Compliance with IFRSs' Disclosure Requirements in a Developing Economy

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Abstract: Motivated by the growing importance of compliance with International Financial Reporting Standards' (IFRSs) disclosure requirements around the globe and insufficient research on this area with specific reference to developing economies, this study explores the extent of compliance with applicable IFRS disclosure requirements by top 5 listed companies from all the corporate sectors in Pakistan apart from Financial services sector i.e. Banks and Insurance companies and if they do at all then what are the firm attributes that affect this compliance level. Companies were ranked with respect to their market capitalization for the sample time period of 2012-2016. The attributes that were studied were firm's age, size, leverage, liquidity, profitability, size of auditor and types of Industry. The compliance level in Pakistan ranged from 87% to 100% by different firms and only Size of Auditor was the attribute that showed consistent significant relationship with compliance with IFRS' disclosure requirements showing that firms audited by top 4 audit firms comply more with disclosure requirement. Other attributes showed mixed results during the sample time period. This research doesn't make comparison of compliance level with IFRSs by the companies of selected economy with any other developing markets and is considered as important in highlighting the importance of accounting numbers for investors or other market participants.

Keywords: IFRSs' Disclosure requirements, Compliance, Firm attributes, Industry.

1. Introduction

Growing importance of globalized financial markets increased the demand for accounting information produced as a result of compliance with accounting standards and laws that are more comparable and understandable globally. The main aim of formation of International Accounting Standards Board (IASB) was to develop a single set of accounting standards that are globally acceptable and are high in quality, understandability, comparability and are enforceable (Demir &Bahadir, 2014). IASB has done reasonably well in preparing a unique set of accounting standards that have attained global acceptability with the major breakthrough achieved when European Union made it mandatory for all the listed companies in EU jurisdiction to comply with IFRSs when they are in effect from 2005 and years onward. Although, it was a milestone achieved but compliance level with IFRSs' all disclosure requirements whether mandatory or voluntary is still being tested and debated.

Although in Pakistan it has been mandatory for all the listed companies to comply with applicable IFRS disclosure requirements but it needed to be empirically tested as to whether applicable IFRSs are actually been complied with or are there any lapses. It was also considered as important to test as to whether there are any specific factors that affect the level of compliance with IFRS's disclosure requirements with specific reference to Pakistani companies. This research focused on attitude towards compliance with IFRSs by top five companies in each of 33 sectors of Pakistan Stock Exchange with financial services sector and mutual funds sector excluded. The main motivation was lack of interest shown by all the researchers in this field (Azeem &Kausar, 2011).

The role of International Accounting Standards Board (IASB) is defined as to develop a set of high quality Accounting standards that could form a unified set of accounting principles that are understandable to users of financial statements e.g. investors. According to theory of Efficient Markets, (Fama, 1970) in weak form of efficient market share prices should reflect all publicly available information. Therefore published financial statements are expected to be value relevant i.e. able to help investor in making his investment decision.

Accountancy profession is facing three main challenges in Pakistan. First being Transparency of accounting figures, Second one being Public interest responsibility and the third being responding to diverse need of users. ("Creating Value for Professional Accountants in Business – Pakistan Experience", 2016). This study aims at solving these problems by stressing the need for greater compliance to IFRSs as all IFRSs are designed to tackle the above mentioned issues. If an organization comply with all the mandatory and voluntary disclosure requirements then accounting figures are bound to be transparent which in turn will make sure that public interest being secured through comprehensive information which will lead to satisfaction to whole range of users of financial statements.

The main aim of this research was to investigate whether PSX companies actually comply with IFRSs'/IASs' disclosure requirements in their financial statements and also the extent of this compliance. Another objective is to find any linkage mechanism between important firms' attributes, namely, Age, Profitability, Liquidity, and Size, Type of Industry and Quality of Auditor and compliance level by the sample firms.

Pakistan Stock Exchange has been a flame buoyant market in recent years making headlines across the world as it was ranked in top ten markets in the world and currently in 2016 PSX has been named best market in Asia with KSE 100 index gaining 46per cent as compared to average return of 20per cent in last 10 years. Pakistan Stock Exchange, with total number of listed companies standing at 558 with total listed capital of Rs.1,291,040.41, with Market capitalization of Rs.9,628,514.37 and with average daily turnover of 293 million shares is one of the leading stock markets in the region and globally. There are five distinguished indexes in PSX comprising of leading companies in their respective sectors namely, KSE 100, KSE 30, KM I30, KSE All Share Index and All Share Islamic Index. This makes it absolutely vital to study the role of accounting information in this leading performance. It is considered as important to measure the attitude of investor towards the information presented in financial statements of the entity.

