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IFRS Adoption, Corporate Governance, and Information Quality: Evidence From KSA

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Abstract: This research evaluates the effectiveness of implementing International Financial Reporting Standards (IFRS) in reducing earnings management in Saudi Arabia (KSA). Recognizing that earnings management is influenced by multiple factors, the study also examines the role of corporate governance in enhancing the reliability of accounting information. Empirical evidence is drawn from a sample of 51 Saudi listed firms observed from 2014 to 2020. Discretionary accruals (DA), estimated using the model by Dechow et al. (1995), serve as a proxy for identifying earnings management. A multivariate regression analysis is then conducted to investigate the relationship between DA, IFRS adoption, and corporate governance structures. The findings reveal that the independence of the board of directors and the audit committee significantly reduces earnings management in Saudi industrial firms. However, other corporate governance factors, such as the size of the board, the size of the audit committee, and the frequency of audit committee meetings, do not exhibit a significant impact on DA. Based on these results, the study recommends implementing mandatory measures to strengthen corporate governance mechanisms, which could further enhance the quality of financial reporting in a developing economy like Saudi Arabia.

Keywords: IFRS, Earnings Management, Discretionary Accruals, Corporate Governance, KSA.

Type: Research paper

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1. Introduction

In the last decade, Saudi Arabia has achieved significant progress in various fields (economic, social, financial, etc.), particularly following the release of its Vision

2020 and Vision 2030 initiatives. On an international scale, Saudi Arabia is a key actor in the Organization of the Petroleum Exporting Countries (OPEC) and is recognized as one of the largest oil producers globally, as well as a founding member of OPEC. Despite being classified as a developing country, Saudi Arabia has become a member of the G20, demonstrating remarkable economic development since 2008. Regarding its legal system, the primary source is Sharia, the Islamic law derived from the Quran and the Sunnah. Saudi Arabia applies Sharia in its daily economic activities as the basis for legislation. Many Islamic values align with principles of good governance, including the prohibition of gharar (excessive risk or uncertainty) and treachery in business transactions. These values promote capital formation, incentivize value-maximizing behavior, and reduce the cost of capital. Furthermore, effective corporate governance requires human resources with professional skills that allow for discretionary decision-making while maintaining transparency and integrity. These principles are fundamental to Islamic finance practices.

Regarding corporate monitoring, three major bodies play a critical role: the Capital Market Authority (CMA), the Saudi Stock Exchange (Tadawul), and the Saudi Organization for Certified Public Accountants (SOCPA). Interest in corporate governance began in 2005 under the oversight of the CMA, tasked with monitoring listed companies. However, the 2006 global financial crisis exposed significant weaknesses in Saudi Arabia's corporate governance code. In response, the code was revised in 2009 and again in 2017 to align with the goals of Vision 2030. These amendments aimed to improve transparency and market efficiency. The revised Saudi corporate governance code appears to draw closer to the Anglo-Saxon model than the continental model, addressing critical areas such as shareholder rights, board composition, and the role of audit committees.

In terms of accounting regulation, Saudi Arabia has developed a local framework since 1986, inspired largely by U.S. accounting and auditing standards. However, in 2013, SOCPA initiated a project to transition to IFRS, with a scheduled plan for adoption by firms outside the financial sector (PwC, 2014). Under this plan, financial institutions were required to adopt IFRS due to SAMA (Saudi Arabian Monetary Authority) regulations. Since 2017, mandatory compliance with IFRS has been implemented for all public limited companies. SOCPA's transition strategy emphasizes full IFRS adoption, with only three exceptions: "promoting financial information relevance, eliminating optional accounting treatments, and avoiding treatments that conflict with Sharia or Saudi national regulations" (PwC, 2014).

Given the significant regulatory and economic changes in Saudi Arabia over the past decade, this study examines the added value of these reforms on the quality of financial information. Specifically, this research evaluates the relationship between IFRS adoption, the efficiency of internal corporate governance mechanisms, and accounting discretionary behavior. This study contributes to academic and theoretical research by highlighting how economic and financial reforms in developing countries can be analyzed and validated in emerging economies. Moreover, it underscores the importance of regulatory and socio-economic specificities when evaluating the role of IFRS in reducing discretionary accruals.

The structure of this paper is as follows: The next section outlines the research hypothesis. Section 3 details the sample and empirical approach. Section 4 presents and discusses the main results. Finally, Section 5 concludes.

