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Article

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The determinants and effects of the early adoption of IFRS 15: Evidence from a developing country

Laila Aladwey¹ and Ahmed Diab^{2*}

Abstract: Our study examines the determinants (especially governance and board characteristics) of the early adoption of the International Financial Reporting Standard 15 (IFRS 15) in a developing market—namely, the Egyptian Stock Exchange. Further, our study examines the difference in IFRS 15's effects on the financial statement accounts between the early adopters and the non-early adopters. Based on the Egyptian Stock Exchange (EGX) 100 index, the study uses 79 firm-year observations for the early adoption period (2019–2020). We manually collected data from the Egyptian companies' annual reports and the Thomson Reuters database and analysed them using logistic regression and t-tests. Out of the various examined governance mechanisms, we found that board size significantly negatively affects the early adoption of IFRS 15. In contrast, female directors have a significant positive effect on the early adoption of IFRS 15 in Egypt. Regarding the effects of firm characteristics, we found that firm age, firm size, and financial leverage have significant positive effects on the early adoption of IFRS 15. In contrast, profitability and audit quality have an insignificant effect on the early adoption of IFRS 15. Finally, we found a significant difference in profitability

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between IFRS 15 early adopting companies compared to non-early adopters. This result reflects the economic value of early embracing IFRS standards and their updates in emerging markets, such as Egypt. To the best of our knowledge, this is the first study that examines the determinants of IFRS 15's early adoption and its effects on the financial statement disclosures in an emerging country. Our study turns the attention of investors in emerging markets such as Egypt to the changes and updates in IFRS related to revenues, which can enhance the transparency and accountability in these markets.

Subjects: Business, Management and Accounting; Accounting; Financial Accounting

Keywords: IFRS 15; revenue; corporate governance; Egypt; emerging markets

1. Introduction

The proper accounting treatment, measurement, and recognition of revenue have consistently engaged the attention of academic scholars, investors, market analysts, and financial enthusiasts over the years. This increased interest is due to revenue's significance in corporate financial assessment, calculation of income tax liabilities, and inter-firm comparisons (Y. Zhang, 2005). Along with this view, the International Accounting Standards Board (IASB) has updated the revenue standards by issuing the International Financial Reporting Standard 15 (IFRS 15) in 2015. Adopting IFRS, including IFRS 15, is considered of great benefit to emerging markets, notably to support the present precarious financial community in these markets (Delcours & Huff, 2015). Moreover, the adoption of the updated revenue standard (IFRS 15) in emerging markets is of crucial value for fair pricing and more transparency regarding revenue recognition (see, Ogunode & Salawu, 2021).

A review of existing studies shows that notwithstanding the benefits of IFRS, there is an unsettled debate as to whether the early IFRS adoption or later adoption can have accounting implications. In this regard, in the EU context, Napier and Stadler (2020) found that IFRS 15 has had relatively little impact on the recognition and measurement of revenue. Furthermore, Belesis et al. (2021) noted that the effect of IFRS 15 is relatively limited between accounting periods and mainly concerns charging some direct voyage expenses, which are considered contract costs. In contrast, Trabelsi (2018) found that the early adoption positively affected two accounting numbers: earnings and stockholders' equity. In addition, Soye & Raji, (2016) reported similar results. This debate motivated us to study the determinants affecting the early adoption of IFRS 15 and the reporting consequences of such early adoption compared to mandatory adoption.

Additionally, the present promising findings regarding IFRS 15 adoption should be analysed in the various markets to know if the market differences affect the anticipated findings of the new (modified) standard. Thus, examining IFRS 15 implementation in developing contexts with their unique nature in terms of the emerging stock markets and the newly adopted governance structures is crucial. That is because such implementation could have significant effects on financial reporting; compared to developed and stabilised markets with better-institutionalised governance and accountability mechanisms (Bremer & Ellias, 2007). However, due to the recent introduction of IFRS 15, there is surprisingly little empirical research dealing with this new standard (Boujelben & Kobbi-Fakhfakh, 2020). Thus, the present work examines if/how the corporate governance (CG) and firm characteristics are affecting the early adoption of IFRS 15 in a developing market—namely, the Egyptian Stock Exchange. Further, our study examines the difference in IFRS 15 effects on financial statements' accounts between early adopters and non-early adopters. The covered period is 2019 and 2020, the period at which the adoption of IFRS15 was still optional within the Egyptian context.

Egypt is chosen as the context for our study as the Egyptian Stock Exchange (EGX) is one of the oldest stock exchanges in the world and the first to be established in the Middle East and North Africa (MENA) region. The recent economic reform, privatisation, and changes in the regulatory environment in the early 1990s have activated the stock market activity in the last few decades (Samaha and Dahawy, 2010). In addition, Egypt has recently witnessed a list of radical changes at both the economic and political levels that have implications on the stock market (International Monetary Fund (IMF), 2020, Aladwey, 2021). Following these recent reforms and changes, the Egyptian authorities have cooperated with related international organisations to enhance market confidence by adopting best practices and international standards that support sustainable markets (Nasr & Ntim, 2018). Therefore, Egyptian listed companies are anticipated to learn from international experience and adopt new IFRS in their annual reports to attract more foreign investors (Ebrahim and Abdel Fatah, 2015).

Our study is informed by the agency theory, based on the suggestion that the adoption of IFRS can enhance the quality of financial reporting by reducing information asymmetry and corporate management irregular reporting practices such as earnings management, which is anticipated to reduce the agency problem (Baig & Khan, 2016). This is also based on the view that the adoption of effective governance mechanisms, as possible determinants of the early adoption of IFRS 15, can work as effective monitoring and control devices over corporate management behaviors and actions. This, in turn, is crucial for reducing the agency problem, i.e., reducing the conflict between corporate management and owners and hence, motivating management to work for the best interest of the company and shareholders (McKnight & Weir, 2009).

Our study contributes to the literature on the preparedness of companies in developing countries to implement new international accounting standards, an issue that has received limited attention (Guerreiro et al., 2012). Further, our study contributes to the limited literature on IFRS in Africa, where the present literature is limited to only a few countries and mainly predominated by South Africa (Tawiah & Boolaky, 2020). Besides, our work enhances the little empirical research focusing on IFRS 15 adoption (Boujelben & Kobbi-Fakhfakh, 2020), especially the determinants of its early adoption such as CG mechanisms (Quagli et al., 2021). This is especially needed in African emerging markets such as Egypt, where no related studies are found (Tawiah & Boolaky, 2020). In addition, this study extends the present literature on the effects of the (early) adoption of IFRS 15, as the majority of the extant research focuses on Western stabilized and developed markets that have different institutional and contextual nature compared to African emerging markets, and thus they are showing different results (e.g., Ferreira, 2020; Manuel et al., 2019; Napier & Stadler, 2020; Peters, 2016; Usurelu et al., 2021).

