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## **ASSESSING THE IMPACT OF THE MANDATORY CONVERSION TO IFRS ON NET INCOME IN SAUDI ARABIA**

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### **Abstract**

This study examines the impact of the mandatory conversion to IFRS on net income by analyzing the total and individual adjustments to IAS/IFRS in the reconciliations of net income for all Saudi companies listed on the Saudi Stock Exchange (Tadawul). This study uses a content analysis approach to examine the information cited by all companies listed on Tadawul in 2017. The study employs the comparability index for evaluating the impact of IFRS on net income. The results of the study show that there is a negative relationship between the depth of transitional disclosure provided in the reconciliation statements and the impact on earnings; however, the relationship is not significant. Moreover, the results indicate that the conversion to IFRS leads to a statistically significant decrease in 2016 net income for nearly 45.97% of sample firms at a 5% or more materiality level. Further, there is a statistically significant difference in the index values across the various sectors. The study reveals that 5 standards appear to cause significantly different impacts across sectors, which are: IFRS 9, IAS 37, IAS 39, IAS 40 and IAS 41. This study is useful to the accounting, auditing, and investing communities in knowing the impact of the conversion to IFRS on net income and which accounting standards affect companies' net income most.

**Keywords:** IFRS, Mandatory Requirements, Saudi Arabia, Impact, Earnings.