2. Literature Review and Hypotheses Development

2.1. IFRS Adoption and Earnings Management

The impact of IFRS adoption on earnings management has been a significant focus for both listed firms and the academic community. Numerous international studies have examined the relationship between IFRS adoption and earnings management, particularly following the mandatory implementation of these standards in the EU in 2005.

Cai et al. (2008) analyze a sample of 32 countries over the period 2000–2006 to assess earnings management. Their findings indicate that both voluntary and mandatory adoption of IFRS reduce managerial discretion in financial statements. Similarly, Barth et al. (2008), studying an international sample of 21 countries, confirm a positive relationship between IFRS adoption and the quality of financial disclosure. Along the same lines, Capkun et al. (2011) conduct a comparative analysis of 29 EU countries, dividing firms into voluntary and mandatory adopters. They concluded that firms voluntarily adopting IFRS before 2005 exhibited less earnings management compared to those adopting IFRS mandatorily in 2005. In Australia, Chua et al. (2012) find that IFRS led to better financial information quality compared to local Australian Accounting Principles. In China, Zhou et al. (2009) observe a reduction in earnings smoothing following IFRS implementation, attributing this improvement to the high quality and reliability of IFRS. Latridis (2010) studies the implementation of IFRS in the UK and found that it significantly constrains managerial discretion, leading to timelier loss recognition and more accurate firm valuation. In Europe, Păşcan (2015) analyzes 30 research articles to examine the impact of IFRS implementation on financial information reliability. The study concluded that institutional and firm-specific characteristics play a significant role in shaping the effects of IFRS adoption. However, some studies have reported negative outcomes. For instance, Jeanjean and Stolowy (2008) find that accounting manipulation increased post-IFRS implementation in France. Similarly, Capkun et al. (2016) observe a rise in earnings smoothing after the mandatory adoption of IFRS in 2005, which they attributed to the flexibility provided by IFRS guidelines.

Although numerous studies have explored the link between IFRS and earnings management, most of the research has focused on developed countries, leaving a gap in the literature for emerging economies. For instance, in South Africa, Ames (2013) find no significant improvement in the quality of financial statements post-IFRS adoption and argued that the value and relevance of major balance sheet components changed substantially after adoption. In Saudi Arabia, empirical studies on IFRS adoption are still limited due to its recent implementation. El Zoubi (2017) examine the potential benefits of IFRS for listed companies in Saudi Arabia through a survey of 78 financial statement preparers and users. The findings suggested significant advantages of IFRS adoption, particularly after Saudi Arabia joined the G20 in 2009. Hassan (2019) compares financial information prepared under IFRS and local Saudi accounting principles, identifying major disparities in financial variables between the two frameworks. Alnodel (2018) analyzes data from 21 insurance companies between 2007 and 2014 and found that improvements in financial information quality were more associated with firm size and profitability than with IFRS adoption itself. More recently, Hashed & Almaqtari (2021) study public Saudi companies to evaluate the joint effects of corporate governance and IFRS adoption on financial statement quality. Their findings revealed that board size, audit committee size, and audit committee meeting frequency negatively impacted the relevance of accounting information, while board and audit committee independence significantly improved it. Given these conflicting results, this study proposes the following hypothesis:

H1: There is a significant association between IFRS adoption and earnings management in KSA.

2.2. Board of Directors' Characteristics and Earnings Management

Jensen and Meckling (1976) argue that the board of directors serves as one of the most important mechanisms for supervising the managerial team and mitigating conflicts of interest. However, literature suggests that the board's effectiveness depends heavily on specific characteristics, such as the independence of its members and its size. Wan Abdullah et al. (2018) highlight that discretionary accounting behavior is significantly influenced by the effectiveness of the board of directors, as measured by size and independence, particularly following IFRS implementation in Malaysia. In Saudi Arabia, Articles 16 to 41 of the Saudi Corporate Governance Code of 2017 provide detailed guidelines for the board's functions, including the nomination of the chairman, the required percentage of independent directors, and the qualifications of board members.

2.3. Board Size

Many scholars argue that firms with larger boards, typically comprising diverse and experienced members, benefit from enhanced monitoring (Akhtaruddin et al., 2009). Conversely, other researchers assert that smaller boards are more effective in communication and coordination, which enhances the transparency and reliability of financial disclosures (Abbott et al., 2004; Al-Shaer et al., 2017). The inefficiency of large boards is often attributed to challenges in reaching consensus on critical decisions, such as improving accounting transparency. Furthermore, larger boards may dilute the sense of individual responsibility among directors. Vafeas (2000) concludes that smaller boards perform supervisory tasks more efficiently than larger ones, while Beasley (1996) finds that board size is positively associated with fraudulent financial statements.