In Pakistan compliance with IFRSs by listed companies is monitored by Institute of Chartered Accountants of Pakistan (ICAP), Securities and Exchange Commission of Pakistan (SECP), Pakistan Stock Exchange

(PSE), State Bank of Pakistan (SBP), Companies Ordinance (1984, 2016) and Code of Corporate Governance

This research has been divided in six sections namely Introduction, Literature review and hypothesis, research design & econometric model, sample selection and data collection, results and discussion and Conclusion.

1.1 Applicable IFRSs and IASs in Pakistan:

In Pakistan as per Companies Ordinance 1984, Securities and Exchange Commission of Pakistan (SECP) has the responsibility of identifying which accounting standards are applicable in Pakistan and specify the date of application. For this study only those standards will be included which were applicable at 30 June 2016.

- IFRS 1 is still not applicable in Pakistan as it is still not adopted.
- IFRIC 4 and 12 provisions are no longer applicable in Pakistan.
- 2009 version of IAS 39 is still applicable in Pakistan.
- IAS 27 and IAS28 (revised) and IFRS 10'11 are only recently adopted i.e. 1st January 2015 and so is the case with IFRS 12 & 13.
- IFRS 9 adoption is still under process.
- No application yet for IFRS 14, 15, 16 & 17

Financial institutions are still not required to comply with IAS 39, 40 and IFRS 7 as they are supposed to follow the rules and regulations of State Bank of Pakistan. IAS 40's applicability is under consideration. A specific guidance has been issued for application of IAS 39 for some specific investments by Insurance companies that differ in some respects from IAS 39. Compliance with some provisions of IAS 21 has been relieved for Power Sector companies e.g. Exchange losses capitalization.

2. Literature Review

(Grossman,1981) and (Milgrom,1981) identified that investors need disclosures to evaluate the share price of the company and if the full disclosure is not given then it is natural for investors to look out for other sources to obtain relevant information which may well be costly. So there is a good chance that investors will be discounting the share price of the company so in order to avoid undervaluation of the share price companies will be inclined towards publishing as much information as possible through disclosures.

(Street et al., 1999) noted after studying the disclosure policies of firms from various countries in year 1996 that firms that purport to comply with all the IFRSs' mandatory disclosures actually lack in compliance with all the disclosure requirements neither they are willing to comply with all the mandatory disclosures.

(Glaum& Street, 2003) carried out a research to study the extent of compliance with both IFRSs and US GAAP in German Market. Their sample was divided between 100 IFRS complying firms and 100 firms that

comply with US GAAP. Results found poor compliance levels with the accounting disclosure requirements with IFRS compliance levels lower then GAAP compliance levels. They found the quality of auditor as an important factor in raising the compliance levels with IFRSs but couldn't find any such evidence for size of the firm and age of the firm.

One of very few IASs compliance level studies with respect to Pakistan, India and Bangladesh was carried out by (Ali et al., 2004) where a weighted compliance index of companies from all three countries was established to measure the compliance level by the firms in these countries and results show that not all the standards are fully complied with and compliance level differs for different standards and for different companies. They concluded that profitability, size and overseas presence affect the compliance levels positively by the firms.

Another important aspect in this research area is to measure the compliance levels with voluntary disclosure requirements of IASs/IFRSs. (Al Saeed, 2006) measured compliance with voluntary requirements by the Saudi firms by creating a compliance index and also hypothesized the relationship between different firm attributes and compliance levels with voluntary requirements. The results show low compliance levels with voluntary requirements with size being the only attribute showing some effect on compliance levels.

(Hodgdon et al., 2009) studied IFRS compliance in 2009 & 2010 by different non US firms with Type of auditors is the only factor that impacts on compliance level with accounting standards requirements.

Another discussion on the relationship between IFRSs voluntary disclosures' compliance and different firm attributes was carried out by (Hossain &Hammami, 2009) with 44 voluntary requirements were studied in light of these attributes but only age, size and complexity are the factors positively related with voluntary compliance with accounting standards by 25 Qatari firms.

(Mishari , 2014) studied the company attributes that may potentially affect the disclosure level by the companies and identified several characteristics/attributes that affect the company's compliance level with accounting standards namely: age, size, leverage, liquidity, auditor's quality, industry etc. and found that these attributes have significant positive impact on companies' compliance level with mandatory IFRS disclosures.

It was also confirmed by (Peterson &Plenborg, 2006) that in absence of disclosures information asymmetry will be created resulting in disturbance of share prices which in turn may affect adversely on companies' cost of capital because lack of disclosures can create demand and supply gap between buyers and sellers affecting the liquidity of equity instruments (Copeland &Glai, 1983); (Gloston& Milgrom, 1985).

Increasing the compliance levels with IAS disclosure requirements helps the evaluation of the firm by investors claiming that if a firm doesn't disclose full information then it must be prepared to discount its share price therefore Proper disclosures reduce the cost of capital, (Diamond &Verrecchia, 1991).

