THE IMPACT OF IFRS APPLICATION ON ASYMMETRY ACCOUNTING INFORMATION AND QUALITY OF EARNINGS

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ABSTRACT: *This paper tried to study and analyze the impact of international financial reporting standards (IFRS) application on the asymmetry of accounting information and the impact on the quality of accounting profits. The study used the Saudi insurance sector in the application of the study due to its commitment to adapt IFRS since 2009; the study analyzing period was divided into two periods. The first period was before the application of IFRS (2007-2009), while the second period represents what after the application of IFRS (2010-2012) so it consistent with the goal of the study. The total number of the sample companies has reached (20) companies in each year. The study tested (9) variables in each company for a period of (6) connected years, bringing the total number of views (1080) Shows. Hypotheses testing finding exposed that there is a relationship between the application of IFRS and the asymmetry of accounting information, and there is a significant relationship between the application of IFRS and the quality of earnings after the application of standards and the lack of a relationship before applying the IFRS.*

KEYWORDS: IFRS, Asymmetry Accounting Information, Quality of Earnings.

INTRODUCTION

The world has witnessed rapid developments characterized by dynamism and constant change in most environmental areas in which the accounting system works because of the heightened domestic and international competition and the bankruptcy of many companies and the integration of many of them to form economic blocs facilitated the flow of goods, services and capital, and as a result investors ask for more fair and transparent financial reports which allow them to see events and financial operations that have already occurred. Consequently, accounting must be evolved and improved to meet the new needs of the stakeholders, prompting many organizations and professional bodies in the search for ways to reduce the asymmetry of information and to increase disclosure and transparency of information, which leads to adjust and integrate International Accounting Standards (IAS) to the International Financial Reporting Standards (IFRS) to reduce the gap of asymmetry of information between dealers and users and assist management in obtaining control, measurement and long-term planning (Tawfik, 2011) .

On the other hand, the dependence on the accounting profit figure alone, without taking into consideration what might affect it of factors, may work to reduce the level of quality of earnings, which leads to irrational decisions. Researchers in recent periods focus on the importance of the quality of earnings in decision-making process. They studied factors affecting the quality of earnings through the development of various rules and standards to curb the practices of asymmetry of information (Saleh, 2010).

The problem of asymmetry of accounting information comes as a result of separating ownership from the management (known as agency theory) which leads to acquisition of an investor a special information about the company while there are other investors did not reach them the same information or knowledge, and also management (internal parties) have information about the current and future performance more than investors, creditors and lenders (external parties) which affects the trading volume and liquidity and then the cost of capital and the extension of its negative impact on the quality of accounting earnings.

Many studies have been dealing with the impact of the adoption of International Financial Reporting Standards (IFRS) on both the quality of earnings and the asymmetry of accounting information. In this regard, according to a study (Alzoubi and Selamat, 2010) that developing countries characterized by weak markets and less mature than developed capital markets where regulatory authorities have a limited role, and this leads to more asymmetry of information. And the application of accounting standards in growing markets differs in terms of their application in developed markets, which affect the quality of accounting earnings negatively.

In this regard, several studies have shown that the expansion in the application of IFRS, whether voluntarily or compulsory, works to reduce the phenomenon of asymmetry of accounting information, thereby increasing both the quality of earnings and the quality of financial reporting. The results of previous studies showed an inverse relationship with the asymmetry of information prior to the application of IFRS and a direct relationship after the application IFRS and thus lower asymmetry of information and the high quality of accounting profits (Al-Akra et al, 2010 - Carmona & Marco, 2008- Liu et al., 2011) .

On the other hand, some studies have indicated that there is no impact on the quality of earnings before and after the application of IFRS, due to the presence of a strong system to protect the investor, which in turn is reflected in the high quality of earnings, and the similarity of accounting standards application in these countries with the IFRS (AFaanz, 2009 - Kabir et al., 2010 - Saito and Mayangsari, 2011).

The use of high-quality unified standards is working to increase the quality of financial reporting and thus reduce the levels of asymmetry of information and this has been confirmed by a study (Jiao, et al., 2012), where the study tested the relationship between the application of IFRS and the quality of financial reporting and its impact on the ability of financial analysts. As for the impact of the adaption of IFRS on earnings management, the study (Ramanna and Sletten, 2009) indicates that adaption of IFRS has contributed in reduction of earnings management, which led to a rise in the quality of earnings.

Saudi Arabia is one of the countries that took the initiative in the formulation of national accounting standards suited to the Saudi environment, since 1995 and until 2014 the Saudi Organization for Certified Public Accountants (SOCPA) which subject to the Ministry of Commerce to issue 22 accounting standard and 13 professionally opinions and interpretative to adjust the professional accounting practices (www.socpa.sa). The committee of accounting standards decided to be harmonized with IFRS and the application of standards to all corporate companies as of 2017 or after, and for other companies it is applicable from 2018 or after, the insurance companies have been compelled to apply IFRS starting from 2009.

Importance of the Study

The importance of the study from an academic view represents contemporary accounting issues because of the scarcity of Arab studies and research on the relationship between IFRS and the quality of earnings and accounting information asymmetry, leading researchers think about the subject. As the importance of this study is also to analyze the role of IFRS and their impact on the asymmetry of information and the quality of earnings in order to increase confidence in the financial statements and unification principles and methods of measurement, presentation and disclosure. The importance of the study is represented as:

A. An indication to meet the requirements of international lending companies, to prepare financial statements according to international accounting standards and conditions in the preparation and presentation in order to reduce the chances of asymmetry of information and increase the relevance of accounting information.

B. An opportunity for the transfer of capital and the intensification of international competition as a result of the unification of the IFRS.

C. Helps investors to make rational decisions on investing in companies that apply IFRS.

D. A positive and important point for those responsible in the Kingdom such as the Ministry of Commerce and the Saudi Organization for Certified Public Accountants and the Capital Market Authority about the importance of applying IFRS to all industrial and commercial companies mandatory manner as planned.

Study Problem

In light of the foregoing, and limited Arabic studies that linked IFRS and the quality of earnings and asymmetry of information compared to the enormous quantity of studies made by the developed countries. Researchers build two question:

- What is the impact of IFRS application on the phenomenon of asymmetry of accounting information?

- What is the effect of application of IFRS on the quality of accounting earnings?

Study Objectives

In light of the importance and the problem of the study, the study aims to achieve the following objectives:

A. Identify the dimensions and concepts of IFRS and their significance and potential effects when applied.

B. Identify the dimensions of the concepts of asymmetry of information and the quality of earnings.

C. Analysis of the relationship of IFRS and their impact on the quality of earnings and asymmetry of information.

D. Statistical hypothesis testing to be applied on insurance companies operating in the Kingdom of Saudi Arabia as the only sector which applies IFRS in a legal manner and mandatory.

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STUDY METHODOLOGY

Methodology of the study integrated between two axes. Taking the following sequence:

The first axis: The theoretical approach

This method depends on the inductive and deductive approach by using analytical study in order to prepare the theoretical framework and drafting study problem and assuming hypotheses by reviewing accounting literature according to what could researchers obtained from sources and scientific references related to the subject of study.

The second axis: The applied approach

This approach depends on testing hypotheses using appropriate statistical analyses, which depend on financial statements for insurance companies, which works in the Saudi capital market. Through developing two models to estimate the relationship between IFRS and between each of the asymmetry of accounting information and the quality of earnings.

Study Limitations

The study will not be exposed in details to:

1. Profits management and their causes and motives and effects, because they are not from the goals of the research.
2. The study exposure to the concept of quality of earnings, and alternatives and variables used in measuring and controlling these earnings.
3. The applied study will not use financial statements to all economic sectors in Saudi Arabia, which use local standards due to the lack of transformation for the application of IFRS as mandatory, but it will use only the insurance companies sector that turned to the use of IFRS as of 01/01/2009.