Our study has practical implications for investors in developing countries as highlighting the importance of adopting IFRS 15 can enhance the quality of annual reports. This, in turn, can improve investors' confidence in the reported financial information, and positively affect their investment decisions, which is especially needed in developing countries. In other words, our study turns the attention of investors in developing countries such as Egypt to the changes in the accounting standards related to revenues, which can result in more transparency and financial information quality. Further, our study highlights the status of CG and the effects of enhancing CG attributes on adopting IFRS in Egypt, which can enhance corporate disclosure and the informativeness of accounting numbers (Sorour, 2014).

The paper is structured as follows. Section 2 presents a contextual background of the study. Section 3 reviews the relevant literature and develops the study hypotheses. Section 4 outlines the research methods used in data collection and analyses. Section 5 clarifies and discusses the study findings. Finally, section 6 concludes the paper.

2. A contextual background

2.1. Accounting standards and revenues recognition in Egypt

Corporate Law 159 for 1981 and Capital Market Authority Law 95 for 1992 required Egyptian firms to prepare financial statements according to Egyptian Accounting Standards (EAS). In addition, a Certified Public Accountant must audit those financial statements. The Permanent Committee for Standards of Accounting and Auditing is officially responsible for setting accounting and auditing standards. However, the Egyptian Society of Accountants and Auditors (ESAA) was responsible for drafting and adopting accounting and auditing standards. EASs was first introduced in 1997 (Abd-El salam & Weetman, 2003). In 2002, Egypt started a harmonization process with the International Accounting Standards (IASs). In 2006, Egypt declared a full adoption of IASs—with some exceptions (IAS Plus),¹ albeit these standards were adopted under the name EAS. The adopted standards in Egypt were then updated in 2015 to be applied in 2016 with 39 standards and a conceptual framework for preparing financial statements issued by the Minister of investment's decree No. 110 for 2015.

Regarding revenue recognition standards, in May 2014, the IASB and FASB jointly issued a converged standard on recognizing revenue from contracts with customers (IFRS 15), replacing all existing IFRS and US GAAP revenue requirements. In particular, it replaces IAS 18 “Revenue” and IAS 11 “Construction Contracts” to provide a single comprehensive revenue accounting model. The objective of the new standard is to improve the financial reporting of revenue and the global comparability of the top line in financial statements.

Initially, the application of the new standard was required for annual periods beginning on or after 1 January 2017. Then, the IASB amended IFRS 15, deferring the effective date by one year to 2018, considering the feedback to its consultation. However, companies applying IFRS continued to have the option to apply the standard early. In Egypt, the Ministerial decree No. 69 for 2019 modified some of the previously issued standards related to revenue recognition, such as EAS No. 8, titled construction contracts and EAS 11 titled as Revenues and to comply with IFRS 15 (the focus of our study the Egyptian counterpart is EAS 48). Therefore, in Egypt, the practical application of IFRS 15 started in early 2021, and early adoption was permitted in 2019 and 2020.

2.2. Corporate governance in Egypt

Since 2000, Egyptian regulators recognize the importance of CG in 2000. It was the first Arab country assessed by the World Bank and the International Monetary Fund against the Organization for Economic Co-operation and Development's (OECD) corporate governance principles in 2001 (Elsayed, 2007). In 2003, Egypt established the Egyptian Institute of Directors (EIoD), the first institute dealing with corporate governance in the MENA region. In 2005, EIoD, as authorized by the Ministry of Investment, issued the Egyptian Corporate Governance Code as a set of guidelines for the companies listed on the Egyptian Exchange (Ebaid, 2011).

The Egyptian CG code was initially issued based on the “comply or explain” approach, which indicates that it is not obligatory for listed firms to comply (Nasr & Ntim, 2018). However, in 2007, the Capital Market Authority's (CMA) board of directors issued Resolution No. 11 for 2007 concerning the executive (mandatory) rules for the governance of companies. All listed companies must apply these rules in order not to be delisted. Furthermore, in 2009, the World Bank issued its Reports on the Observance of Standards and Codes (ROSC) assessment report of CG in Egypt 2009. However, despite acknowledging the country's efforts to enhance CG in the legal, regulatory, and institutional frameworks, there were still concerns that CG laws and regulations were not being fully enforced, especially concerning smaller companies.

Later on, to improve governance in nonfinancial entities, the Egyptian Financial Supervisory Authority (EFSA) (which was renamed the Financial Regulatory Authority (FRA) in 2017) was established. Recently, FRA issued several rules to streamline CG regulations in Egypt. For example, in 2020, it issued decree No. 100, which regulated some issues such as the board of directors, its

committees, general assembly meetings, disclosure and transparency, the control environment, the external auditor, insider trading and confidentiality, and treasury shares (Abdel-Meguid, 2021).

3. Literature review and hypotheses development

3.1. What does IFRS 15 entail?

IFRS 15 supersedes all relevant previous revenue pronouncements of the IASB for all financial years starting from 1 January 2018 (International Accounting Standards Board (IASB), 2019). The objective of the principles established in IFRS 15 is to provide helpful information regarding the “nature, amount, timing and uncertainty” of revenue and cash flows from customer revenue contracts (International Accounting Standards Board (IASB), 2019, para. 1). IFRS 15 provides clear presentation and disclosure requirements, which are more extensive than the old standards (Financial Reporting Council, 2019) by requiring entities to disclose quantitative and qualitative information about its contracts with customers, the significant judgments and changes in the judgments made to those contracts and any assets recognized from the costs to obtain or fulfil a contract with a customer (International Accounting Standards Board (IASB), 2018). The revenue recognition method introduced by IFRS 15 requires companies to carefully analyse current contractual arrangements in all business segments and/or geographic areas. IFRS 15 introduces a five-step model to be applied to all contracts with customers:

- (1) identify the contract(s) with a customer;
- (2) identify the performance obligation(s);
- (3) determine the transaction price;
- (4) allocate the transaction price to the performance obligation(s) in the contract; and
- (5) recognise revenue when (or as) the entity satisfies a performance obligation (Quagli et al., 2021).