Study of the prior literature on the area made it important to study whether there are any specific factors e.g. Firms' age, size, liquidity, leverage, profitability, size of auditor or type of industry that affect the compliance level with IFRSs' disclosure requirements in Pakistan, as there is no such study with specific reference to Pakistan, or regulatory authorities are able to enforce compliance regardless of any factors

therefore this research focused on above mentioned factors to develop hypothesis depicting the relationship between different Pakistani firms attributes namely, age, profitability, leverage, quality of auditor, size, liquidity, type of industry and compliance with both voluntary and mandatory disclosure requirements.

2.1 Company's Age:

It is evident from prior literature that firms that are established for longer period of time tend to comply more with accounting regulations. Firms in PSX were formed at different point in time and obtained listing at different times so this factor will be studied in detail.

(Mishari, 2014) narrated that firms with greater number of years in existence have better experience and are well versed in managing accounting affairs and are therefore in better position to gain competitive advantage by greater level of compliance while on the other hands younger firms may find it in their advantage to comply as experienced competitors might use it their detriment by exploiting such information.

But (Glaum& Street, 2003) were unable to conclude so after studying the same relationship in German market. (Al-Shammari et al., 2008) found different results in different sample size as the relationship between firm size and compliance level is not significant in full scale GCC sample but it does produce significant results if sample size is reduced to smaller group of companies e.g. 50 PSX firms.

Because of these contradictions in results of studies and considering some variation in ages of PSX companies, safer side of expectation will be to expect that older firms will have higher compliance level then younger ones As a result of above discussion first Hypotheses can be generated

H1= There is a positive relationship between firm's age and its compliance level with IFRSs.

2.2 Liquidity position of the firm:

It has been argued that investors and lenders are more skeptical about the long term prospects of the company that has low liquidity position as they regard their investment as unsafe (Mishari, 2014). To shred their fears off the company has to assure those investors and lenders that despite low liquidity position the company has other assets and resources that can guarantee the safety of their investment in the company and detailed disclosure about company by compliance with IFRSs could be one of the means to provide this assurance therefore firms with low level of liquidity to provide more detailed disclosures then companies with stable liquidity position while on the other hand (Wallace et al., 1994) studying with reference to Spanish firms concluded that high liquidity is negatively correlated with compliance levels. These two justifications help generating our next Hypotheses:

H2= There is negative relationship between Firm's compliance levels with IFRSs and firms liquidity ratio.

2.3 Leverage level of the firm:

Every time management decides to increase its leverage level because of foreseeable risks that are associated with increased leverage as shareholders will inevitably be cautious of impact of increased borrowings on return of their investments and will ask to be compensated for this increased risk raising the cost of equity and depressing share prices (Elbakry et al., 2017). There have also been the studies that investigated the same relationship between compliance levels and leverage level of firms and found no significant relationship between those two variables (Gallery et al., 2008). In light of above discussion the third Hypotheses is generated

H3= There is positive relationship between leverage level of firm and firm's compliance level with IFRSs.

2.4 Size of the firm:

Company size has a direct impact on value relevance through greater compliance levels although this impact may vary in different economies especially the economies which follow the conservative accounting principles (Elbakry et al., 2017) but there are other notable studies e.g. (Graum& Street, 2003) etc. concluded no evidence of any relation between size of the firm and disclosure levels. With the help of above discussion a new Hypotheses is generated

H4= There is positive relationship between size of the firm and compliance level with IFRSs

2.5 Profitability of the firm:

Number of previous studies have studied the relationship between profitability of the firm and its compliance with IFRSs (Singhvi& Desai, 1974) and (Gallery et al., 2008). (Inchausti , 1997) used the same signaling theory and agency theory to explain managerial behavior towards disclosing more information. Managers tend to publish more information when the firm is profitable due to managerial efforts but when the firm is less profitable or even makes losses then they tend to hide relevant information to safeguard their market capitalization while (al-Shammari et al., 2008) etc. studied the relationship between the two variables and found no relationship between two variables. Above discussion helps generating another Hypotheses for this research

H5= There is positive relationship between Firm's profitability and compliance level with IFRSs.

2.6 Size of external auditor:

A well-established positive relationship exists between size of external auditor hired by the company and its compliance with IFRSs as found by (Palmer, 2008). Same is the true for quality of auditor and compliance and disclosure levels.

(Mishari, 2014) studied the relationship of size and quality of external auditor and compliance level and concluded that larger firms have huge presence and affirmed goodwill among investors and other related

groups and any loss of reputation is unaffordable for such firms as it will surely lead to loss of business and distrust among shareholders and future clients. Therefore they make sure that they have rigorous procedures in place that could ensure quality of work and independence from clients. This ensures that they report any discrepancy to shareholders and other market participants immediately which in turn forces company to disclose more and more information as per IFRSs requirements in financial statements.