LITERATURE REVIEW

The researchers specify previous relevant studies into two groups as follows:

Group A: Studies are exposed to the impact of the application of IFRS on the asymmetry of information

- (Dimitropoulos et al., 2013) this study tested the effect of the application of IFRS on the asymmetry of information in the date of announcement of the reports and their impact on dividends and stock prices, and applied on Greece companies from 2001 until 2008. The study used financial statements for the number 808 Greece Company. The study found that the application of IFRS has contributed to the decline in earnings management after the application of standards mandatory, and asymmetry of information values decreased. As the study concludes high rate of return on equity 24.7% in the sample companies after the application IFRS. The study used a barometer to measure the asymmetry of information measured by the following equation:

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$EY_{it} = b_0 + b_1 \times R_{it} + b_2 \times D_{it} + b_3 \times R_{it} D_{it} + b_4 DVOL + b_5 D_{it} \times DVOL_{it} + b_6 R_{it} \times DVOL_{it} + b_7 R_{it} \times D_{it} \times DVOL_{it} + \beta \text{ control}_{it} + \gamma \text{ year dummies} + \delta \text{ Industry Dummies} + e_{it}$

whereas:

EY_{it} = is the estimated share price at the beginning of the fiscal year.

R = is the yield buying and selling stock during the fiscal year.

D = variable takes one value when the (R) a negative value and of zero in the case of (R) is positive.

DVOLit = fictitious variable takes the number one in the case of the optional adoption of IFRS and the number zero in the case of compulsory application of the standards.

β control = some regulatory changes, such as the type of industry and the growth rate and the rate of risk and the size of the company and the year.

- (Cormier et al., 2013) the study has shown the relationship between the asymmetry of accounting information and managing profits after the application of IFRS under conditions of uncertainty, results indicate that the earnings management practices leading to a rise in the degree of asymmetry of information, despite application of IFRS, which indicates a positive relationship correlation between earnings management practices and the accounting information asymmetry that are measured by the share price or the extent of the price scale.
- (Jiao et al ,. 2012) the study also dealt with testing the impact of the application of IFRS on the ability of financial analysts to predict earnings accurately. The study used a number of e financial statements in 19 European countries during the period from 2004 until 2006 before applying IFRS and after application since 2007. The study found a rise in the degree of forecasting profits after the application of IFRS, and concluded that there is an existence of an inverse relationship between the application of IFRS and the low degree of asymmetry of information between beneficiaries.
- (Landsman et al., 2012) the study tested the relation between application of IFRS on the increase of the informational content for declared earnings using a sample of financial statements for 11 countries that did not apply IFRS and also in 16 countries applied the IFRS. The study concluded that the informational content of the earnings had risen after the application IFRS, and the application of IFRS has led to reduced information asymmetry due to lower period between the end of the financial period and the announcement of earnings.
- (Liu et al., 2011) the study used number of 870 Chinese companies to measure the asymmetry of information and the quality of earnings before and after the obligation to apply IFRS from the years 2005 to 2008. It used to study the timing of asymmetry of information in the announcement of earnings or losses by the following equation:

$EPS_{it} = B_0 + B_1 \text{Return}_{it} + B_2 \text{Bad}_{it} + B_3 \text{Return}_{it} \times \text{Bad}_{it} + \varepsilon_{it}$

Whereas:

EPS_{it} = represents net earnings per share measured in annual income, as measured by the price per share at the beginning of the year.

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Return = represent natural Allogartem to share annual yield.

Bad = takes one if there is a negative yield and zero yield if there is a positive yield.

The study found low levels of asymmetry of information among users when applying IFRS starting from 2007.

- (Horton et al, .2013) The study aimed to test the effect of the application of IFRS on the accuracy of financial analysts forecast and application on the financial statements in 46 different countries with a total number of hits reached 47209 shows. The results of the study find a significant reduction in the degree of asymmetry of information at the stage of voluntarily application of IFRS.

Based on the above, with respect to the results of many previous studies which showed a relationship, either direct correlation between the application of IFRS and the asymmetry of accounting information, as in the study (Cormier et al., 2013) or an inverse relationship, as indicated by (Landsman et al., 2012) , (Jiao et al ,. 2012) and (Dimitropoulos et al., 2013). And because of the different results of previous studies on the results of that relationship, and to verify the nature of this relationship between the variables under study application in Saudi environment, the researchers has drafted the first hypothesis as follows:

"There is a relationship between the application of International Financial Reporting Standards and the accounting information asymmetry"

Group B: Studies have linked the application of IFRS and the quality of accounting earnings

Many previous studies adopted the effects of the application of IFRS on the quality of financial reports on different terms including the quality of the declared profit, the quality of accounting earnings and the quality of financial or accounting reports. The quality of financial reporting linked to earnings management as the earnings management is the use of unwanted practices by management to effect on the number of earnings declared by exploiting accounting policies and methods. Many of the study’s results that lower earnings management undesirable practitioner leads to higher quality of earnings and the quality of financial reporting, which affects the decisions of stakeholders with investors, creditors and lenders. (Cameron et al., 2011- Watrin & Ullman, 2012)

- (Li, 2010) the study has shown the effect of transform of applying IFRS in European Union countries. A result of that choice of mandatory application of IFRS to EU countries in 2005 has led to a reduction of the cost of equity capital of a sample of companies for 6456 Companies from different countries.

- (Paananen, 2008) it use a sample of 367 Swedish companies applied Swedish accounting standards in 2003 and 2004 and after the application of IFRS in 2005 and 2006. The study found there were some signs of decline in the quality of financial reporting using income smoothing scale and the measure of time recognition of losses as indicators of earnings management after the application of IFRS.

- (Sun et al., 2011) which examines the impact of the application of IFRS on the quality of earnings in the USA environment. The study was applied on three samples of financial statements, first sample represents the number of 1698 registered a foreign company in the

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United States from 23 countries around the world, while the second sample represent the number of 849 registered foreign companies in the United States from 7 countries apply common law as a local criteria, and the third sample includes number of 506 registered foreign company in the United States. The study found that there was no significant difference in the quality of earnings for companies listed in the US market before the application of IFRS and beyond that. According to the absolute value of the optional benefits standards and time of recognition of losses. In addition to an improvement of the quality of the profits after the adoption of IFRS and in accordance with the scale of the target profits and continuity of profits.

- (Ahmed et al., 2013) this study used more than 1,600 companies from 20 countries adopted the IFRS in 2005 in a mandatory way, compared with a sample of companies from 15 countries have not adopted IFRS but it followed the local accounting standards. The study found an increase in earnings management practices due to enhance the opportunity of getting a loan from banks or make profits or avoid the loss, or a high assessment of the shares .The quality of earnings dropped for companies that have adopted the IFRS mandatory compared with companies that have not adopted IFRS. The study used several models to measure the impact of the mandatory adoption of IFRS and the impact on the quality of accounting earnings represented in:

  $Variable_{it} = \alpha + \beta_1 Growth_t + \beta_2 Eissue_t + \beta_3 Lev_t + \beta_4 Turn_t + \beta_5 Dissue + \beta_6 Size + \beta_7\ cf_t +$ Industry FE + Country FE + e_t

  whereas:

  Variable = may represent a change in income before unusual items divided by the asset sizes (ΔNI) or may represent a change in annual cash flow divided by total assets (DCF), or may represent the total benefits divided by total assets (ACC), or may represent an annual flow divided by total assets (CF).

  Growth = the percentage change in sales growth.

  Eissue = the percentage change in the price of ordinary shares.

  Lev = represents the total liabilities divided by the book value per share.

  Dissue = the percentage change in the total liabilities.

  Turn = represent sales divided by total assets.

  Size = represents the natural Allogartem for the market value of the shares.

  Cf = represents annual cash flow divided by the assets.

  Industry = represents the type of industry variable to refer to the application of the standards.

  Country = represents the state variable to point to the application of standards.

- (Rudra and Bhattacharjee, 2012) the study was applied on developing countries environments and used a sample of 67 Indian companies. The study examine the relationship between the application IFRS and the quality of financial reporting through the study of earnings

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management levels with optional benefits model. The study concludes increase in the absolute value of benefits and thus a rise in profits and lower management levels in the quality of financial reporting.

- (Wiesehöfer,2011) the study have addressed the application of IFRS for listed German stock market companies compared with the registered securities market, which adopts a local German accounting standards companies. The study found that the quality of earnings was better in non-listed companies that adopt local standards compared with the registered companies, which adopt IFRS.

- (Cameron et al., 2011) used the number of 500 companies from 2005 to 2008 to measure the impact of the application of IFRS on earnings quality and asymmetry of information through a number of variables. The study concluded that the level of quality profits have not yet improved after adopting the application of IFRS in the Italian private sector companies. In addition, the study showed that the adoption of IFRS increase earnings management practices and thus lower the quality of accounting earnings.

- (Watrin & Ullman, 2012) the study confirmed the results of a study (Cameran et al., 2011), that the transformation of the German accounting standards to IFRS have no impact on the quality of earnings and may lead to decline the quality.