Regarding earnings management, the literature presents conflicting findings. Some studies suggest that firms with larger boards exhibit superior financial reporting policies (Farber, 2005), while others indicate that larger boards are associated with reduced earnings management (Ahmed et al., 2006; Chalaki et al., 2012). Given these mixed results, we propose the following hypothesis:

H2.1: There is a significant association between board size and earnings management in KSA.

2.4. Board Independence

Board independence is a cornerstone of Saudi corporate governance regulation, as highlighted in the Saudi Corporate Governance Code (SCGC). Articles 20 to 28 address various issues related to board independence, requiring boards to annually assess the independence of their members. To reinforce this principle, the SCGC prohibits a CEO from being appointed as the chairman of the board within the first year of their retirement. Additionally, the code mandates that at least one-third of directors be non-executive. Academically, numerous studies suggest that board independence enhances the quality of financial reports. For instance, Ahmed and Duellman (2006) find that independent boards are crucial for reducing agency problems. Xie et al. (2003) demonstrate that board independence significantly mitigates agency conflicts in contractual relationships. Peasnell et al. (2000) show that firms with a higher percentage of independent directors are less likely to manipulate discretionary accruals, as independent directors bring professional expertise, vigilance, and valuable experience to management oversight. Similarly, Klein (2002) finds that financial misconduct significantly declines with a higher proportion of independent directors on boards in U.S. firms. Based on these findings, we propose the following hypothesis:

> H2.2: There is a significant association between the independence of board members and earnings management in KSA.

2.5. Audit Committee Effectiveness and Earnings Management

Besides the board of directors, the audit committee is considered the centerpiece of the corporate governance structure, as it serves as an efficient link between the board of directors and the external auditor. However, the effectiveness of this control mechanism depends heavily on certain characteristics, particularly its independence, size, and frequency of meetings. In Saudi Arabia, since the release of the new Corporate Governance Code (CGC), the establishment of an audit committee has become mandatory for all public Saudi firms.

2.6. Audit Committee Size

In Saudi Arabia, Article 54(a) of the SCGC outlines several aspects of audit committee composition. For example, the committee must have no fewer than three members, who are elected by the shareholders through a general assembly vote. Among the members, at least one must be an independent director, and one must possess expertise in the field of financial accounting. From the existing literature, it is evident that the quality of financial reporting, as proxied by the extent of earnings management, is significantly higher in firms with larger audit committees (Cornett et al., 2008). Conversely, other studies have found no clear relationship between accounting discretion and audit committee size (Baxter & Cotter, 2009; Davidson et al., 2005). Given the mixed empirical findings in the literature, we propose the following hypothesis:

> H3.1: There is a significant association between audit committee size and earnings management in KSA.

2.7. Audit Committee Frequency Meeting

The frequency of audit committee meetings is often cited as a factor that improves financial reporting quality. According to Song and Windram (2004), more frequent meetings are linked to better oversight. Ebrahim (2007) similarly argues that frequent meetings significantly reduce discretionary managerial accounting behavior. However, Xie et al. (2003) report a weak correlation between the frequency of audit committee meetings and earnings management, while Song and Windram (2000) suggest that more frequent meetings greatly enhance the efficacy of the audit committee. On the other hand, studies by Davidson et al. (2005) and Baxter and Cotter (2009) find no meaningful association between the frequency of audit committee meetings and the reduction of earnings management. Based on these inconclusive results, we propose the following hypothesis:

> H3.2: There is a significant association between the frequency of audit committee meetings and earnings management in KSA.

2.8. Audit Committee Independence

Article 54(a) of the SCGC in Saudi Arabia mandates that at least one member of the audit committee must be independent and possess expertise in financial accounting. Additionally, Article 54(b) specifies that the chairman of the audit committee must be an independent director. In academic literature, Knapp (1987) highlights the critical importance of audit committee independence for its effectiveness. Baxter and Cotter (2009) demonstrate that the frequency of earnings management declines with greater audit committee independence. This finding is supported by several studies showing that independent audit committees are associated with lower discretionary accruals (Akhtaruddin & Haron, 2010; Mohamad & Sulong, 2010; Klein, 2002). However, other research, such as Siregar and Utama (2008), reports minimal effects of audit committee independence on constraining earnings management. Based on these findings, we propose the following hypothesis:

> H3.3: There is a significant association between audit committee independence and earnings management in KSA.