Since in Pakistan PSX companies can possibly be divided in those companies that are audited by Big 4 firms and those that are audited by non-big 4 firms, it becomes testable that whether size of audit firms have an impact on compliance levels. This facilitates the generation of further Hypotheses

H6= There is positive relationship between a firm being audited by Big Four and its compliance with IFRSs.

2.7 Firm's Industry:

(Keener, 2011) investigated the value relevance of accounting information i.e. earnings an book values across different industries with specific reference to compliance levels and concluded that although no decline has been observed in joint effect of above two variables still marginal value relevance of earnings increased but no change was observed in effect of book values on value relevance

(Oshodin&Chijoki, 2014) studied the value relevance of accounting information of Banking and Petroleum industry companies and they concluded that accounting information as a very relevant measure of value relevance although varies among two industries. Different firms who are operating in different industries are bound to vary in their compliance level with IFRSs as some industries are considered as backbone of economies and contribute a lot to national income and are very important employment, tax and per capita income wise. These industries are naturally expected to be rigorously regulated and monitored for their compliance with IFRSs and therefore will be expected to produce more detailed information than companies operating in other less monitored and regulated industries

(Glaum& Street, 2003) studied the relationship between type of industry in which firm operates and compliance with IFRSs in context of German new Market and they concluded that there exists no statistically significant relationship between the two variables. In light of above discussion another Hypotheses is generated

H7= There is variation in Firm's compliance level with IFRSs among firms of different industries.

3. Research Design & Econometric Model:

All the studies investigating the compliance level with IFRSs' disclosure requirements are in agreement that item based requirements are to be used for verifiable conclusion but the difference lies in opinion on assigning different weights to different disclosure requirements of IFRSs to measure Compliance level or same weights to be used for all the requirements (Chavent et al., 2006) Previously (Cooke, 1989a) noted

that the question of whether to use weighted or un weighted items is best answered by concentrating on focus user group of research. If the research is aimed at satisfying the needs of one user group e.g. investors then weighted index is more relevant as it will highlight the items to be concentrated upon and are more relevant to investors but according to this study if research is aimed at addressing the need of different groups then un weighted index is more relevant as it will give equal focus to need of all the user groups as it is presumed that each disclosure requirement in index is equally relevant to all users of financial statements.

In financial statements each disclosure gives every user of financial statements some sort of important information and this study also focuses on digging deep to find out compliance level with IFRSs' disclosures therefore it can be safely assumed that mandatory and voluntary disclosures are useful and relevant to all users of financial statements.

Considering the above assumption and taking into account (Glaum& Street, 2003) and (Al-Shammari et al., 2008), equal weight will be allocated to every single mandatory and voluntary disclosure requirement that is included in compliance index. If a disclosure is not relevant to the firm by any chance then it will be excluded from weighting system for that firm while if a disclosure is made the assigned code will be *1* and if a disclosure is not made the allocated code will be *0.* Carrying on the research work of studies mentioned above at the top of paragraph all the 1s and 0s will be added together to find the total weight as Total Disclosure Score(TDS) of all disclosures.

$$TDS= \sum_{i=1}^{n} d_i$$

Where

d=1 if an item is disclosed

d=0 if an item is not disclosed

$m \leq n$

although this weighting system of disclosure requirements has its own flaws as noted by (Cooke,1989a) e.g. bringing subjectivity but it is noted that if this weighting system is not followed then an unfair advantage will be bestowed upon very large and well diversified firms by given them more weights then they should actually get. According to this weighting system a firm is not penalized for not disclosing an item as it will be considered as totally irrelevant to the firm. But if an item is found to be relevant and is not disclosed in financial statements then d will be given weight of 0. The following two procedures are considered helpful in removing the bias in weighting systems. These procedures are considered consistent with previous researches namely (Glaum& Street, 2003) and (Al-Shammari et al., 2005).

First procedure will be to thoroughly review the annual reports published by the firm to determine whether any financial disclosure requirements are actually relevant to the firm's business or not. (Cooke, 1989a) claims that this should be done prior to assigning weights to the checklist for the given firm. Two studies (Street & Bryant, 2000) and (Glaum& Street, 2003) see this practice as an opportunity to avoid penalizing

the firm for not complying with disclosure requirements that actually are not relevant to its business activities.

Second procedure will be to make some prior assumption as to which disclosure requirements will be mandatory and which are voluntary for the business. There are always some mandatory disclosure requirements that will be considered mandatory and voluntary for the firm even before the weights assignment procedure starts. (Al-Shammari et al., 2005) quoted an example of mandatory requirement for all the manufacturing concerns to publish information they used as basis of costing the inventory. Since all the manufacturing concerns hold inventory so it can be assumed before the weighting is started the basis of using accounting policy to measure inventory.