- (Bhattacharya et al., 2013) the study aimed to clarify the relationship between the quality of earnings and the asymmetry of information through the verification of the extent to which the quality of earnings in influencing users information in the stock market. The study used a number of companies in the stock market from 1988 to 2007 to measure the asymmetry of information depends on the price before buying shares and after, and use of dummy variables take number (1) to buy and number (-1) in the case of a sale. The study found that the quality of the negative earnings indicates the high asymmetry of information, and that the diversified quality of earnings affects the asymmetry of information for companies with low information environment, and the asymmetry of information increases at the time of earnings declared.

The researchers believes that as a result of the different results of previous studies regarding the nature of the relationship before and after applying the IFRS, and its impact on the quality of accounting earnings.

The researchers formulated the second hypothesis as follows:

"Quality earnings increased when applying International Financial Reporting Standards"

To test the validity of the second hypothesis, the researchers have been sub-divided the second hypotheses into the following two sub-hypothesis:

The first sub-hypothesis: Quality earnings increased before the application of IFRS.

The second sub-hypothesis: Quality earnings increased after the application of IFRS.

The researchers conclude from the results of the previous studies the followings:

1. Many studies have shown that the mandatory adoption of IFRS had led to regulate the accounting practices and homogeneity in the financial reports and a reduction in the cost of access to information.

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2. Many of the accounting studies agreed that the transition to IFRS effect on the accounting disclosure, make financial statements more comparable among countries and more useful and transparent to its users, and therefore increase investment (investment capacity) in the securities markets.

3. Many studies differed on the impact of the transition to IFRS on the quality earnings, some of which reach a negative correlation as a mandatory application of IFRS. Some other studies found a positive relationship resulting in a decrease or increase in earnings management practices.

4. Many of the previous studies showed that the application of IFRS voluntary has affected the quality of earnings positively more than when it is applied mandatory, which calls for more research to study that relationship.

5. Several studies tested degree of asymmetry of accounting information on the date of declaring the losses and their impact on the quality earnings and stock prices, and agreed that asymmetry accounting information increased after the application of IFRS as well as high quality earnings and lower earnings management practices.

6. Many of the previous studies have shown a positive relationship between the asymmetry of information and the quality of accounting disclosure. In addition, a positive relationship between earnings management practices and asymmetry of information, which affects the quality of profits negatively, as the quality of earnings, increased when the levels of asymmetry of information accounting decreased.

7. Scarcity of Arab studies linking the impact of IFRS on the asymmetry of information and on the quality of earnings. Many of the studies that have used some of the accounting standards that reflect the quality of accounting profits did not provide consistent and uniform results about the nature of this relationship, which calls for the need for the application to different environments, including Arab environment.

The theoretical framework of International Financial Reporting Standards and the asymmetry of information and the quality of accounting earnings

Based on the review of previous studies and researches, the researchers are trying to shed light on:

First: Introduction to International Financial Reporting Standards:

The International Accounting Standards Committee was established in 1973 in order to achieve harmony in the preparation of financial statements in various parts of the world, and in 2001 was the establishment of the International Accounting standards Board (IASB) which developed and modified the previous standards and interpretation and issued International Financial Reporting standards (IFRS) to replace the international Accounting standards (Qadi, Hamdan, 2008).

IFRS is considered as a guide to the application of the accounting practices for preparing financial reporting issued by professional bodies of accounting for an element or specific components in the financial statements or a specific type of accounting operations or events affecting the company's financial position and the statement of income (Tawfiq, Ali, 2011).

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As for the experience of countries that have adopted the application of IFRS, EU countries have adopted IFRS under the ruling, which was issued in 2002, starting from 2005. Where the 27-country start the application because of the benefits of IFRS represented of comparability between the financial statements and to facilitate international investment and help investors to make future financial decisions. As for the United States, experience on the application of IFRS, USA has the largest accounting infrastructure represented in the councils, national bodies, exchange commission and the council of national accounting standards, which began in 1930s of the previous century. After that the establish of Board of Accounting Principles and the Financial Accounting Standards Board (FASB) in 1973. All of these Bodies but they do not adhere to the application of IFRS, which forced the Securities and Exchange Commission (SEC) to allow multinational companies to conduct business in the US exchanges, according to IFRS. American Stock Exchange and FASB take a road map towards the implementation of IFRS for US companies in the coming years so as to be applicable in 2018 (Aljarf, 2012 - Djatej et al., 2012).

Many countries have pursued the application of IFRS, as the number of countries that apply the standards IFRS 138 countries, according to statistics of the IFRS Foundation site in 2014. (www.ifrs.org).

On the other hand, the application of IFRS aims to overcome the differences in the rules and principles of accounting treatments in order to increase confidence in the information contained in the financial statements in order to reduce the asymmetry of information and increase the quality of accounting profits and therefore higher quality financial reporting. In addition to the above, the application of IFRS works to: (Samuel and Manassian, 2011)

• Attract potential investors to meet the requirements of international lenders and finance companies.

• Access to the global capital markets through the development of committed international conditions in the preparation of financial reports and the purpose is working on saving time, effort, and ease of comparisons between the financial statements.

• Provide Susceptibility information in financial reports for comparison because of the unification of the principles and methods of measurement.

• Consistency and harmony in the application of accounting standards and principles, regardless of the nationality of the ownership of the company in order to show the financial rules uniformly and symmetric.

Secondly: The concept and dimensions of the asymmetry of information

Asymmetry of information in the capital market occurs when a company's management is deliberately withholding certain information for investors to use in achieving an extraordinary dividend of the shares owned by them, which leads to the superiority of the management to other parties as a result of the exploitation of their prior knowledge of private information, and also superiority a group of investors (big investors) on another group (small investors), which achieves an extraordinary returns in favor of big investors (Bhattacharya et al., 2013).

On the other hand, a study (Hemant & Chen, 2012) dealt with the phenomenon of asymmetry of information from the perspective of inequality in the possession of certain information between management and external and internal parties so that those parties are working to

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achieve unusual return for management personal benefits and investors and their shares, since the asymmetry is all the information that hurt the company's competitive center and is not available for any of the external beneficiaries regardless of their ties to the company.

Many of the studies and researches has dealt with the impact of asymmetry of information, and the researchers can display as follows :(Hughes et al., 2007 - Chen et al., 2010- Moerman, 2009- Alnaqa, 2009 - Garcia and Bastida, 2010)

1. Asymmetry of information effects between management and investors to adopt a non-ideal policies to hedge against the risks faced by the company's such as market risk and the risk of changing exchange rates.
2. Asymmetry of information effects on the cost of funding in extrusive way and increases the risk of information borne by investors because of their inability to estimate expected returns for their investments.
3. Asymmetry of information leads the management to act, such as:
    - Opportunistic behavior from management because of their possession of inside information in order to increase the company's wealth, rather than investor's wealth and therefore reduce the value of the company.
    - Manage earnings, which affect the quality of earnings and therefore does not reflect the real performance of the company, as earnings management affect the share performance negatively, in addition to the impact of earnings management on many social damage such as the cost of wrong investments and costs of the development of laws to protect the investor's.
4. Asymmetry of information adversely affects the degree of liquidity in the stock market as a result of:
    - Low trading volume among dealers that did not reach them information such as the other parties.
    - Withdrawal of small investors who did not reach them information about trafficking in the shares of a particular company and thereby deprive the big investors of the value of the information that they paid large sums of money in order to get them.
    - Considerable variation in the risk assessment where it enjoys parties that have information on the selection of suitable investment opportunities and on the contrary, the other parties.
5. Asymmetry of information lead to a decline in investment efficiency of available resources, eliminates the trade-off between investment opportunities, and thus lower the volume of investments.
6. The problem of leaking inside information to external parties creates a kind of internal trading information for investment decision.
7. Bad selection or inverse of choice, which is the result of the company's management to know some information that will help them see the current and future situation of the

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company without other outside investors, which the investor pays to search for ways to keep him on his investments safe.

8. Ethical problem of moral hazard because of the separation of ownership from management, which gives benefit to management from this situation in the evasion and blame external circumstances that are beyond their control in the event of damage to the company or the deterioration of its performance.