3.2. The determinants of IFRS 15 early adoption: the role of CG

Some studies examined various determinants of IFRS adoption, such as culture, corporate characteristics and macroeconomic conditions. Concerning the impact of culture, using international evidence, Kolsi and Zehri (2013) found that firms adopting IFRS have Anglo-Saxon culture and a common law legal system (see also, Chamisa, 2000). Regarding the impact of company-related factors, Guerreiro et al. (2008), while examining the preparedness of Portuguese-listed companies to adopt IFRS, highlighted that the size of the company, commercial internationalisation, and the presence of a Big four auditor are associated with better preparedness to implement new accounting standards. In the same context, Kolsi and Zehri (2013) also found an association between the decision to adopt IFRS and larger firms being audited by Big Four firms. Other scholars focused on macro socioeconomic conditions' effects on the (early) adoption of IFRS, such as higher economic growth and educational systems (Ball et al., 2000). In the EU context, Quagli et al. (2021) found that profitability and company size are significant determinants of the quality of IFRS 15-related disclosure. They also found that the complexity of the business (measured by the number of business segments) is associated with better disclosures in the IFRS pre-adoption phase.

However, to our knowledge, none of the previous studies examined the possible effects of CG mechanisms on the early adoption of IFRS15, especially in developing countries such as Egypt. CG is defined as the set of organisational mechanisms that can delineate the powers, influence management decisions, govern their conduct, and define their discretionary space (Charreaux, 1997). The development of institutional mechanisms like CG structures can enable the enforcement and compliance with IFRS (Ebrahim & Abdel Fattah, 2015). Thus, companies with effective governance

structures may be anticipated to (early) adopt IFRS as they are expected to pay attention to the quality of the accounting numbers and introduce more disclosures (Quagli et al., 2021).

In this regard, Delcours and Huff (2015) find that CG is among the factors that affect emerging markets' voluntary adoption of IFRS. Focusing on the initial IFRS adoption in Egypt, Ebrahim and Abdel Fattah (2015) found that CG factors indicate the perceived quality of the engaged auditor, which ultimately can improve compliance with IFRS requirements. Alon and Dwyer (2014) indicated that early adoption of IFRS can support ineffective governance systems in some companies. Below, we discuss the anticipated role of various governance mechanisms and board characteristics in the early adoption of IFRS 15.

3.2.1 Board Size

Board size is the total number of directors on the board. There is a debate concerning the appropriate size of the board and the effectiveness of large boards. The number of members varies depending on countries' CG code recommendations, offering no consensus. On the one hand, it is argued that large boards can play a crucial role in monitoring the board and making strategic decisions (Ahmed & Duellman, 2007). This argument is based on the premise that large boards are less likely to be dominated by management (Wang & Hussainey, 2013). Furthermore, the large number of directors can enhance the expertise diversity on the board, including financial reporting (Ebrahim & Abdel Fattah, 2015). From this perspective, larger boards are expected to bring more transparency and disclosures through better monitoring than smaller boards (Quagli et al., 2021). Some studies find a positive association between board size and voluntary disclosure (Barako et al., 2006; Hussainey & Al-Najjar, 2012). In the context of Egypt, Ezat et al. (2008) find that board size is positively associated with levels of voluntary corporate disclosure. Concerning African contexts, Agyei-Mensah (2017) found that board size is significantly and positively associated with the quality of disclosure compliance.

On the other hand, some studies noted that a large board is associated with communication issues, disputes among members, and a slow flow of decisions (Jensen, 1993). Goodstein et al. (1994) argue that a large board size might harm the board's effectiveness, making it ineffective in conducting discussions or making strategic decisions, which can negatively affect corporate financial reporting and disclosure policy. Consistently, some studies did not find any association between board size and disclosure (Arcay & Vázquez, 2005; Cheng & Courtenay, 2006). Focusing on the European context, Quagli et al. (2021) suggested that board size does not influence the disclosure expected from adopting IFRS 15. This debate concerning the effect of board size suggests the need for more research; thus, along with the first group of studies, we formulate H_1 as follows:

H_1 : Board size is significantly associated with the early adoption of IFRS 15.

3.2.2 CEO duality

CEO duality occurs when one individual simultaneously is the CEO and chairperson of a board. The agency theory predicts that role duality creates personal power for the CEO that could negatively affect the control exercised by the board. Hence, according to this perspective, if the chairperson and the CEO overlap, management monitoring will be reduced (R. Haniffa & Cooke, 2005) and increased agency conflict (Chi et al., 2009). In contrast, as Ntim et al. (2012) noted, it is easier to identify who is responsible for bad performance or decision-making when the roles are separated.

This suggests that the duality of CEO and chairman jobs can affect reporting practices (Mokhtar & Mellett, 2013). In line with this view, some studies found a negative association between duality in positions and voluntary corporate disclosure (Gul & Leung, 2004; R. M. Haniffa & Cooke, 2002). However, other studies did not find any significant association between the two variables (Ghazali

& Weetman, 2006; Quagli et al., 2021). For instance, by focusing on the EU context, Quagli et al. (2021) found that CEO duality is not statistically significant, suggesting that corporate governance mechanisms do not influence the disclosure of the expected impact of IFRS 15.

The Egyptian culture is characterised by collectivism and considerable power distance (Dahawy & Conover, 2007), which could make role duality a dominant situation in companies' boards. In addition, Mokhtar and Mellett (2013) found that CEO duality is significantly associated with Egyptian firms' nonfinancial reporting. Thus, we formulate H₂ as follows:

H₂: CEO duality is significantly associated with the early adoption of IFRS 15.

3.2.3 Board independence

According to the agency theory, the existence of independent directors helps reduce agency conflicts that arise from the separation between shareholders and managers through effective monitoring of managers' behavior (Fama, 1980). That is, independent directors can curb the tendency of some managers to engage in malpractices. Some studies noted that independent boards are associated with fewer financial reporting malpractices (Hazarika et al., 2012; Klein, 2002). Beasley (1996) found less likelihood of fraud in financial statements produced by companies with boards with higher proportions of outside directors (Ajinkya et al., 2005). Hence, outside directors might be associated with earnings quality (Beekes et al., 2004) and more voluntary disclosures (Abdelsalam & Street, 2007).

In contrast, some studies in developing nations reported no significant positive relationship between the proportion of independent directors on the board and the extent of voluntary disclosure (Ghazali & Weetman, 2006; R. M. Haniffa & Cooke, 2002). Moreover, even some studies found that more independent directors can reduce voluntary disclosure (e.g., Barako et al., 2006; Tengamnuay & Stapleton, 2009). This contrasting view is based on the idea that outside directors are primarily employed part-time and hold jobs with other companies. Thus, they encounter difficulties in comprehending the complexity of companies, which in turn, hurts their monitoring tasks.