After the weights are assigned to all disclosure requirements then for every company an aggregated of all weights will be computed (TDS) as discussed before. Then compliance index will be computed by adding up all the 1s and 0s and then this sum TD will be divided by maximum points (MP) awarded to company if it complies with all the disclosure requirements.

As mentioned earlier MP doesn't include scores for disclosures that is not relevant to entity so for this reason it is very natural that TDS will vary from company to company. And therefore MP will be computed as follows

$$MP = \sum_{i=1}^{n} d_i$$

Where

d= total number of disclosure items expected

n= total required disclosure by the firm.

Therefore score of compliance index (CEX) for any company will be computed yearly by dividing the TDS by total score of disclosures that are applicable to company MP.

(CEX)= $\frac{TDS}{MP}$

3.1 Regression Model for Compliance:

Once the compliance levels are calculated then it must be investigated that why do companies differ with each other with respect to their compliance levels. In order to explain this phenomenon the point to investigate will be the relationship between different Characteristics/attributes identified earlier in the study and every firm's compliance levels with mandatory IFRSs. For this purpose multivariate regression model will be used with self-constructed compliance index as a dependent variable while the characteristic/attributes studied earlier will be acting as independent variables. Panel or time series analysis techniques were ignored because companies and sectors across the years changed as our analysis is based on

top 5 companies from each sector apart from financial services sectors and there was no restriction on variation in companies across the years as companies with highest market capitalization were selected in every year.

Resultant economic model will look like as follows

$(CEX)=f(age, liquidity, leverage, size, profitability, quality\ of\ auditor, industry)$

The regression model is specified as

$$CEX = \beta_0 + \beta_1 Age + \beta_2 Liq + \beta_3 Lev + \beta_4 Size + \beta_5 \Pr ofitability + \beta_6 Auditquality + \beta_7 \sum D_i + \varepsilon \qquad (i)$$

Where

CEX= total score for compliance

$\beta 0$= Intercept

Age= no of years since foundation up to 2012-2016

Liquidity=$\frac{current\ assets}{Current\ liabilities}$ for 2012-2016

Lev=$\frac{Total\ debt}{Total\ equity}$ for 2012-2016

Size= Log values of total assets for 2012- 2016

Profit=$\frac{net\ profit}{average\ equity}$

Quality of auditor= 1 if auditor is big 4 and 0 if not a big 4 firm

Di= Dummy for all industries

Note= For all dummy variables of merged sectors (all the related sector companies have been merged and marked 1 if a company belongs to that sector 0 for otherwise.

4. Sample Selection and Data Collection:

For this study the sample constitutes the top 5 firms with respect to market capitalization selected from each of 33 sectors on Pakistan Stock Exchange with the financial services sector and mutual funds sector excluded. Any sector with less than 5 companies is also excluded as it doesn't serve the purpose of this study. The time table selected for this study is from 2012 to 2016. Data is mainly collected from the annual reports of all the top five companies from each of the selected sectors. OLS Regression analysis is used to test the hypothesized relationship between the firm attributes and compliance levels with IFRS disclosure requirements.

5. Results and Discussion:

5.1 Regression Results:

Table 5.1 represents regression results for all the specified firm attributes acting as independent variables for all the sample years and compliance level as dependent variable. Detailed discussion is included within section 5.3.

Variable	2012	2013	2014	2015	2016
Age	-5.31E	-7.21E**	-4.42E	-6.89E	2.65E
	.0001	3.34E	.0001	5.93E	.0001
Leverage	-.0017	-.0010**	-.0025	.0013	.0002
	.0056	.0004	.0030	.0023	.0010
Liquidity	.0059*	.0008*	1.81E	1.65E	5.20E
	.0033	.0004	201.E	6.31E	.0002
Profitability	.0075	.0017	.0021	.0031	.0093
	.0064	.0016	.0037	.0032	.0073
Quality of Auditor	.0555***	.0957***	.1036***	.0985***	.1000***
	.0117	.0042	.0097	.0041	.0085
Size	-.0076	-.0033*	.0013	-.0014	.0010
	.0051	.0017	.0032	.0030	.0029
A_PD	-.0064	-.0127	-.0138	.0212*	-.0034
	.0234	.0078	.0156	.0118	.0214
C_MD	-.0244	-.0058	-.0118	.0175	.0133
	.0236	.0075	.0147	.0111	.0197
CHEMD	-.0424*	-.0041	-.0039	-.0004	.0120
	.0220	.0078	.0170	.0111	.0197
ELECD	.0064	-.0076	.0162	.0104	.0162
	.0234	.0095	.0144	.0115	.0222
ENGD	-.0530**	-.0044	-.0060	.0200*	.0061
	.0218	.0076	.01441	.0108	.0194