To obtain and reduce asymmetry of information between users we can achieve many positive features such as:

- Activate the stock market to reach a balanced equity prices and the inability of users to exploit private information in unusual yield, and thus the stock price goes up because the demand increased, thereby the market value of companies will increase.
- Financial analyst's predictions accuracy will increase which inducing investors to buy the shares.
- Increase the number of dealers in the stock market resulting in an increase in trading volume and lower cost of capital.
- Reduce the risk of financial statements asymmetry of information in order to increase transparency and integrity.
- Minimizing the degree of information asymmetries and thus reduce earnings management practices, which will increase the degree of accounting disclosure, thereby increasing the degree of capability of comparing information because the harmony of the accounting practices in all countries.

Third: The conceptual framework dimensions of the quality of earnings

There is a varied concepts of quality earnings in accounting theories with different points of view, the researchers can review some of them, (Bellovary et al., 2005) defined it as the ability of earnings disclosed in the expression of the true performance of the company, also (Lio, Kin, 2008) study showed that the quality of earnings is considered an important barometer to assess the financial situation of economic unity, through the disclosure of the real earnings data and the ability of these data to predict future earnings.

On the other hand, the importance of the quality of earnings is due to the ability of earnings disclosed to express the real earnings for the company, and its usefulness in predicting future profits, and in assessing the financial situation of economic units by investors and lenders and current and prospective creditors. Also can use the quality of earnings as an indicator of the dividend when making investment decisions, where many of the decision makers depend on the annual profits as a basic and most important figure in the financial statements, Although there are several factors may lead to a decline in the quality of earnings such as management of earnings, which leads to irrational decisions because of its focus the size of the profits without focusing on quality (Chen et al., 2006- Tong & Miao, 2011).

In a study (Dechow et al., 2010) exposed to the importance of the quality of the earnings from the corner of the high-quality earnings provide more information about the company's financial performance which are considered appropriate to take a specific decision. Where profits are

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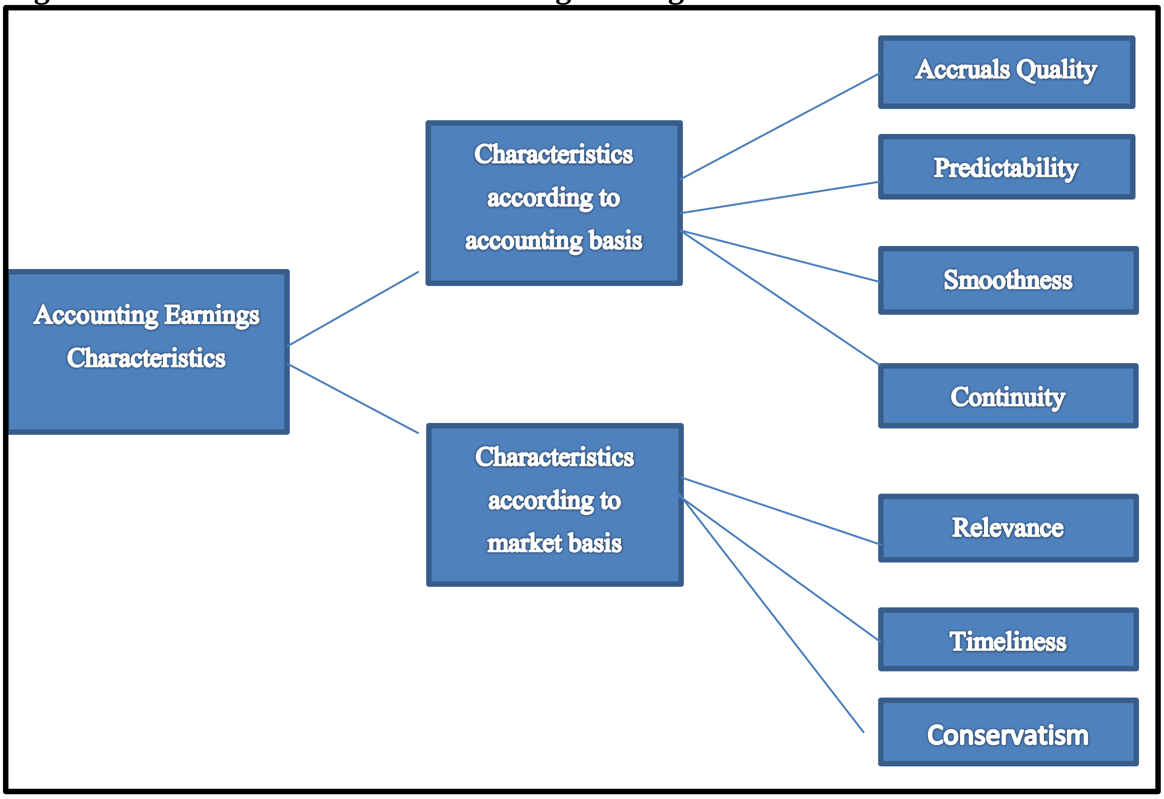
considered high quality if it is measured and disclosed in accordance with the generally accepted accounting principles, to reflect the current operating performance of the company without being influenced by factors beyond control.

Variables and alternatives to measure the quality of accounting earnings:

Many empirical studies adopted many alternatives to measure the quality of earnings, some of them has been associated with each other by using the financial indicators of the published financial statements, such as the relation between profits with cash flows and the elements and components of an accrual basis of accounting, and extent subject to interference management with optional or discretionary accruals, and also other indicators from outside financial statements such as the relationship between accounting profits and dealers variables with stock market.

Many studies and accounting research addressed some characteristics of the profits, which were used as substitutes (Proxies) to measure the quality of accounting earnings, the researcher can explain as in the following figure No.1 : (Ball & Shivakumar, 2008 - Sun et al., 2011- Jiang et al., 2011)

Figure No. 1: Classification of accounting earnings characteristics



As these properties are classified into two sets of characteristics:

A. Characteristics according to accounting basis of accruals quality and the ability to continue, predictability and income smoothing, where these properties depend on accounting and financial measures through cash flow and profits, income and accrual to build estimates and assumptions.

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B. Characteristics according to market basis which is relevance, timeliness and conservatism, since these properties depend on market and financial measures and take profits or prices as the basis for the construction of its estimates based on both the accounting and market data.

On the other hand, (Dechow et al., 2010) study considered one of the most important surveys and reference that dealt with the concept and dimensions of earnings quality, which reviewed many of the previous studies, the results for more than five decades. where the study addressed the most important independent and dependent variables used in measuring the quality of profits, which are summarized and presented by a researchers in the following table No.1 which illustrates the most important of the variables used in measuring the quality of earnings.

Table .1 Dependent variables used in measuring the concept of quality of earnings

Quality Earnings Measure Variables	Theoretical and Intellectual Base	Applied Results
Profits continuity	Higher quality earnings at higher operating profit of cash flows reflecting the continuity of the earnings are more stable	• The use of cash flows to evaluate equity • Continuity of earnings rely on the company's performance stability and correct accounting systems practices • This measurement may lead to the discovery of the extent of the practices for management of earnings
The diversity of size of accruals	The quality of accounting earnings rise in the event of a significant difference to the size of regular accrual for the absolute value of non-regular accrual	• Information can be obtained from accruals in the accounting information system • The results indicate that the non-regular accruals (optional) has been working to decrease the quality of earnings index
Extracted errors from accrual model	This variable is used by relying on statistical methods that show the result of the standard error deliberate as evidence of management earnings	• This model works on the separation between the ordinary and extraordinary accruals components
Smoothing income model	This method is interested in multi-accounting alternatives and that provided by the accounting standards used by the management to reduce the inequality and volatility in the income figures for the different accounting periods and thus higher quality of earnings	• Shows the use of income smoothing as a normal practice in many institutions around the world • Difficulty in separation the financial reports which contain income smoothing as a result of violation of accounting rules or deliberate

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		manipulation of earnings or the results of natural earnings
Timely recognition of losses and asymmetry of information	The quality of earnings rise in when early declaration of the estimated losses of activity, leading to asymmetry of information.	Information asymmetry effect on the quality of earnings in a unclear way due to the announcement of the good news or bad news, leading to an increase or decrease the quality of earnings
The extent of investors' response to earnings	Rising value of the quality of earnings as a result of investors' response to the information of high value, this measurement links between earnings and decision making process for evaluating stock	This variable use earnings response factor or $\mathbf{R}^2$ to determine the extent of response
External indicators to measure the quality of financial reports	Rising value of the quality of earnings when: • Commitment to international standards of accounting and auditing • Do not deliberate distortion and manipulation of data in the financial statements. • Efficiency of internal control procedures.	Previous variables measure the quality of earnings, which affects the quality of financial reporting based on a set of independent variables such as management incentives, the board members, and the presence of chief executive officer of the board of directors, and the presence of audit committees, the number of lawsuits.