In the context of Egypt, Abdou et al. (2021) found that Egyptian firms are likely to have lower levels of earnings management in the presence of more independent boards. Consistently, it is anticipated that companies with independent directors moving earlier toward appropriate and transparent accounting practices. Thus, we formulate the third hypothesis as follows:

H₃: Board independence is significantly associated with the early adoption of IFRS 15.

3.2.4 Board meetings

As the case with board size, board meetings' frequency or board activity might affect the decision to adopt IFRS early in variant ways. On the negative side, some scholars suggested that increased board activity can lead to poor performance (see, e.g., Jensen, 1993). This is based on the view that frequent board meetings will not leave much time for board members to exert sufficient control over management. This could result in a time shortage for directors to exchange meaningful ideas (Vafeas, 1999). In this regard, Almaqtari et al. (2021) found that the frequency of board meetings is not significantly related to IFRS compliance and financial reporting quality in Saudi and Omani firms. Hashed and Almaqtari (2021) reported that the frequency of board meetings is negatively related to compliance with IFRS in Saudi Arabia.

On the positive side, the higher frequency of board meetings is noted to result in directors carrying out their duties in line with shareholders' expectations and interests and monitoring

management more efficiently (Lipton & Lorsch, 1992). Lipton and Lorsch (1992) emphasised that board meetings enhance the board's effectiveness, which can have better organisational implications. In the context of financial reporting, Laksmana (2008) found that board meeting frequency is positively related to more transparency. Barros et al. (2013) found that voluntary disclosure in French firms' annual reports is positively associated with the frequency of board meetings. By examining Italian listed firms, Allegrini and Greco (2013) found that the number of board meetings is positively related to disclosure. Al Amosh and Khatib (2021) found a significant impact of board meetings on Jordanian firms' voluntary disclosures. Almaqtari et al. (2021) found that the frequency of board meetings is significantly related to UAE firms' financial reporting quality and compliance with IFRS. Thus, we formulate H_4 as follows:

H_4 : The frequency of board meetings is significantly associated with the early adoption of IFRS 15.

3.2.5 Female directors.

Board gender diversity is measured by the percentage of female members on the board. The agency theory supports board gender diversity, suggesting that female directors' presence can enhance management's monitoring and deter conflicts of interest between stockholders and management (Gull et al., 2018). From this perspective, board diversity can enhance board effectiveness and the tendency toward transparency and extensive disclosure (Rouf, 2017). Developed countries have systems and rules to force companies to increase female representation on the board. However, the effect of gender diversity is unclear in developing markets due to their emerging institutions. In Egypt, for instance, Abdou et al. (2021) found that firms are likely to move toward reporting quality practices if they have a low percentage of female directors. Thus, we believe that female directors can play a part in the early adoption of IFRS 15. Accordingly, the fifth hypothesis is articulated as follows:

H_5 : Board gender diversity is significantly associated with the early adoption of IFRS 15.

3.3. The effects of the early adoption of IFRS 15 on financial statements accounts

The implementation of IFRS, including IFRS15, could result in different ways of accounting for transactions compared to implementing local standards or not adopting IFRS (Manuel et al., 2019). This premise implies that adopting international accounting standards can have financial implications (Belesis et al., 2021). Jermakowicz (2004) argued that adopting IFRS in Belgium significantly changed shareholders' equity and net income. Similarly, Ormrod and Taylor (2004) showed that the application of IFRS in Great Britain increased the volatility of accounting figures in the income statement and balance sheet. Likewise, Jemakowicz and Gornik-Jermakowicz and Gornik-Tomaszewski (2006) found that applying IFRS positively affects equity in European companies. Focusing on IFRS 15, in particular, Ernst and Young (2018) noted that entities should change aspects of their financial statement presentation and increase the size of their disclosures when adopting IFRS 15. Ferreira (2020) notes that the US GAAP for revenue recognition improves entities' liquidity due to the anticipated greater precision and increased comparability of financial information. Usurelu et al. (2021) reported a significant increase in gross and net profit after adopting IFRS 15.

Other researchers have examined the effect of mandatory (vs early or voluntary) adoption of IFRS in emerging markets. In Nigeria, for example, Soye and Raji (2014) showed that the differences in the investigated companies' performance between pre-and post-IFRS periods are significant. Focusing on the adoption of IFRS 15 in Dubai financial market, Trabelsi (2018) found that early adoption had a significant positive effect on two accounting numbers: earnings and stockholders' equity.

In contrast, other studies reported adverse or insignificant effects of the (early) adoption of IFRS 15. For example, Peters (2016) found that Belgian entities perceive IFRS 15 as an unnecessary change because of its complexity and the significant implementation efforts it requires. Similarly, in the Philippines, Manuel et al. (2019) found that businesses have not yet started applying IFRS 15 as they were still unfamiliar with the standard and its provisions. In the EU context, Napier and Stadler (2020) found that IFRS 15 has relatively little impact on the recognition and measurement of revenue. Deen-Conteh (2020) indicated no statistical or material difference between early adopters and non-early adopters of IFRS 15. Belesis et al. (2021) noted that the effect of IFRS 15 is expected to be quite limited and mainly concerns charging some direct voyage expenses, which are considered contract costs, between accounting periods.

Emerging African markets, including the Egyptian market, tend toward more secrecy and lack of disclosures (Dahawy et al., 2002). Within this environment, financial reporting fraud and improper revenue recognition become prevalent unless required by mandatory standards. This idea makes us infer that the effects of IFRS 15 adoption during the early (voluntary) adoption period, where a few companies are anticipated to apply the new standard, would be different from the results of the companies that chose not to adopt IFRS 15 during this period. Thus, we formulate the last hypothesis as follows:

H₆: The effects of the early adoption of IFRS 15 on the financial statement accounts of the early adopters will be more significant compared to the non-adopters.

4. Research design

4.1. The sample

The selected sample for our study is the best-performed non-financial Egyptian companies listed on the Egyptian Exchange according to the EGX100 index for two years from 2019 to 2020. This index consists of the constituents of both EGX30 and EGX 70.² Excluding both the number of financial companies and companies with missing data resulted in a sample of 79 companies. Since the mandatory adoption of IFRS 15 for Egyptian-listed companies began on the first of January 2021, the period covered in our study is 2019 and 2020, i.e., the period during which the adoption of the IFRS 15 was still optional. Therefore, as shown in Table 1, the final sample ends with firm-year observations. Data related to the IFRS 15 adoption, and the characteristics of the corporate board are manually collected from the annual reports of the Egyptian-listed companies published on their websites. In addition, the remaining financial data is collected from Thomson Reuters' Database.