FPD	-.0057 .0210	-.0076 .0075	.0015 .0134	.0072 .0108	.0141 .0199
GI	-.0190 .0239	-.0121 .0086	-.0093 .0150		
HG	-.0315 .0227	-.0034 .0089	-.0144 .0161		
IMD	-.0227 .0239	-.0095 .0075	-.0068 .0153		
O&GD	-.0423 .0283	-.0179* .0094	.0021 .0137	.0037 .0122	-.0011 .0233
PBIOD	-.0152 .0232	-.0109 .0079			
PGD			.0028 .0152	.0072 .0140	.0238 .0215
AAD				.0030 .0108	
FERTD				-.0081 .0109	-.0343 .0197
G_CD				.0061 .0104	-.0072 .0188
P_BD				.0027 .0105	.0271 .0226
PharmD				.0120 .0108	.0197 .0187
S_AD				.0096 .0111	.0190 .0223
S_RD				.0088 .0117	.0251 .0220
T_CD				.0082 .0111	.0078 .0193

					.0204	.1.80E
TCD					.0123	.0242
TSD					.0248**	.0167
					.0108	.0200
TWD					.0145	.0251
					.0105	.0195

Notes: *** for P value less than .01, ** for P values less than .05, * for P values less than .1   Blank boxes for those sectors that didn't   have 5 companies in that respective year.

5.2 Descriptive statistics

Table 5.2 shows Descriptive Statistics for all the data collected for the study.

		Mean	Median	Max	Min	Sd
2012	Age	52	40	157	11	38.4351
	Size	8.171	7.9349	10.4561	6.4639	1.1528
	Lev	.8679	.5019	4.0240	.0063	.9647
	Liquidity	1.8845	1.3013	10.6900	.0377	1.8504
	Profitability	.4340	.2450	5.6500	-.5847	.8468
2013	Age	48.5434	31.5000	158	1	65.2777
	Size	7.5294	7.33789	10.3410	3.1417	1.2811
	Leverage	1.9224	.5910	30.1972	.0034	4.4884
	Liquidity	2.7274	1.5745	30.4150	.0019	4.4548
	Profitability	1.1836	.3552	5.8627	.0141	1.4960
2014	Age	51.2300	48.0000	159	6	31.7842
	SIZE	7.7091	7.4921	10.4140	5.5707	1.1547
	Leverage	.3847	.1408	4.9881	-3.1274	.9894
	Liquidity	211.1522	1.3464	10465	.0424	1479.708
	Profitability	.3612	.2108	6.2582	-.3485	.8850
2015	Age	51.8652	47.00	160	8	35.68
	Size	7.5746	7.4731	10.5321	-.4761	1.7351
	Leverage	.5694	.2812	4.9220	-.5321	.7797
	Liquidity	3.4101	1.3024	3.0400	.02615	3.2200
	Profitability	.3082	.2226	3.9031	-2.3849	.6382
2016	Age	43.3086	39	161	8	30.8300
	Size	7.7142	7.3090	11.0995	4.1486	1.3702
	Leverage	1.1800	.1668	19.7200	3.00E	3.3660
	Liquidity	4.2495	1.3390	176.88	.0089	19.5305

	Profitability	.2768	.2006	3.2570	-1.0894	.5051

The mean value of age in 2012 is 52 while the company with maximum age of 157 years and company with minimum age is 11 years with a standard deviation of 38.4351 and in 2013 the mean value of age is 48.54 year with a maximum co is 158 years and minimum life a company in sample is 1 years with a standard deviation of 65.2. In 2014 the average age is 51.23 years with a highest age of a company at 159 and minimum age in sample is 6 years with a standard deviation of 31.784. In 2015 the mean value of age is 51.8652 with maximum value of 160 and minimum value of Eight years with a standard deviation of 35.68 and in 2016 the mean value of age in sample companies is 43.3086 with maximum value of 161 and minimum values of 8 years with a standard deviation of 30.8300. The above analysis show that although companies have been established around 161 years ago still it has no linkage to compliance levels with IFRS' disclosure requirements apart from 2013 where it shows significant value with p value less than .05.

The mean value of size in 2012 is 8.171 with maximum company with respect to log value of total assets i.e. size is 10.45 and minimum with 6.46 with standard deviation of 1.15 and in 2013 the mean size value is 7.5294 with maximum value of 10.341 and minimum falling to 3.1414 and standard deviation of 1.2811 and in 2014 the mean size value is 7.7091 with maximum value reaching up to 10.4140 and minimum value is 5.570 with standard deviation of 1.1547 and in 2015 the mean value of size is 7.7091 with maximum value of 10.5321 and minimum in negative at -.4761 with standard deviation of 1.735. In 2016 the mean value is 7.3090 with maximum size value is 11.0995 with minimum value is 4.1486 and standard deviation at 1.3702. Despite all these high maximum log values of Size and comparatively reasonable standard deviations Size is not able to influence compliance levels in any year apart from 2013 where it show p value of less than .1.