3. Methodology

3.1. Sample Selection

Through this research, we aim to explore the impact of IFRS implementation on discretionary accruals in Saudi listed firms. To achieve this, we analyze data from two periods: before and after the adoption of IFRS. Our sample consists of 51 industrial companies listed on the Saudi stock market (Tadawul), covering the period from 2014 to 2020. The data were manually extracted from the annual reports available on the stock market website (https://www.saudiexchange.sa). Table 1 provides details on the main criteria used for sample selection.

3.2. Measurement of Dependent Variable

To measure earnings management, we employ the discretionary accruals (DA) approach. The existing literature offers various models for estimating DA, and for this study, we use the Modified Jones Model (Dechow et al., 1995). This model has demonstrated superior accuracy in detecting earnings management compared to other models. The following equation is used for prediction:

$$ACCR_{it} = \alpha_0 + \alpha_2 (REV_{it} - REC_{it}) + \alpha_2 PPE_{it} + \varepsilon_{it}) \text{ (1)}$$

Where $ACCR_{it}$ is the total accruals; REV_{it} is the change in revenue calculated by the change in sales it is relative to sales it-1; REC_{it} is the change in net account receivable in year t relative to year t-1 and PPE_{it} is the gross value of property, plant, and equipment in year t. and discretionary accruals will be the residuals ε_{it} estimated from equation (1).

Table 1: Sample selection

Initial sample	135 firms
Firms excluded from the sample:	
Financial institutions (banks, insurances....)	17
Nonindustrial companies	25
Companies with missed data (information about corporate governance structure unavailable)	42
Final sample	51

3.3. Measurement of Independent Variables

To examine the impact of IFRS implementation, we generate a model that includes a dummy variable representing IFRS adoption, using panel data. Earnings management, as a managerial behavior, depends on several factors beyond IFRS adoption. Thus, we also investigate the influence of firms' corporate governance structures, focusing on the effectiveness of the board of directors (e.g., size, independence of directors) and the audit committee (e.g., size, independence, and frequency of meetings).

Table 2 summarizes the variables used in the regression analysis and their corresponding measurements. Through this research, we aim to contribute to the understanding of how IFRS implementation and corporate governance practices affect earnings management in Saudi listed firms. Our sample consists of 51 industrial companies listed on the Saudi stock market (Tadawul), covering the period from 2014 to 2020. We manually extracted the data from the annual reports available on the stock market website (https://www.saudiexchange.sa).

Table 2: Variables definition and measurement

Variable Type	**Variables**	**Measuring Tool**	**Variable code**
Dependent Variable	Discretionary accruals	Modified-Jones Model of 1995 (Dechow et al, 1995).	DA
Independent Variables			
1. IFRS adoption decision	IFRS adoption decision	Dummy Variable: 1 = Post-IFRS adoption (2017–2020) 0 = Pre-IFRS adoption	IFRS
2.Effectiveness of the board of directors (BOARD)	Board size Board independence	Number of board members Percentage of non-executive members	BOARDSIZE BOARDINDEP
3.Audit committee effectiveness	Audit committee size	Number of members of the audit committee	AUDCOMSIZE

(AUDCOMCEFF)	Meeting frequency Audit committee independence	Number of the meeting of the audit committee per year Percentage of audit committee members independent	AUDCOMEET AUDCOMIND

The previous variables will be used to conduct our multi-variate regression as following:

$$DA_{it} = \alpha + \beta_1 IFRS_{it} + \beta_2\, BOARD_{it} + \beta_3\, AUDCOMCEFF_{it} + \xi_{it} \quad (2)$$

4. Empirical Results

In this section, we present and explain the main empirical findings derived from statistical tests, including descriptive statistics and multivariate regression. These tests examine our theoretical propositions, particularly the role of IFRS in constraining earnings management within the Saudi context. Data was manually collected from annual reports available on the Saudi stock exchange website (https://www.saudiexchange.sa). Table 1 outlines the main criteria used for sample selection.