4.2. Variables measurement

Our study examines the effect of corporate board characteristics on the companies' decision to adopt IFRS 15 early. Table 2 shows the measurement of the variables examined. Similar to Ebrahim

Table 1. Sample size

Description	2019	2020	Total
Number of companies listed in EGX100	103	103	206
Less, Financial Companies	20	20	40
Subtotal	83	83	166
Less, companies with missing data	4	4	8
No. of firm-year observations	79	79	158

and Abdel Fattah (2015) and Fuad et al. (2019), our dependent variable (IFRS 15) is measured as a dummy variable that is equal to one if the company adopts the IFRS15 in the voluntary period and zero otherwise.

Independent variables are the characteristics of the corporate board. We focused on five main characteristics. Firstly, board size (BOD), as per Kusi et al. (2018), is measured as the natural logarithm of the number of board members. Secondly, CEO Duality (CEODUAL) is a dichotomous variable that takes the value of 1 if the CEO and chairman are the same person and zero otherwise. Thirdly, board independence (BIND) is measured as the proportion of independent directors to the total number of board directors. Fourthly, consistent with Liao et al. (2018) and Abdou et al. (2021), the frequency of board meetings (BMEET) is measured as the natural logarithm of the number of board meetings held annually. Finally, female participation within the board (BFEM) is represented by the proportion of female directors on the board.

A set of firm-specific characteristics are utilized to control for our dataset. To begin with, firm age (AGE) is measured as the natural logarithm of the number of years a firm has had since its operation (Soliman et al., 2014). In addition, audit firm (AUDIT) controls for the variation in the quality of audit services provided for Egyptian companies (Nasr & Ntim, 2018). Also, consistent with prior studies, our study controls for variations in firms' profitability (ROA), measured as profit before tax and interest at yearend scaled down by total assets at yearend (Abdel Fattah & Aboud, 2020). We also control firm size (SIZE), measured as the natural logarithm of net sales at yearend (Ebrahim & Abdel Fattah, 2015). Finally, we control for financial leverage (LEV), measured as the total debt relative to the total assets at yearend (Abdou et al., 2021; Aboud & Diab, 2018).

4.3. Model specification

Since our dependent variable is a dummy variable with dichotomous variables, logistic regression is considered appropriate for model building (Çokluk, 2010). As the aim of our study is to examine the effect of corporate board characteristics on companies' decisions to either early adopt the IFRS 15, consistent with Ebrahim and Abdel Fattah (2015), we stipulate the following model:

$$IFR_{it} = \theta_0 + \theta_1 BOD_{it} + \theta_2 CEODUAL_{it} + \theta_3 BIND_{it} + \theta_4 BMEET_{it} + \theta_5 BFEM_{it} + \theta_6 AGE_{it} + \theta_7 AUDIT_{it} + \theta_8 ROA_{it} + \theta_9 SIZE_{it} + \theta_{10} LEV_{it} + \varepsilon_{it}$$

Where, *i* and *t* = firm and year, respectively;

BOD = board size;

CEODUAL = CEO-chairman role duality;

BIND = boards' independence;

BMEET = frequency of boards' meetings per year;

BFEM = percentage of female members on the board;

AGE = firm age;

AUDIT = audit quality;

ROA = firms' profitability;

SIZE = firms' size in terms of their sales figures; and

LEV = firms' financial leverage.

Table 2. Measurement of variables

Variable	Measurement	Previous studies
Dependent Variable		
<i>IFRS15</i>	A dummy variable that equalizes to one in the case that the company is early adopting IFRS15, and zero otherwise.	Ebrahim and Abdel Fattah (2015); Fuad et al. (2019).
Independent Variables		
<i>BOD</i>	The natural logarithm of the number of board members.	Kusi et al. (2018).
<i>CEODUAL</i>	A dummy variable is equal to one if the CEO and chairman are separate persons, and zero otherwise.	Abdel-Meguid et al. (2014); Soliman et al. (2014); Ebrahim and Abdel Fattah (2015); Elfeky (2017); Nasr and Ntim (2018); Abdel Fattah and Aboud (2020); Abdou et al. (2021)
<i>BIND</i>	The percentage of independent directors on the board to the total number of board members.	Abdel-Meguid et al. (2014) Soliman, and Abd Elsalam (2012) Emile et al.(2014) Wahba (2014) Soliman et al. (2014) Ebrahim and Abdel Fattah (2015) Ibrahim (2016) Agyei-Mensah (2017) Elfeky (2017) El-Bassiouny and El-Bassiouny (2018) Nasr and Ntim (2018) Abdel Fattah and Aboud (2020) Abdou et al. (2021)
<i>BMEET</i>	The natural logarithm of the number of boards' meetings per year.	Liao et al. (2018) Abdou et al. (2021)
<i>BFEM</i>	The percentage of female directors to total number of board members on the board.	Liao et al. (2018); Abdou et al. (2021);Aladwey et al. (2022)
Control Variables		
<i>AGE</i>	The natural logarithm of the number of years from its inception.	Soliman et al. (2014)
<i>AUDIT</i>	A dummy variable that takes the value of one if the firm's external auditor is one of the Big 4 and zero otherwise.	Abdel-Meguid et al. (2014) Soliman, and Abd Elsalam (2012) Soliman et al. (2014) Elfeky (2017) Nasr and Ntim (2018) Abdou et al. (2021)
<i>ROA</i>	Profit before tax & interest at year end scaled down by total assets at year end.	Agyei-Mensah (2017); Abdel Fattah and Aboud (2020); Aladwey et al. (2022)
<i>SIZE</i>	The natural logarithm of net sales at year end.	Ebrahim and Abdel Fattah (2015)
<i>LEV</i>	The total debt relative to the total assets at year end.	Soliman, and Abd Elsalam (2012) Soliman et al. (2014) Wahba (2014) Shahwan (2015) Aboud and Diab (2018) Nasr and Ntim (2018) Abdou et al. (2021) Abdel Fattah and Aboud (2020).

5. Findings

5.1. Descriptive analysis and correlation matrix

Table 3 shows the percentage of Egyptian companies that adopt IFRS15 early during the optional period. Panel A indicates the wide variation of adoption percentages among the different industrial sectors. The utility sector has the highest rate, in which half of the companies choose to adopt IFR15 in an early manner. In addition, with an equal percentage, nearly a third of the Egyptian companies in the sectors of shipping and transportation services and travel and leisure are opting for the early adoption of IFR15. However, none of the companies in the energy and support services, health care and pharmaceuticals, IT media and communication services, paper and packaging, and trade and distributors are applying IFRS15 in the early adoption period. Panel B shows that the percentage of Egyptian companies opting to use IFRS15 has nearly tripled in the second year of the voluntary period, with 19% in 2020 compared to only 7% in 2019.