In 2012 the mean values of leverage is 0.8679 with maximum value of 4.0240 and minimum value of .0063 with a standard deviation of .9647 and in 2013 the mean values of leverage is 1.9224 with a maximum of 30.1972 and minimum of .0034 with a standard deviation of 4.4884 and in 2014 the mean values of leverage .3847 with maximum values of 4.988 and minimum values of -3.1274 and standard deviation of .9894 and in 2015 the mean values of leverage is .5694 with maximum value reaching up to 4.9219 and minimum value of -.5321 and standard deviation of .7797 and in 2016 the mean value of leverage is 1.1799 and maximum value of 19.72 and minimum values of 300E and standard deviation of 3.3695. It is evident that apart from 2013, where leverage has significant impact on compliance with p values of less than .05, it appears that companies with larger gearing levels have no impact on compliance levels and even high geared companies don't feel the need to disclose accounting information for investors.

In 2012 liquidity has a mean value of 1.8845 with maximum liquidity figures 10.69 and minimum figure for any company is .0377 and standard deviation of 1.8504 and in 2013 the mean value of Liquidity is 2.7274 with a maximum reaching to 30.4150 and minimum value down to .0019 and standard deviation of 4.4548 and in 2014 the mean value is 211.1522 with maximum values of 10465 and minimum values of .042 with a a standard deviation 1479.708 and in 2015 the mean values of 3.410 with a maximum value of 3.04E and minimum value of .0261and 3.22E as standard deviation. In 2016 the mean value of liquidity 4.249 with a maximum figure of 176 and minimum figure of .0089 with a standard deviation of 19.5305. According to the Table 5.2 although the mean values and maximum values are increasing but after 2013 the liquidity position failed to show any relationship with compliance with IFRS' disclosure requirements

showing heavy investment in current assets is not enough for companies to disclose information relating to them.

In 2012 the mean values of profitability are .4340 with a maximum figure of 5.6500 and with a minimum figure of -.5847 and standard deviation of .8468 and in 2013 the mean figures of profitability are1.1836 with a maximum figure of 5.8627 and minimum value of .0141 and standard deviation of 1.4960. In 2014 the mean values are .3611 with highest figures of 6.2581 with a minimum figure of -.3485 and standard deviation of .8850. In 2015 the mean values of profitability are .3081 with maximum figure being 3.903 and minimum figure being -2.3849 and standard deviation of .6381. In 2016 the mean values of profitability are .2768 with highest figure being 3.257 and minimum figures at -1.089 and standard deviation of .5051. It appears that despite the high profitability figures Pakistani companies are not willing to give any importance to profitability figures while deciding about their compliance levels with IFRS requirements.

5.3 Hypothesis testing:
Based on above results now the hypothesis developed earlier in this study can be tested and concluded upon.

5.3.1 Results of Hypothesis testing H1:
HI predicted that age is positively related with IFRS mandatory and voluntary requirements i.e. older firms provided more disclosures in their financial statements. Above results for all the years actually deny any such relationship (p,>.1) apart from 2013 where it shows the significance figures at p,<.05 and apart from that shows that age has no significance and not related to level of disclosures in any year.
These results were in line with earlier mentioned studies of (Glaum and Street, 2003) and (Al-Shammari et al., 2008) who were unable to find any such relationship in their respective studies although Al- Shammari results varied with sample size.
Another possible reason will be tougher implementation and monitoring of accounting laws by SECP, SBP and PSE making the age irrelevant as the listed firms in each sector have to comply with applicable accounting disclosure requirements irrespective of when they were formed.
So based on above discussion this study rejects the HI and conclude that age has no significant relationship with compliance with IFRS disclosure requirements.

5.3.2 Results of Hypothesis testing H2:
H2 predicted the negative relationship between firm's IFRS disclosure compliance with its liquidity position. This study found no significant relationship between liquidity position and compliance level in any sample year as shown by (p,>.1). But in 2012 and 2013 the analysis show in Table 5.1 that p, <.1 gives a significant figure partly confirming the H2 but overall it shows no significance.
This result can be supported by previous studies where (Belkaoui and Kahl., 1978) associated higher liquidity with higher level of compliance despite the results being statistically insignificant but on the other hand (Wallace & Naser, 1995), (Owusu-Ansah, 1998), (Owusu-Ansah & Yeoh, 2005) and (Al-Sammari et

al., 2008) concluded that no relationship is found between liquidity position and firm's compliance level with IFRSs.