4.1. Descriptive Statistics

Table 3 provides descriptive statistics for the 51 Saudi manufacturing firms observed between 2014 and 2020. The mean total assets for the sample are SAR 1.30e+10, with a high standard deviation of SAR 4.56e+10, reflecting variability in firm size. Net income, serving as a performance indicator, has a mean of SAR 6.01e+08, indicating a stable financial condition for the selected industrial firms. The mean value of discretionary accruals, estimated using the Modified Jones Model (-0.0351637), suggests a tendency toward negative earnings management. The size of the boards of directors in the sample ranges from 4 to 15 members, while the audit committees have between 3 and 8 members. These figures highlight the emphasis placed on internal corporate governance structures and compliance with the Saudi Corporate Governance Code of 2017. Furthermore, the observed board sizes align with Article 16 of the Saudi Corporate Governance Code, which mandates that the number of board members be appropriate to the size and nature of the company's activities.

Table 3: Descriptive statistics

Variables	Mean	Std. Dev.	Min	Max
Total assets	1.30e+10	4.56e+10	1.80e+07	3.40e+11
Net income	6.01e+08	2.97e+09	-1.96e+09	3.19e+10
Discretionary accruals	-.0351637	.0073742	-.0649153	-.006466
Board size	8.517964	1.78868	4	15
Audit committee size	3.641566	.9003967	3	8
Number of observations=357 and Period=2014-2020				

4.2. Earnings Management Before and After IFRS Adoption

Before conducting the linear regression, we implemented a comparative analysis of discretionary accruals by dividing the sample into two periods: 2014–2017 and 2018–2020. To assess the significance of differences in earnings management before and after IFRS adoption in Saudi Arabia, we used a student's t-test for means comparison.

Table 4: Comparative analysis of discretionary accruals before and after IFRS adoption in KSA

Variable	Obs	Mean	Std. Err	Std. Dev	95% Conf. Interval
DA before IFRS	153	-0.0338582	0.0007422	0.0081976	-0.0323889 to -0.0353275
DA after IFRS	204	-0.0354325	0.0005572	0.0061541	-0.0343295 to -0.0365356
Difference (Diff)		0.0015743	0.0009533	0.010529	-0.0003129 to 0.0034615
mean(diff) = mean (PREIFRS –POST IFRS) Ho: mean(diff) = 0 degrees of freedom = 121					t = 1.6515
Ha: mean(diff) > 0		Ha: mean(diff) != 0		Ha: mean(diff) < 0	
Pr(T < t) = 0.9494		Pr(|T| > |t|) = 0.10		Pr(T > t) = 0.0506	

The results of Table 4 show that the t-test rejects the null hypothesis of mean equality (t = 1.6515, p = 0.1). A significant variation is observed in the level of discretionary accruals, a proxy for earnings management, before and after IFRS implementation in Saudi Arabia. To further substantiate these findings, we conducted linear regression analyses examining the relationship between earnings management and IFRS adoption.

4.3. Regression Results

We initially estimated both models using fixed effects and random effects to determine the most suitable approach for data analysis. This allowed us to conduct Hausman tests, where the null hypothesis posits no systematic difference between the coefficients estimated by the two approaches. The alternative hypothesis suggests inconsistencies with the random effects coefficients, but both hypotheses are consistent under fixed effects. The Hausman test results for both models (1 and 2) support the null hypothesis at a 5% significance level, indicating that the random-effects model is the more appropriate econometric approach. Consequently, we rely on the random-effects estimation results for subsequent analysis. Table 5 presents the primary regression outcomes (Model 2) using Jones (1991) as an estimator for discretionary accruals (DA), covering the period from 2014 to 2020, before and after IFRS adoption in Saudi Arabia. The R^2 value of approximately 20% aligns with typical findings in similar studies conducted in Saudi Arabia (Hashed & Almaqtari, 2021).

As shown in Table 5, the variable IFRS has a significant negative coefficient (-0.21, p = 0.01), indicating that IFRS implementation reduces earnings management in Saudi industrial firms, thereby supporting Hypothesis 1. This finding aligns with prior studies, including Alnodel (2018) in Saudi Arabia, Barth et al. (2008) in the EU, Chua, Cheong, and Gould (2012), and Zhou, Xiang, and Ganguli (2009) in various Asian countries.