Table 4 shows the summary descriptive statistics of the study variables. Panel A demonstrates the continuous variables' mean, standard deviation, minimum and maximum. On average, the number of Egyptian listed companies' board members is around three. The percentage of independent directors ranged from no directors to almost 87% of the board members, with a standard variation of 16%. Approximately, the board of directors held two board meetings each year. In addition, the results show the wide dispersion in the percentage of female directors' representation within the Egyptian companies' boards, ranging from zero to half of the boards' members. The average age value of Egyptian companies is 3.3, with a standard variation of 0.7. The financial results of Egyptian companies' activities ranged from yielding losses, with a minimum value of—5.4, to achieving profits, with a maximum weight of 6.7. The mean size of Egyptian companies in terms of sales is 13.5. The standard deviation of the Egyptian companies' financial leverage is 62.9.

Panel B shows the dummy variables' value, frequency, and percentage. The results indicate that, on average, 13 % of the Egyptian listed companies were optionally complying with the IFRS 15. In addition, 46% of Egyptian companies recruited two separate persons for the positions of chairman and CEO, a higher percentage compared to the 22% reported by Nasr and Nitm (2018) for the Egyptian listed companies during 2011–2013. The Egyptian FRA decree No. 11 for 2014 requires Egyptian companies to disclose the structure of their board of directors (Aladwey, 2021). Thus, although the Egyptian CG code is not recommending the separation (Nasr & Ntim, 2018), the higher percentage of CEO-chairman nonduality may be attributed to Egyptian companies' endeavours to refine their board of directors' structure along with the latest FRA's obligatory regulations. The results also reveal that Big 4 auditing companies audited more than one-third of the Egyptian companies.

Table 5 shows the results of Pearson correlation and multicollinearity statistics. The results of Panel A indicate no multicollinearity issue between the independent variables, as the correlation coefficients for all variables are less than 0.8 (Bouaziz et al., 2020). In addition, along with L. Zhang (2012) and Aladwey et al. (2022), as shown in Panel B, we calculate the variance inflation factors (VIFs) and tolerance levels for all the independent variables. According to Bager et al. (2017), VIFs that are less than ten and tolerance levels that are more than 0.2 give an indication of the nonexistence of multicollinearity problems among the predicted variables.

5.2. Regression Analysis

Table 6 depicts the results of the logistic regression for the effect of the corporate board's characteristics on the Egyptian companies' decision to adopt IFRS 15 within the early (voluntary) adoption period. At the significance threshold of 5%, the results indicate a significant and negative effect of the board size on the Egyptian companies' decision to early adopt IFRS 15, where $\beta_1 = -6.65$ and $p\text{-value} < 0.04$, accordingly H_1 is accepted. This result implies that the smaller the board size, the higher the Egyptian companies' tendency toward the early adoption of the IFRS15. This finding is different from the literature supporting the positive impact of larger boards on

Table 3. The early adoption of IFRS15 according to the different industrial sectors and years
Panel A: IFRS15 relevant to the different industrial sectors

IFRS15	No. of Obs.			Percentage		
	Not Adopt	Adopt	Total	Not Adopt	Adopt	Total
Sector						
Basic Resources	18	4	22	82	18	100
Building Materials	13	1	14	93	7	100
Contracting & Construction Engineering	5	1	6	83	17	100
Education Services	3	1	4	75	25	100
Energy & Support Services	2	0	2	100	0	100
Food, Beverages and Tobacco	10	2	12	83	17	100
Health Care & Pharmaceuticals	8	0	8	100	0	100
IT, Media & Communication Services	12	0	12	100	0	100
Industrial Goods, Services and Automobiles	5	1	6	83	17	100
Paper & Packaging	2	0	2	100	0	100
Real Estate	39	3	42	93	7	100
Shipping & Transportation Services	4	2	6	67	33	100
Textile & Durables	8	2	10	80	20	100
Trade & Distributors	4	0	4	100	0	100
Travel & Leisure	4	2	6	67	33	100
Utilities	1	1	2	50	50	100
Total	138	20	158	87.34	12.66	100

Panel B: IFRS15 relevant to the sample period

IFRS15	No. of Obs.			Percentage		
	Not Adopt	Adopt	Total	Not Adopt	Adopt	Total
Year						
2019	74	5	79	93.67	6.33	100
2020	64	15	79	81.01	18.99	100
Total	138	20	158	87.34	12.66	100

enhancing the quality of financial reporting and the disclosure environment (e.g., Agyei-Mensah, 2017; Quagli et al., 2021). However, this finding supports the negative view of a large number of directors on the board, which may result in some communication issues and preclude the decision-making process, including the decision to apply IFRS at the voluntary stage (Jensen, 1993; Goodstein et al., 1994). It is also consistent with Samaha and Dahawy (2011) who noted that larger board size is not an indication of effective mentoring and extensive disclosure in the Egyptian business environment.

The results reveal a significant and positive effect of gender diversity on the companies' tendency to early adopt IFRS 15. Thus, at a significance threshold of 1 %, where $\beta_5 = 0.18$ and $p\text{-value} < 0.01$, H_5 is accepted. Accordingly, a higher percentage of female directors within the corporate board implies more willingness of the companies to take the IFRS15 early adoption decision. This finding supports the positive role of female directors in enhancing monitoring and directing their companies toward more transparency and extensive disclosure through early adoption of new IFRS and their updates (Gull et al., 2018; Rouf, 2017). It is also consistent with research conducted in developing countries such as Alfraih (2016) who found that board diversity is positively related to Kuwaiti companies' compliance with mandatory disclosures, Kabwe et al. (2021) who found a positive relationship between the number of female directors in the board and compliance with IFRS in Zambian-listed firms, and Hasan et al., (2022) who reported a negative effect of gender diversity on irregular reporting practices in Bangladesh.