Another possible reason can be as already mentioned tougher scrutiny by SECP, SBP and PSE who have been very efficient off late in implementing laws and regulation.

Therefore the research rejects the H2 and conclude that there is no significant relationship between firms' liquidity position and compliance level with IFRS disclosure requirement.

5.3.3 Results of Hypothesis testing H3,

H3 predicted the positive relationship between firm's leverage level and its compliance with IFRS disclosure requirements. Again no significant relationship was found in any year between IFRS disclosure requirement compliance and any firms' leverage level as shown by (p,>.1) for all the years apart from 2013 where p figure is less then p,<.05 showing the only significant figure for leverage level but overall there is no significance shown.. These conclusions are in line with studies that studied the same relationship between compliance levels and leverage level of firms and found no significant relationship between those two variables. (Wallace et al., 1994), (Wallace & Naser 1995), (Inchausti, 1997), (Tower et al., 1999), (Ali et al., 2004) and (Gallery et al., 2008).

Based on above discussion and statistical results this study rejects the H3 and conclude that there is no statistically significant relationship between leverage level of firm and its compliance level with IFRS disclosures.

5.3.4 Results of Hypothesis testing H4:

H4 predicted the positive relationship between the PSE firms' size and their higher compliance level with IFRS disclosure requirements. But this study finds no such evidence as indicated by (p,>.1) for all the sample years apart from 2013 where p, <.1 partly confirming H4 but overall no significance is proved. These results are in line with earlier studies in different markets e.g. (Tower et al., (1999), Street &Bryent, 2000), (Street & Gray., 2001) and (Graum& Street, 2003) concluded no evidence of any relation between size of the firm and disclosure levels.

Based on above results this study rejects the H4 and concludes that KSE Firms' size have no statistically relationship with their disclosure requirements.

5.3.5 Results of Hypothesis testing H5:

H5 predicted the positive relationship between PSE firms' profitability level and their compliance with IFRS disclosure requirement. For all the sample years the values of (p,>.1) shows that there exists no relationship between firms profitability level and compliance level with IFRS disclosure requirements.

These finding are in line with (Street &Bryent, 2000), (Street & Gray, 2001), (Graum and Street, 2003) and (al-Shammari et al., 2008) who studied the relationship between the two variables and found no relationship between two variables.

Based on above discussion H5 stands rejected and leaves the profitability level of PSE firms irrelevant as far as compliance level with IFRS disclosure requirements is concerned.

5.3.6 Results of Hypothesis Testing H6:

H6 predicted the positive relationship between top four audit firms in Pakistan and higher disclosure requirements' compliance by top PSE firms in Pakistan. (P, <.01) for all the selected firms for all the years proves this hypothesis as valid as shown by statistical results. This result is further supported by the study of Companies from around the world selected in a sample to create a worldwide sample by (Street & Gray, 2001) to conclude that significant positive relationship exists among compliance with IAS disclosure requirements and size of big five audit firms. Results are also in line with (Hodgdon et al., 2009) so this study accepts the H6 and conclude that there exists a positive relationship between size of audit firms and their compliance levels with IFRS disclosure requirements.

5.3.7 Results of Hypothesis testing H7:

H7 predicted that firms in different industries have different compliance levels with IFRS disclosure requirements. This study found that in 2012 only Engineering sector produced the affirmative results with (p, <.05) and in 2015 p, <.1, Chemical sector showing significance at p<.1 in 2012, Oil and Gas sector producing p<.1, Automobile and Parts sector in 2015 reported p<.1 and Textile spinning sector is showing p, <.05 in 2015 while in other years results were insignificant for all the industries. Overall this result was in line with (Glaum& Street, 2003) who studied the relationship between type of industry in which firm operates and compliance with disclosure requirements in context of German new Market and they concluded that there exists no statistically significant relationship between the two variables. (Street &Bryent, 2000) also studied the same relationship and concluded the same non-significant relationship between the type of industry and compliance level with IAS disclosure requirements.

Based on above discussion and statistical results H7 is rejected and conclusion is drawn that there is no significant relationship between types of industry and firm's compliance level with IFRS disclosure requirements.

6. Conclusion:

Increased role of SECP, SBP and PSE in ensuring that every firm listed on PSE will be monitored rigorously and effective compliance with accounting laws and requirements will be ensured have left most of the acknowledged variables affecting IFRS compliance levels irrelevant to Pakistani companies and only quality of auditor remains a relevant factor which raises questions on effectiveness of firms that are not

included in Big 4 audit firms. This is the area which needs consideration by regulatory bodies in Pakistan. Further researchers have this question to answer as to how to make the audit firms which are not big 4 effective enough to ensure complete compliance with accounting laws which will give unique edge to Pakistani companies.

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