The observed reduction in earnings management can be attributed to the enforcement of high-quality IFRS standards by SOCPA since 2017. Effective enforcement is essential for achieving compliance and ensuring IFRS's role in producing high-quality financial reports (Mbir et al., 2020). Additionally, significant changes in Saudi Arabia's economic context, particularly increased openness to foreign investments, underscore the importance of aligning with international accounting standards to meet economic and political goals. The results also demonstrate that the independence of both the board of directors and the audit committee significantly constrains earnings management. Table 5 reveals negative coefficients for the variables BOARDIND and AUDITCOMMIND, significant at the 5% level, thereby confirming Hypotheses 2.2 and 3.3. These findings are consistent with studies by Klein (2002) and Akhtaruddin & Haron (2010). However, board size and audit committee size, despite negative coefficients, show no significant effect on earnings management, leading to the rejection of Hypotheses 2.1 and 3.1. Similarly, audit committee meeting frequency does not significantly affect earnings management, as indicated by a positive but non-significant coefficient (0.01446, $p > 0.10$), resulting in the rejection of Hypothesis 3.2. This outcome aligns with the findings of Bedard et al. (2004) and Davidson et al. (2005).

In summary, our findings suggest that the impact of corporate governance on earnings management in Saudi Arabia is nuanced, varying across different factors. While the independence of the board of directors and audit committees plays a significant role, other governance features such as size and meeting frequency appear less influential. These results are consistent with broader empirical evidence indicating that country-specific and firm-specific factors significantly shape the effects of IFRS adoption on accounting practices (Larcker et al., 2007).

The specific corporate governance framework in Saudi Arabia, particularly the independence of the board of directors and audit committees, supports the positive impact of IFRS on financial reporting quality. This is facilitated by the mandatory implementation of a robust governance code under the "comply or explain" approach (Alqahtani, 2014). The significant reduction in discretionary accruals observed post-IFRS adoption underscores the alignment of Saudi corporate governance structures with international standards.

Table 5: Multivariate regression results

Variables	**Coefficient**	**Std. Err.**	**Z**	**P>|z|**	**[95% Conf. Interval]**	
IFRS	-.016866***	.0006889	-2.45	0.0014	-.0030369	-.0003363
BOARDSIZE	-.0060345	.0002824	-0.21	0.831	-.0006139	.0004933
BOARDINDEP	-.050023*	.0028618	-0.28	0.09	-.0064114	.0048068
AUDCOMSIZE	-.000279	.0005209	-0.54	0.592	-.0012999	.0007419
AUDCOMIND	-.052645**	.0002242	0.95	0.052	-.0004274	.0004514
AUDCOMEET	.01446	.000356	1.24	0.779	-.0043567	.0005647
Constant	.0216935	.0031586	6.87	0.85	.0155027	.0278843
R2	0.19					

*,**,***denotes respectively significance level at 10%, 5% and 1%.

5. Conclusion

This research examines the impact of IFRS implementation on reducing earnings management, with a particular focus on the internal corporate governance structure in Saudi Arabia. Using panel data from 2014 to 2020, covering 357 firm-year observations from 54 Saudi enterprises, we estimate discretionary accruals as a proxy for earnings management, employing the Modified Jones model. Our findings confirm that IFRS implementation significantly reduces discretionary accruals. This conclusion stems from a comparative analysis of discretionary accruals before and after IFRS adoption, as well as a multivariate analysis of panel data. Regarding corporate governance, the results highlight that the independence of the audit committee and board of directors plays a pivotal role in reducing earnings management. However, board size, audit committee size, and the frequency of audit committee meetings show no significant impact on earnings management within the Saudi context.

This study has important practical implications. Regulators in Saudi Arabia, such as SOCPA and the stock exchange authorities, should prioritize the promotion of effective internal corporate governance structures, particularly focusing on the roles and responsibilities of the audit committee and board of directors. Additionally, the Saudi research community should pursue further studies to refine conclusions in this emerging field, employing robust methodological approaches that account for the unique socio-political context of Saudi Arabia.

Despite its contributions, this research has certain limitations. First, the sample size represents only a subset of Saudi enterprises, potentially limiting the external validity of the findings. Second, the study focuses exclusively on internal corporate governance structures, omitting external governance factors such as audit quality, which could provide a more comprehensive understanding of earnings management. Finally, while this research measures earnings management using discretionary accruals, alternative metrics such as real earnings management could offer additional insights. Future studies should explore these dimensions and consider comparative analyses with other GCC countries that share similar socio-economic contexts. Such research would enhance regulators' understanding of Saudi Arabia's progress in implementing IFRS standards.

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