Table 4. Descriptive statistics

Panel A: Summary Statistics for Continuous Variables					
Variable	Obs	Mean	Std. Dev.	Min	Max
BOD	158	2.1	0.3	1.4	2.7
BIND	158	21.4	16.2	0	86.7
BMEET	158	1.9	0.6	0.7	3.1
BFEM	158	11.6	10.5	0	50
AGE	158	3.3	0.7	0.7	5.1
ROA	158	0.2	1.1	-5.4	6.7
SIZE	158	13.5	2.3	6.7	17.7
LEV	158	7.9	62.9	0	559.6

Panel B: Summary Statistics for Dummy Variables				
Variable	Obs	Value	Frequency	Percent
IFRS15	158	0	138	87.34
		1	20	12.67
CEODUAL	158	0	86	54.43
		1	72	45.57
AUDIT	158	0	101	63.92
		1	57	36.08

However, the findings showed that the remaining independent variables (CEO duality, board independence and frequency of board meetings) have no significant impact on the early adoption of IFRS 15. In particular, a non-significant association between the CEO duality and the companies' decision to early adopt IFRS 15 is reported, where $\beta_2 = -1.10$ and $p\text{-value} < 0.42$. Thus, H_2 is rejected. This finding is different from some studies, such as R. M. Haniffa and Cooke (2002) and Gul and Leung (2004), who found that separating CEO and chairman positions can negatively affect voluntary corporate disclosure. However, it is consistent with Ghazali and Weetman (2006) and Quagli et al. (2021). It is also consistent with Ebrahim and Abdel Fattah (2015) who did not find that CEO duality significantly affects Egyptian companies' compliance with IFRS.

The findings also reveal a non-significant effect of the board independence on the companies' decision to early adopt IFRS 15, with $\beta_3 = 0.05$ and $p\text{-value} < 0.14$, suggesting the rejection of H_1 . This finding is different from the majority of the literature reporting significant (positive and negative) relationships between independent directors and voluntary disclosure (e.g., Abdelsalam & Street, 2007; Abdou et al., 2021; Tengamnuay & Stapleton, 2009). However, it is consistent with research conducted in developing countries such as Malaysia (Ghazali & Weetman, 2006; R. M. Haniffa & Cooke, 2002) and Zambia (Kabwe et al., 2021). It is also consistent with Ebrahim and Abdel Fattah (2015) who did not find a significant influence of board independence on Egyptian companies' compliance with IFRS. This indicates the ineffectiveness or the lack of enforcement of corporate governance regulations as applied in some developing countries such as Egypt (Bremer & Elias, 2007; Mostafa, 2016a). In this regard, Samaha and Dahawy (2011) indicated the lack of rules that govern board independence in Egypt. This suggests the context-dependent nature of these findings.

Regarding the frequency of board meetings, the results indicate its irrelevance to the companies' decision to adopt IFRS15 early, where $\beta_4 = -0.20$ and $p\text{-value} < 0.88$; thus, H_3 is rejected. This finding is different from the literature reporting a significant (positive and negative) association between board activity and the adoption of voluntary disclosures (e.g., Allegrini & Greco, 2013; Almqatari et al., 2021; Al Amosh & Khatib, 2021). However, this finding is consistent with Ologun et al. (2020) who focused on the context of Nigeria and found that corporate governance

Table 5. Pearson correlation and multicollinearity statistics

	Panel A: Pearson correlation for Continuous Variables								Panel B: Multicollinearity Statistics	
	BOD	BIND	BMEET	BFEM	AGE	ROA	SIZE	LEV	VIF	Tolerance
BOD	1								1.26	0.793205
BIND	0.0344 0.6681	1							1.19	0.838059
BMEET	0.0336 0.6748	0.1403 0.0788	1						1.17	0.852811
BFEM	-0.2319* 0.1012	0.1674* 0.0356	-0.0163 0.8385	1					1.11	0.900437
AGE	0.0089 0.1719	-0.1779 0.0253	0.1506 0.0590	-0.0143 0.0590	1				1.22	0.819776
ROA	-0.0495 0.5393	0.1207 0.1333	0.0035 0.9656	0.0260 0.7471	-0.0738 0.3600	1			1.04	0.960408
SIZE	0.3748* 0.0000	0.1136 0.1552	0.2838* 0.0003	-0.0539 0.5015	0.0256 0.7497	-0.1211 0.1321	1		1.36	0.733768
LEV	-0.0632 0.4300	0.0562 0.4829	-0.1051 0.1890	-0.0453 0.5722	0.0377 0.6378	0.0244 0.7620	-0.0976 0.2223	1	1.05	0.956895

Notes: Statistical significance * denote significance at the 5 level

mechanisms had no significant effect on financial reporting following the IFRS adoption decision. Thus, this finding supports the uniqueness of developing countries, including Egypt, in terms of the status of their governance mechanisms, which lacked enforcement up to the present time (see, Almqatari et al., 2021; Dahawy et al., 2002).

Table 5 shows the results of the control variables, which represent the firm-specific characteristics affecting the companies' decision to early adopt IFRS15. To begin with, at the significance level of 5%, a positive and significant association between the companies' age and their willingness to adopt the IFRS15 is reported, where $\beta_6 = 2.87$ and $p\text{-value} < 0.03$. This finding suggests that long-age companies tend to adopt IFRS 15 optionally. This finding is consistent with Jang & Rho, (2016), who reported a positive association between firm age and IFRS adoption in the Korean context. Similarly, the companies' size positively affects the early adoption decision of IFRS 15, where $\beta_9 = 0.83$ and $p\text{-value} < 0.1$ at the significance level of 10 %. This finding suggests that more prominent companies (in terms of their sales figures) have more willingness to adopt IFRS 15 within the optional period. In addition, Modugu and Eboigbe (2017) consistently found a positive relationship between Nigerian companies' size and disclosure. Also, at a significance level of 5%, financial leverage is found to be a significant and positive determinant of the companies' decision to early adopt IFRS 15 ($\beta_{10} = 0.02$ and $p\text{-value} < 0.03$). This result implies that highly leveraged companies may undertake the IFRS 15's early adoption decision due to the pressures they face from creditors to show more transparency and disclosure. Manganaris et al. (2015) reported a similar result, attributing the higher leverage ratio to IFRS adoption.

Finally, the results revealed that neither the audit quality nor the companies' profitability affected the IFRS 15's early adoption decision. This finding is consistent with Dumontier and Raffournier (1998), who found no association between IFRS adoption and financial performance. However, it differs from Tran et al. (2019) who indicated that the decision to adopt the IFRS is affected by return on equity and by being audited by the big four editors.