(Dechow et al., 2010) study explain the most important independent variables used in measuring the quality of earnings, which are summarized and presented by the researchers in the following figure No.2:

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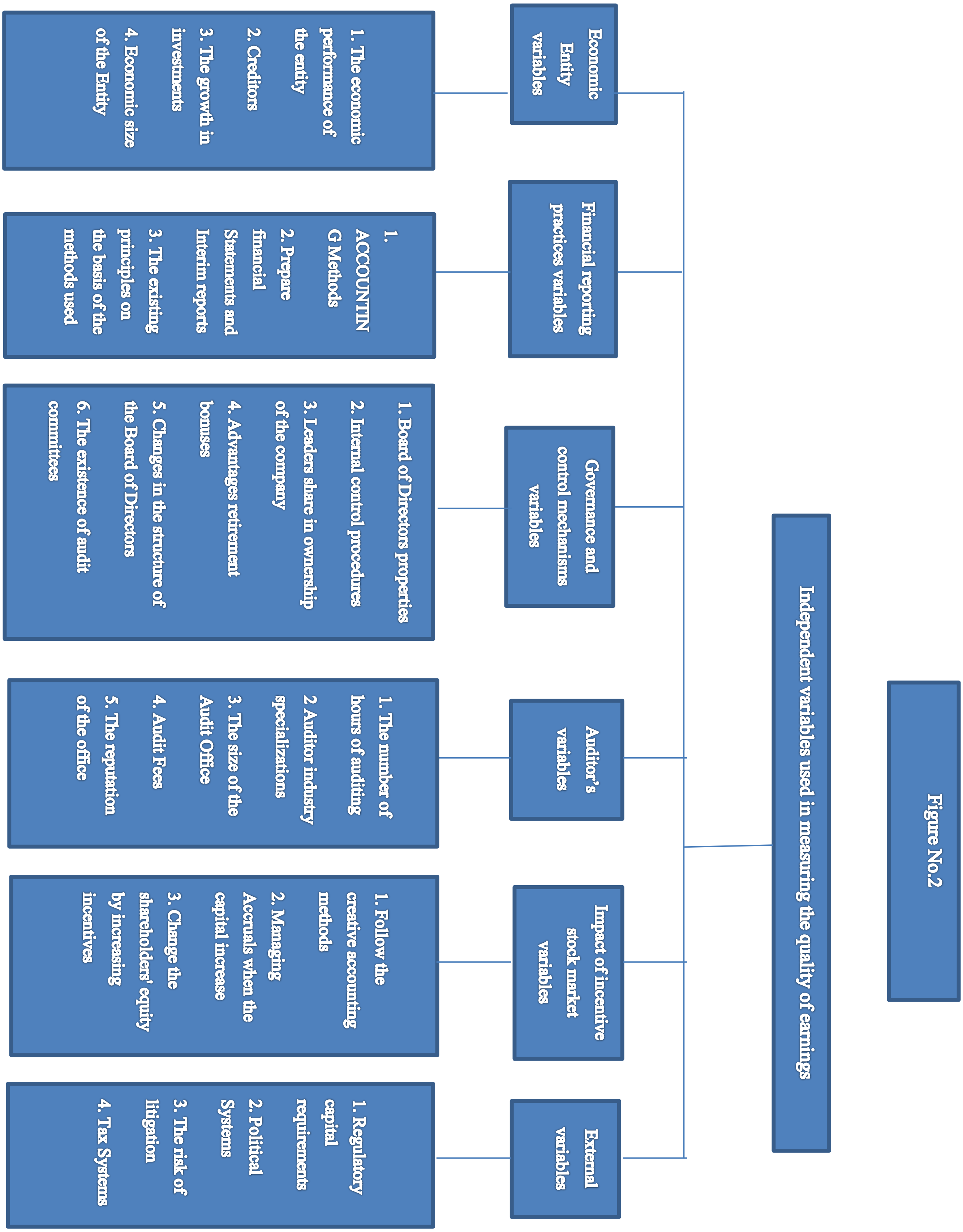
Figure 2 Source: prepared by the researchers, depending on the study (Dechow et al., 2010).



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Researchers conclude the following points were discussed in the theoretical section:

1. That the quality of earnings represents the correlation between profits with normal result for economic entity activity to make them not subject to influence by management in order to show the real picture of current profits are neutral, and to reflect the fair representation of the actual performance and thereby enable management and stakeholders to estimate future profits of that economic unity.
2. The asymmetry of information works to increase the ethical problems among dealers as well as in a reverse information selection of a particular party.
3. Reducing the asymmetry of accounting information works to increase confidence and transparency in the financial statements and reports because of increasing the degree of comparability between the accounting information.
4. Many studies have touched on some of the dependent and independent variables that measure the quality of earnings and used by some previous studies described in this study, the researchers is trying to use some of them to serves the purpose of the study.

Applied Study

Applied study aimed based on what has been presented in the theoretical study to measure the impact of IFRS on the asymmetry of information and the quality of accounting earnings through analyzing financial statements and annual reports for insurance companies in Saudi Arabia. In order to achieve this goal this section will include a study population, data sources collection, models used, and statistical methods used in the statistical analysis to test the hypotheses of the study.

Population and the study sample and data sources

The population study represents Saudi Arabia shareholdings companies which belong to the insurance sector from 2007 to 2012 and its financial statements posted on the stock exchange site "Tadawul". The reason for choosing the insurance sector as a population for the study is a commitment of this sector for the application of IFRS as directed from Arabian Monetary Agency and the Saudi Arabia's Capital Market Authority that it requires the application of IFRS instead of the local Saudi standards as of 01/01/2009.

At data collection, researchers find that the Saudi insurance companies did not applied the IFRS actually until the beginning of 2010, the analysis period will be (6 years) include the three years prior to the application of IFRS from 2007 even to 2009, and three years following the application of standards from 2010 until 2012.

Number of Saudi insurance companies listed on the Saudi stock market at the end of 2012 was (35) company the time of preparing this study, according to "Tadawul" subordinate to Saudi Capital Market Authority's. Researchers have been subject to the following conditions in the selection of the sample companies as follows:

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1. The sample companies are continuing to operate during the years of analysis from 2007 to 2012.
2. The shares of the study sample companies are traded in the capital market during the years of analysis the study.
3. Non-stop trading shares for more than six months during the study period, because of merger or transfer to another activity, so be real and effective financial statements published.
4. Preferably the financial year for companies in the sample ends 31/12 of every year.
5. The annual financial reports for the sample is available through a six-year study period from 2007 to 2012 and notes to financial statements complementary to it.

After application of the conditions mentioned above, the sample companies was limited to 20 insurance companies every year with a (9) variables in each company for a period of (6) connected years, where the total number of views (1080), researchers notes that due to the unified activities of the study sample in one activity, the statistical analysis applied to the study is expected to prevail the results of the study.

The study model and variables

1. Dependent variables:

Researchers relied on two dependent variables based on the goal and the hypotheses of the study:

A. Asymmetry of accounting information:

The asymmetry of information is one of the dependent variables in this study. The current study has been pursuing what have acted study (Dimitropoulos, 2013) and study (Liu, 2011) when measuring the asymmetry of information by the yield on the price of the stock (EPS = earnings per share of net profit for the year).

B. Quality of accounting earnings:

Measuring quality of accounting earnings variable aimed to verify the effect of the application of IFRS to reduce the degree of earnings management and thereby increase earnings quality. There has been used several studies such as the study (Cameran, 2011) and study (Ahmed, 2013) and study (Rudra and Bhattachariea, 2012) models to measure the quality of accounting earnings through measurement of net income to total assets (NI).

2. Independent variable:

The independent variable represents in the application of IFRS and its impact on the asymmetry of information and the quality of earnings, takes the value of one when the application of standards and a zero value in the case of non-application of standards, and it is also used by studies (Cameran, 2011) and study (Barth, 2008).

