agency cost. Thus, by implementing corporate governance practices and following IFRS will resolve the issue.

The main contribution of the study is the precise framework; the study contributes to agency theory by giving a limited number of variables that can be catered to enhance performance of the companies. Likewise, the practitioners may also use the findings of the study by concentrating on the significant variables as identified by the study to improve performance of the companies. Therefore, this study has managerial as well as theoretical contribution. The managerial are related to the identification of most significant variables that influence firm performance and theoretical are related to giving a precise framework for the agency theory.

5.4 Limitations of the Study

Results of the research provide numerous insights that may be of great interests for the scholars, government, shareholders, and policy makers.

The study concentrated on only one state Dubai rather than the whole Middle East. The study focused only on non-financial companies. The results of the research may be limited to non-financial companies operating in Dubai only.

This study focused only on ROA for measuring performance, there are several other measures that can be used to measure performance which have been ignored. Only financial performance is catered. This study has ignored Tobin's Q, return on equity, return on investments, customer turnover, turnover of the company and employee turnover, all these are also somehow the measures of performance of the companies.

The important limitation that is primarily associated with secondary studies is also there that identification of several factors is ignored.

5.5 Suggestions for Future Research

On the basis of the findings of the research and the limitations that have been faced while conducting this study several recommendations are outline for future researchers.

Future researches may consider the longitudinal aspect by using the panel or time-series data which will highlight the effect in a longitudinal period.

Furthermore, future researchers may focus on different aspects of corporate governance including other committees and other characteristics of board of directors.

Besides that, it is also recommended that further studies may be conducted in different countries. The basic reason behind this suggestion is that countries differ in environment, cultures, education, policies, legal systems etc.

Moreover, upcoming researchers in the relevant field may also use Tobin's Q, return on equity, return on investment, employee and customer turnover as determinant of performance.

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