Table 6. Results of logistic regression: co-efficients

	Coef.	Robust Std. Err.	Z	P> z
Independent variables				
BOD	-6.65	3.22	-2.06	0.04**
CEODUAL	-1.10	1.38	-0.80	0.42
BIND	0.05	0.04	1.48	0.14
BMEET	-0.20	1.32	-0.15	0.88
BFEM	0.18	0.06	2.74	0.01*
Control variables				
AGE	2.87	1.33	2.16	0.03**
AUDIT	0.55	2.44	0.23	0.82
ROA	-1.11	1.31	-0.85	0.40
SIZE	0.83	0.50	1.66	0.10***
LEV	0.02	0.01	2.24	0.03**
Constant	-17.94	7.40	-2.43	0.02**
Obs	158			
Prob > chi	0.00			
Industry-effect	Controlled			

Note: Statistical significance: *, **and ***denote significance at the 10, 5 and 1% levels, respectively

5.3. Additional analysis

Following Armstrong et al. (2010) and Tawiah (2022), we conducted a t-test to identify whether the mean of the financial statement items differs between IFRS 15 early adopters and non-early adopters. Specifically, the examined financial statement items are sales revenues; stock price; accounts receivable; cost of goods sold, and profitability measured in three proxies (ROA, operating income, and profit at year-end). Those items are chosen for two reasons. First, they are closely related to the core of IFRS 15, concerned with revenue from contracts with customers. Second, tracking the annual reports of the Egyptian-listed nonfinancial companies reveals that such companies always highlight the importance of investigating the effect of IFRS 15 on these examined financial statement items.

Table 7 includes the results of the t-test of the items of the financial statements for early and non-early adopters. The p-value of the t-test indicates that the examined financial statement items are indistinguishable for early and non-early IFRS15 adopters, except for profitability measured by ROA (p-value = 0.07) and by profit at year-end (p-value = 0.07) at the significance threshold of 1% for both. These results suggest that H_6 is partially accepted. This finding is consistent with André and André et al.'s (2012) finding concerning the effect of IFRS voluntary adoption on the profitability figures of UK non-listed financial companies. A similar result is also reported by Trabelsi (2018), who indicates a significant effect of IFRS 15 on earnings in Dubai. These findings support the economic consequences of IFRS adoption in emerging markets, such as Egypt and the UAE.

6. Conclusion

Our study examined the governance characteristics affecting the early adoption of IFRS 15 in a developing market—the Egyptian Stock Exchange. Further, our study examined the difference in the effects of IFRS 15 on the financial statements' accounts between the early adopters and the non-early adopters. Out of the various governance mechanisms examined, we found that board size significantly negatively influences the early adoption of IFRS 15. In contrast, female directors significantly positively affect the early adoption of IFRS 15 in Egypt. In contrast, the findings revealed that board independence, frequency of board meetings, and CEO duality have no

Table 7. Additional test: two sample t-test

	Two-sample t-test		Mean	Std. Err.	Std. Dev.	t-value	p-value
	Sales Revenues	IFRS15	Not Adopt	40	69	82	
		Adopt	31	165	74	0.4610	0.6454
Stock Price	IFRS15	Not Adopt	14.2	1.9	21.8		
		Adopt	21.7	6.3	28.4	-1.3618	0.1753
Account Receivable	IFRS15	Not Adopt	14	39	45		
		Adopt	62	34	15	0.7439	0.4580
ROA	IFRS15	Not Adopt	0.21	0.09	1.10		
		Adopt	-0.28	0.28	1.26	1.8382	0.0680*
Operating Income	IFRS15	Not Adopt	94	18	21		
		Adopt	47	24	11	0.9816	0.3278
Profit at year end	IFRS15	Not Adopt	3.22	7.62	8.96		
		Adopt	-4.98	1.20	5.37	1.8235	0.0702*
Cost of goods sold	IFRS15	Not Adopt	31	57	67		
		Adopt	26	16	72	0.2620	0.7937

Note: Statistical significance: *, **and ***denote significance at the 10, 5 and 1% levels, respectively

significant association with the decision to adopt (or not to adopt) IFRS 15 during the early adoption period.

Regarding the impact of firm characteristics, we found that firm age, size, and financial leverage have significant positive relationships with the early adoption of IFRS 15. In contrast, profitability and audit quality have an insignificant relationship with the early adoption of IFRS 15. Finally, we find a significant difference in profitability (as measured by ROA and profit at year-end) between IFRS15's early adopting and non-early adopting companies, which reflects the economic value of early embracing IFRS standards and their updates in emerging markets such as Egypt.

Our study contributes to the limited literature examining the adoption of IFRS 15 in emerging African markets such as Egypt (Tawiah & Boolaky, 2020). To the best of our knowledge, our study is the first to examine the IFRS 15 early adoption determinants and consequences in the Egyptian market. Our study has some practical implications. Firstly, focusing on the importance of adopting IFRS 15 can improve the confidence of the various stakeholders in the reported financial information, enhance the quality of annual reports, and support investment decisions. Secondly, our study's findings highlight the status of CG and the effect of CG mechanisms on adopting IFRS in Egypt. Furthermore, improving corporate governance in Egypt can create value for the companies by enhancing disclosures (Sorour, 2014). This implication supports Nasr and Ntim's (2018) indication of the need to enhance efficiency and transparency relating to financial and non-financial reporting and disclosures in the Egyptian market. Thirdly, as prior research focused on EU-developed countries (e.g., Boujelben & Kobbi-Fakhfakh, 2020; Piosik, 2021), our study directs the attention of the regulators and standard setters to the situation of compliance with IFRS in developing markets (Dahawy et al., 2002). Finally, our study turns the attention of investors in emerging markets such as Egypt to the changes in the accounting standards related to revenues which can result in more transparency and reduce the expectation gap between investors' expectations from the new standard and the old standards presented. By highlighting these issues and understanding the reported relationships in our study, it is anticipated that regulators, standard setters, the Egyptian government, accountants, and managers can make better decisions concerning implementing IFRS and their regular updates.

One limitation of our study is the shortness of the early adoption period (2 years). In the present case, this is justified by the recent or late adoption of the international revenue standard in emerging markets such as Egypt compared to the case in developed and other developing markets. To overcome this limitation, a future study can examine a period to stand on a fuller implication of adopting the revenue standard in this market. Further, a future study can compare the findings during the early and mandatory adoption periods, which can be beneficial in understanding how mandatory rules affect Egyptian companies' (and other companies in emerging markets) disclosures in contrast to voluntary disclosures.

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Correction

This article has been corrected with minor changes. These changes do not impact the academic content of the article.

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Notes

1. <https://www.iasplus.com/en/jurisdictions/africa/egypt>
2. See https://www.egx.com.eg/getdoc/9a176cf8-c9b9-4c90-8968-b8ac821511a4/EGX-100-Methodology_en-03-02-2019.aspx#:~:text=EGX%20100%20index%20measures%20the,Constituents%20and%20EGX%2070%20Constituents.

Disclosure statement

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