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3. Regulatory variables:

Researchers relied on the results of many previous studies referenced in determining regulatory variables that affect the measurement models, and the model followed to measure the asymmetry of accounting information contain a number of regulatory changes as follows:

$$EPS= \alpha_0+\beta_1 IFRS + \beta_2 Size+ \beta_3 Lev+ \beta_4 CFO+ \beta_5 Growth + \beta_6 Eissue +\varepsilon_{it}$$

The model also contains some of the following regulatory changes to measure the quality of earnings as a dependent variable:

$$NI= \alpha_0+\beta_1 IFRS + \beta_2 Size+ \beta_3 Lev+\beta_4 CFO+\beta_5 Growth+ \beta_6 Dissue + \varepsilon_{it}$$

These regulatory variables used in the measurement models can be illustrated as follows:

1. The size of the company (Size): This variable is linked to the quality of accounting earnings and asymmetry information, where many of the previous studies, including the study (Ahmed et al., 2013) showed that large-sized companies are trying to maintain its reputation and share price, which contributes to the reduction of management earning practice, as they tend to reduce the value of its assets, which runs on an inverse relationship (negative) with earnings quality, and contrary to what already has large companies facing the size of certain pressure in front of shareholders, or as a result of the imposition of certain laws to manage earnings, where many of the studies, including a study (Paananen, 2008) showed a Positive relationship between the increase in size of the company and the quality of earnings as a result of the application of IFRS and also a negative relationship with the asymmetry of information.

2. The size of leverage (Lev): This variable affects the quality of earnings in which companies that rely on debt in economic activity management, the leverage ratio will rise up, so the management is trying to manage earnings depending on the accruals to avoid the risk of pledges of debt, leading to a negative impact on quality earnings and a positive impact on the asymmetry of information (Dimitropoulos, 2013).

3. Operating cash flows (CFO): This variable is linked to prospects for earnings management in order to evade taxes or some government obligations by reducing gains from the sale of some investment or add losses while calculating operating cash flow, according to a study (Liu et al., 2011) showed that the rise of cash flows size will affects positively the quality of earnings and negatively on the asymmetry of information.

4. Change in revenue growth ratio (Growth): Some studies have shown a positive relationship between revenue growth rate and the quality of earnings (Houqe et al., 2012); some of the previous studies did not show the nature of this relationship (Ahmed et al., 2013).

5. Change in the value of ordinary shares at the end of the year ratio(Eissue): Some studies have shown that the decline in this variable guide on low trading size among dealers and thus high asymmetry of information and vice versa, which is agreed by the results of a study (Ahmed et al., 2013) and (Barth, 2008).

6. Annual change in total liabilities ratio (Dissue): the higher this variable will lead most of the companies to show the debts high to indicate the presence of future receivables, which allows the management the opportunity to practice earnings management, which

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is reflected in the decline in earnings quality and consequently high asymmetry of information and vice versa, this is illustrated by the results of the study (Liu et al., 2011).

In the following table, the researcher's reviews study variables and methods of measurement.

Table .2 The study variables and methods of measurement

Variables	Measurement method
α	The fixed part in the regression equation is considered part of the lump vertical axis y which gives a value to the dependent variable when the value of the independent variable is equal to zero
Dependent variables	
EPS	An annual per-share profits (losses)for the company which is a measure used to denote the symmetry or asymmetry of information
NI	It is used to measure the quality of earnings, which represents net income to total assets
Independent variables	
IFRS	A variable refers to International Financial Reporting Standards, a fictitious variable and takes 1 in the case of application of standards and value (zero) in the case of non-application
Control variables	
Size	It represents the size of the company and measured the natural logarithm of the market value of the shares at the end of the year
Lev	It represents the size of the debt and measured as total liabilities to the book value of the shares at the end of the year (stock ownership rights)
CFO	Measured by net operating cash flows before extraordinary items divided by total assets
Growth	It represents the annual growth rate and measured by the change in the growth rate of revenue in the year
Eissue	It represents the ratio of the annual change in the value of ordinary shares
Dissue	It represents the ratio of the annual change in the total liabilities
ε_{it}	Random variable for regression model

Validity Test data for statistical analysis

The researchers to make the necessary tests it’s important to verify the suitability of the data to test hypotheses through a program SPSS and the results of which are shown below in Table 3.

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Table .3 Validity Test data for statistical analysis

Variables	Kolmgv-Smin		Multicollinearity Test			
			NI		ESP	
	K-S	Prob.	Tolerance	VIF	Tolerance	VIF
Lev	0.010	0.020	0.959	1.042	0.922	1.085
Growth	20.30	0.570	0.926	1.079	0.927	1.079
Eissue	20.10	0.690	-	-	0.906	1.103
CFO	3.50	0.340	0.977	1.023	0.969	1.032
Size	7.40	0.455	0.887	1.128	0.956	1.046
Dissue	2.30	0.297	0.876	1.142	-	-
EPS	1.00	0.087				
NI	20.00	0.570				
Durbin Watson			1.947		1.841	

Source: prepared by the researchers, depending on the statistical results in a significant level 5%

The results of the previous table No.3 showed that all data follow a normal distribution, where the researchers used Kolmogorov-Smirnov Test, one of the nonparametric tests to demonstrate the degree of success of the curve representative of the data with a normal distribution function, and the results showed that all of the study variables are continuous Variables as the potential value Prob. greater than 0.05, except for the leverage variable is not approaching the normal distribution, where the probability is less than 0.05, and to overcome it the researchers use the natural logarithm to approximate to the natural distribution and has reached the value of Prob. To 0.09, the biggest probability Prob. value. 0.05, while the delusive independent variable IFRS is not subject to the normal distribution.

On the other hand, Multicollinearity Test is a test that shows a correlation between the variables of the study using the allowable variation coefficient (Tolerance) and Variance Inflation Factor (VIF) between data. The test results also showed that all the variables of the study does not suffer from the problems in the linear overlap, where results showed coefficients (VIF) it did not exceed the value of five, reflecting the ability of the model to explain the dependent variables without the effect of some variables on the other.

Autocorrelation tests results have shown lack of self-correlation between independent variables and dependent variables using Durbin Watson Test, this test value ranging from (0-4) and the closer the value of zero indicates that the presence of a positive strong correlation, but the result nearby (4) it indicates the presence of a strong negative correlation. The extent appropriate ranges between (1.5-2.5), and the calculated results to test D-W showed that the values (1.841-1.947) within the appropriate range as a sign of lack of self-correlation between adjacent values of variables affect the validity of the study models.

Analyzing the results of descriptive statistics

Table No.4 shows the results of descriptive statistics for time series beginning in 2007 until the end of 2012, this statistical model is based on 8 derived variables from the information contained in the financial statements, researchers has been divided analysis period to two periods the first represent the period before the application of IFRS (2007-2009), while the second represents the period after the application of IFRS (2010-2012) and so is consistent with the goal of the study.

Table .4 : Descriptive statistical analysis of the variables of the study sample

Variables	Before IFRS application 2007-2009				After IFRS application 2010-2012			
	Avg.	Standard deviation	Max value	Min value	Average	Standard deviation	Max value	Min value
EPS	0.540	0.320	8.954	-3.670	0.701	0.207	9.700	-2.760
NI	0.107	0.142	0.665	0.005	0.057	0.017	1.382	0.001
Lev	0.018	0.380	0.395	-0.990	0.845	0.568	2.201	0.002
Growth	7.074	3.275	45.520	-49.930	17.122	7.111	182.00	90.00
Eissue	-0.153	0.121	1.321	-1.261	0.082	0.043	1.314	-0.623
Cfo	0.108	0.120	0.793	-0.886	0.078	0.110	0.776	0.001
Size	19.98	0.848	20.980	17.000	20.141	0.617	21.320	18.84
Dissue	13.55	0.934	95.000	112.00 -0	13.256	0.984	91.900	-110.9

Source: prepared by the researchers, depending on the results of statistical analysis

The previous results reflect the following points:

1. For dependent variables: The average earnings per share values (EPS) increased from 54% before the application IFRS to 70% after the application of IFRS. Which lead to a low degree of asymmetry of information after the application of the standards at medium value (EPS) in addition to the rise in the maximum value of 8.95 to 9.70. Despite a decline in the average value of net income to total assets (NI) of 10.7% before the application of the standards to 5.7% after the application of standards, as a result of lower net income of some sample companies to external causes, but this it is not considered evidence of decreasing earnings management, thereby increasing the quality of earnings.

2. For control variables: The average leverage ratio values (Lev) increased and also the maximum value increased after application of IFRS as evidence of the adoption of some of the study sample variables on debt to finance their operations. Which affect the earnings quality and asymmetry of information. And as a result of the application of IFRS rose the averages of both the proportion of annual revenue values (Growth) and company size (size) and the percentage change in the stock price (Eissue), where earlier variables involved in measuring the quality of earnings and the degree of asymmetry of information. While decreased both the averages of cash flow values (CFO) and the annual rate of change of the liabilities (Dissue) because of the low value of the shares of some of the sample companies.

The statistical analysis for hypothesis of the study

It has been using some appropriate statistical methods in order to study the nature of the data used to build statistical models and interpret the subject field of the study, where the data were analyzed and tested the study hypothesis based on correlation and multiple regression progressive and analysis of variance using SPSS statistical software.

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The first hypothesis test

This first hypothesis state that:

"There is a relationship between the application of International Financial Reporting Standards and the accounting information asymmetry"

To test the first hypothesis, variables can be formulated statistically as follows:

Where:

$\beta_0 = EPS_{after} - EPS_{before}$

$\beta_1 = LEV_{after} - LEV_{before}$

$\beta_2 = Growth_{after} - Growth_{before}$

$\beta_3 = CFO_{after} - CFO_{before}$

$\beta_4 = SIZE_{after} - SIZE_{before}$

$\beta_5 = EISSUE_{after} - EISSUE_{before}$

Also hypotheses can be formulated statistically as follows:

$H0 : \beta_0 = \beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = 0$

$H1 : \beta_0 \neq \beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4 \neq \beta_5 \neq 0$

This hypothesis reflects the imposition of a difference between the values of these variables before applying IFRS, which referred to the researchers before the application, and after the application of IFRS, which referred after the application, which is demonstrated by statistical results.

The researchers tested the validity of the first hypothesis by using one of the tests that are commensurate with the nature of the variables and the period of the study, a " Wilcoxon Test" as one of the non-parametric alternative tests, to test (T) of two independent samples. Test results are presented in Table No.5.

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Table .5 Wilcoxon Test

Variables	Calculated Wilcoxon Test (Z)	Sig. (2-tailed)	Mean Rank		Impact on the asymmetry of information	
			Positive Mean	Negative Mean	Before IFRS Application	After IFRS Application
ESP_{after} - ESP_{before}	-2.540	0.011	30.00	31.67	+	-
LEV_{after} - LEV_{before}	-6.478	0.001	32.64	27.00	-	+
$GROW._{after}$ - $GROW._{before}$	-2.627	0.012	28.92	31.56	+	-
CFO_{after} - CFO_{before}	-2.400	0.016	28.05	31.82	+	-
$SIZE_{after}$ - $SIZE_{before}$	-2.463	0.015	29.01	30.30	+	-
$EISSUE_{after}$ - $EISSUE_{before}$	-2.312	0.021	37.24	22.26	-	+

Source: prepared by the researchers, depending on the statistical results in a significant level 5%

It is seen from the above table that there were statistical significant among the variables as the value of Sig. (2-tailed) less than the level of significance of 5%, where the results showed the following:

- Earnings per share (EPS): It is clear that the average earnings per share (loss) before the application of IFRS are greater than the average earnings per share after application. This indicates a decrease in the degree of asymmetry of information as an indicator of rising stock trading among dealers size , so the asymmetry of information rises extrusive before applying IFRS and decrease after application, this results agree with the results of the study (Landsman et al., 2012).

- The size of leverage (Lev): It is clear that the average ranking of the size of the debt is low before applying the IFRS, while after application of standards rose, indicating a high degree of asymmetry of information, and the result showed a reduction in asymmetry of information prior to the application of IFRS are Reverse, while it rises after the application of the standards, which is consistent with many of the studies, the most important study (Bhattacharjee, 2012) and study (Ahmed et al., 2013).

- Revenue growth (Growth): The results indicate that the average annual revenue growth before applying the IFRS, is larger than (a rise in the degree of asymmetry of information) the average weight of growth after the application of IFRS, which indicates a decrease in the degree of asymmetry of information, which indicate a high trading volume as a result of revenue growth, this result agreed with the results of a study (Dimitropoulos et al., 2013).

- Operating cash flow (CFO): The results show that the average operating cash flow takes valuable elevated before applying the IFRS as an indicator of a high degree of asymmetry of information extrusive, while the results showed an inverse relationship after the application of IFRS, leading in decreasing asymmetry of information, this result is consistent with the study (Liu et al., 2011).

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• Firm size (Size): previous results reflect the average size of the company's assets and they take a high valuables before applying the IFRS, which indicating a high degree of asymmetry of information, while these values fell after the application of standards, and thus there was a decrease in the degree of asymmetry of information, this indicates a positive relationship before applying the IFRS and the asymmetry of information and an inverse relationship after the application, where the asymmetry of information dropped.

• The percentage change in the value of ordinary shares at the end of the year (Eissue): results illustrated that the average annual change of ordinary shares ratio takes valuable high before applying the IFRS as evidence of increasing in trading among dealers , which will reflect on the degree of asymmetry of information to fall, then dropped averages ranks after the application of IFRS, and this shows a decline in trading volume and thus a rise in the degree of asymmetry of information, and this result agrees with the result of the study (Barth, 2008).

After analyzing the previous statistical results, it is clear that there is a directly positive or inverse relationship reflecting the acceptance of first the hypothesis as follows:

"There is a relationship between the application of International Financial Reporting Standards and the accounting information asymmetry"

The second hypothesis test

The second hypothesis states that:

"Quality accounting earnings increase when applying International Financial Reporting Standards"

To test the validity of the second hypothesis, it has been sub-divided into the following two sub-hypothesis:

A. Test of the first sub-hypothesis, which states that:

"Quality accounting earnings increase before application of International Financial Reporting Standards"

It explains the significant relationship between the regression model in each of the independent variables and the dependent variable represented in the quality of accounting earnings before the application of international financial reporting standards.

Table No.6 showed both correlation and multiple regression of the dependent variable (NI) on control variables before applying the International Financial Reporting Standards, in accordance with the previous model and is referred to:

$$\mathbf{NI = \alpha_0 + \beta_1\, IFRS + \beta_2\, Size + \beta_3\, Lev + \beta_4\, CFO + \beta_5\, Growth + \beta_6\, Dissue + \varepsilon_{it}}$$

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Table 6 : Multiple regression results for quality of earnings (NI) variable before applying IFRS

Control variables in the model	Earning quality before Appling IFRS from 2007 to 2009			
	Regression value (β)	T test		Coefficient correlation R
		Value	Sig.	
Fixed part	0.258			
Lev	-0.003	-0.061	0.952	-0.015
Growth	-0.001	-1.010	0.317	-0.160
CFO	0.137	1.476	0.146	0.122
Size	0.018	0.757	0.452	0.109
Dissue	0.000	-0.729	0.469	-0.073
F test		3.169	0.135	
Square correlation R^2 = 0.440				

Source: prepared by the researchers, depending on the statistical results in a significant level 5%

Table (6) addresses independent variables that affect the dependent variable where the results showed the following:

• The size of leverage (Lev): represents that the correlation coefficients had an inverse relationship (0.015-) before the application of the standards, as the low of debts volume which indicate evidence that management follow a less methods of earnings management practices and thus high quality earnings. This result varies with the results of a study (Liu et al., 2011).

• Revenue growth (Growth): was a negative correlation (0.160-) as an indicator of the existence of an inverse relationship with the earnings quality before the application of standards in the sense that the decline in revenues accompanied by a reduction in the quality of earnings, this result came violation as a result of the study (Houqe et al., 2012).

• Operating cash flow (CFO): A positive correlation found (0.122) before the application of international financial reporting standards with the quality of earnings which shows that the increase in operating cash flow has been accompanied by an increase in the quality of earnings, and vice versa.

• Firm size (Size): The results showed the existence of a positive correlation (0.109) with earnings quality before the application of the standards, as the non-application of standards has accompanied by an increase in the size of the company's assets as a result of lower volume of receivables in some sample companies study, and thus increase earnings quality is not true which is shown by a study (Ahmed et al., 2013).

• Change in liabilities (Dissue): The results show the presence of negative correlation before applying IFRS (0.073-) as the low degree of annual change in total liabilities as proof of the high quality of earnings due to lower earnings management practices, and the variable results consistent with the result of the size of leverage (Lev).

The coefficient of determination $\mathbf{R^2}$ was reached a value (0.440) before the application of IFRS as evidence that the model variables explain 44% of the change that occurs in the dependent variable quality of earnings, which is low explanatory value.

After analyzing the previous statistical results, it is clear that there is a lack in the estimated significant regression model before applying the IFRS. Where the results showed lack of regression coefficients in the abstract level 5% through a statistical test, which was greater than 5% in value. As the value of F is also greater than 5%. Which confirms the invalidity of the first sub-hypothesizes and acceptance of a nihilistic form:

"Quality accounting earnings do not increase when applying International Financial Reporting Standards"

B. Test of the second sub-hypothesis, which states that:

"Quality accounting earnings increase after application of International Financial Reporting Standards"

The second sub-hypothesis refers to the presence of significant relationship between the regression model with each of the independent variables and the dependent variable of the quality of earnings after the application of IFRS as in the table (7) according to the model previously referred to which:

$$\mathbf{NI = \alpha_0 + \beta_1\,IFRS + \beta_2\,Size + \beta_3\,Lev + \beta_4\,CFO + \beta_5\,Growth + \beta_6\,Dissue + \varepsilon_{it}}$$

Table .7 Multiple regression results for quality of earnings (NI) variable after applying IFRS

Control variables in the model	**Earning quality after applying IFRS from 2010 to 2012**			
	Regression value (β)	**T test**		**Coefficient correlation R**
		Value	**Sig.**	
Fixed part	3.881			
Lev	0.035	-0.006	0.035	-0.656
Growth	0.065	3.364	0.001	0.447
CFO	0.544	-3.046	0.004	0.517
Size	0.178	1.319	0.044	0.670
Dissue	-0.014	-4.727	0.000	-0.519
F test		7.183	0.000	
Square correlation R^2 = 0.690				

Source: prepared by the researchers, depending on the statistical results in a significant level 5%

Table (7) shows independent variables that affect the dependent variable. The results showed the following:

• The size of leverage (Lev):The results showed a strong negative correlation (0.656-) after the application of IFRS because some of the sample companies commitment to reduce elective accruals to increase the quality of earnings index.

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- Revenue growth (Growth): The results showed a low positive correlation (0.447) after the application of IFRS, where the increase in revenues accompanied by an increase in the quality of earnings. These results consistent with the result of the study (Houqe et al., 2012).

- Operating cash flow (CFO): The results showed that there is a medium positive correlation relationship (0.517) after the application of IFRS, which indicates that the increase in operating cash flow has been accompanied by an increase in the quality of earnings. Which is consistent with the study (Liu et al., 2011).

- Firm size (Size): The results showed the existence of a high positive correlation relationship (0.670) after the application of IFRS as the high volume of the company's assets led to a rise in the quality of earnings as a result of the company's commitment to implement international standards. Which is consistent with the results of a study (Ahmed et al., 2013).

- Change in liabilities (Dissue): The results showed a medium negative correlation relationship (0.519-) after the application of the standards as the low degree of annual change in the total liabilities might affect the quality of earnings to rise. Indicating a decline in earnings management practices.

The coefficient of determination $\mathbf{R}^2$ was reached a value (0.690) after the application of international standards as an indicator that the control variables explain 69% of the variation that appears in earnings quality as a dependent variable.

After analyzing the previous statistical results it is clear that there a good significant estimated regression model after the application of IFRS, where the results showed a significant regression coefficients at the level of 5%, which was less than 5%, and also the value of F less than 5%. Which confirms the validity of the first sub-hypothesizes which states that:

"Quality accounting earnings increase after application of International Financial Reporting Standards"

Based on the results of the statistical analysis of the sub-hypotheses for the second hypotheses, it is clear the acceptance of the second hypothesis.

"Quality accounting earnings increase when applying International Financial Reporting Standards"

Results of the study and recommendations for future research:

Researchers can develop results and recommendations of the study and research proposals as follows:

Results of the study

1. The International Financial Reporting Standards (IFRS) represents a guidebook for accounting practices to increase confidence in the information contained in the financial statements.

2. IFRS works to unify the methods of measurement and comparison to increase the asymmetry of information and increase the quality of earnings.

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3. Asymmetry of information effect on the degree of receiving equal values of information and thus lower trading volume of information among dealers.

4. Asymmetry of information leads the management to manage the earnings, which affects the quality of earnings is negative and the withdrawal of investors away from the stock markets.

5. Managing earnings works as an indicator of the quality of the current performance and on the real earnings of the company. In addition to being, an indicator reflects the ability to predict future earnings.

6. The quality of earnings will rise because of the high value of operating earnings and a commitment to international accounting standards.

7. Scarcity of Arab accounting literature that studies the impact of the application of IFRS on the asymmetry of information and the quality of earnings.

8. Results of the study confirmed test suitability of the data to test hypotheses validity, since all data follow a normal distribution. In addition, Multicollinearity test showed that variables of the study are connected and has the power to interpret the dependent variables. In addition to a lack of self-correlation, “Autocorrelation Test” between independent and dependent and control variables affect their acceptance.

9. The results of the tests of the acceptance of the study hypotheses include:

   A. First hypothesis results showed a correlation between the application of IFRS and the asymmetry of accounting information.

   B. The second hypothesis test showed the results of its acceptance partly based on testing sub-divided as follow:

   - Unaccepted of the first sub-hypotheses and acceptance form nihilist that the quality of accounting earnings will increase before the application of IFRS.

   - Accept the validity of the second sub-hypothesis, which refers to the high quality of accounting earnings after the application of IFRS.

10. The applied study results on the impact of the application of IFRS on the quality of earnings regression model proved the following:

   A. Highly significant level after the application of IFRS during the years of 2010 until the end of 2012 as all values less than 5% level of significance.

   B. An inverse correlation between the quality of earnings and the debt size relationship (Lev), revenue growth (Growth) and the change in commitments (Dissue) before applying the IFRS. In addition, the existence of an inverse correlation after the application of IFRS with the size of the debt transactions (Lev) and the change in commitments (Dissue).

   C. The existence of a positive correlation between earnings quality and the revenue growth variables relationship (Growth) and cash flows operating (CFO) after the application of IFRS. Means that the increase in revenue and cash flow operating

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considered as evidence of an increased earnings quality, and vice versa. Which is consistent with the study (Houqe et al., 2012) and study (Liu et al., 2011).

D. The size of the company's assets (Size) variable has been associated with a positive correlation to the quality of earnings before the application of IFRS and after, and is the largest and significantly after the application as a result of lower volume of accruals which affected the rise in earnings quality in the financial statements, which agreed with the study (Paananen, 2008).

E. The degree of the coefficient of determination $\mathbf{R^2}$ was 44% before the application of IFRS. While $\mathbf{R^2}$ was 69% after the application of IFRS, which indicates that the regression model variables of the quality of earnings explain the changes that occur in the dependent variable (quality of earnings) in a higher way and rose further after the application of IFRS.

11. The applied study results about the existence of a relationship between the application of IFRS and the asymmetry of information proved the following:

A. There was a significant level between the measurement of the asymmetry of information variables and the application of IFRS, where results showed that all model variables less than the level of significance at 5%.

B. "Wilcoxon Test" results showed a low asymmetry of information because of lower averages of revenue growth, cash flow operating and size of the company, which is consistent with the study (Dimitropoulos et al., 2013).

C. "Wilcoxon Test" results showed a high asymmetry of information as a result of the use of high averages of debt (Lev) and the change in the size of the ordinary shares, which is in accordance with the study (Barth, 2008).

RECOMMENDATIONS

The researchers recommend the following based on the analytical and statistical results:

1. Management in insurance companies which operating in the KSA must recognize that there is a connection between the quality of financial reporting and the asymmetry of accounting information among dealers. Therefore, work to unify the principles and methods of measurement, presentation and disclosure in order to increase confidence in the financial statements.
2. The speed of the application of IFRS on all sectors working in the Kingdom in accordance with the expected plans to increase the asymmetry of information between the dealers and therefore higher quality of earnings.
3. The adoption of the Saudi Capital Market seminars and workshops for the definition of investors and other users of financial reporting risks of asymmetry of information and its impact on trading volume and also its impact on the quality of earnings.

Future research proposals

Researchers suggest the following proposals:

1. Measure the impact of corporate governance in light of the application of IFRS.
2. Measure the impact of the application of IFRS on stock prices and its impact in improving the quality of financial reporting.
3. A proposed accounting model for measuring the relationship between the quality of earnings and degrees of asymmetry of information in light of the application of IFRS.
4. Study the impact of asymmetry of information on the cost of capital in light of the application of IFRS.
5. Measuring the quality of disclosure in light of the application of IFRS.

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