LA PRATIQUE DES NORMES IFRS : INFORMATION FINANCIERE POUR LE CAPITAL-INVESTISSEUR ETRANGER

IFRS PRACTICE: FINANCIAL REPORTING FOR THE FOREIGN CAPITAL INVESTOR

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Résumé
Le financement des entreprises présente des risques spécifiques que les institutions financières n’évaluent pas bien faute de méthodes adaptées. En particulier, l’asymétrie d’information entre bailleurs de fonds et dirigeants, élevée dans ces opérations, constitue un obstacle fondamental pour ces prêteurs. Le capital investissement se définit comme une intermédiation financière alternative à l’endettement bancaire, consiste en une prise de participation en fonds propres ou en quasi-fonds propres pour une durée moyenne de sept ans (Lachman, 1999). Les normes IFRS ont des effets positifs qui se justifieraient par l’amélioration de la comparabilité des états financiers et la réduction des coûts d’acquisition d’information par les investisseurs notamment le capital-investisseur étranger. Notre papier met en relief le financement des entreprises par le capital-investisseur étranger qui, s’intéresse à l’analyse préalable des états financiers réalisés par les normes IFRS pour prendre la décision de financement. En effet, pour expliciter notre recherche, on a formulé comme question centrale : La pratique des IFRS est-elle un déterminant majeur d’information financière pour le capital-investisseur étranger au Maroc ?

Mots clés : Normes IFRS, Capital investissement, asymétrie d’information, théorie néo-institutionnel, théorie d’agence, théorie du signal.

Abstract
Corporate financing involves special risks that are not properly evaluated by financial institutions due to the methods adopted. In particular, the high degree of information asymmetry between funders and leaders in this type of operations, represents a fundamental obstacle to these lenders. Private equity is a financial intermediation that allows companies to have an alternative to bank indebtedness, and consists in an equity participation for an average period of seven years (Lachman, 1999). IFRS standards have positive effects such as to increase the comparability between financial statements and to reduce the acquisition cost of information by the investors, particularly by the foreign capital-investor. The main objective of our paper is to analyze the corporate financing by foreign capital-investor, that is interested in the prior analysis of the financial statements realized according to IFRS standards to take financing decision. Indeed, to spell out our research, the central issue is: Is IFRS practice a major determinant of financial reporting to the foreign capital-investor in Morocco?

Keywords : IFRS standards, Private Equity, Information asymmetry, neo-institutional theory, agency theory, signal theory.
Introduction

Corporate finance involves special risks that are not properly evaluated by financial institutions, due to the methods adopted. In particular, the high degree of information asymmetry between funders and leaders, represents a main obstacle to these lenders. Private equity is a financial intermediation that allows companies to have an alternative to bank indebtedness, and consists in an equity participation for an average period of seven years (Lachman, 1999). Thanks to suitable methods of evaluation and control and the involvement in management of the capital-investor, the latter offers a solution that fits with the situation of the company. Indeed, he becomes involved in the company’s strategy. In that respect, many significant changes affect corporate governance as a result of the entry of a capital-investor.

Indeed, information asymmetry between investors and leaders leads to a lack of diversification in financial assets, that can be limited by a relevant and reliable information. The increase in the level of investment depends on the surplus in terms of information issued to investors. Investors avoid to acquire the securities of a company that is characterized by an information deficit (Bagehot-1971, Copeland and Galai1983, Kyle-1985, Glosten and Milgrom-1985). Indeed, all types of information should be available to investors so as to enable them evaluate properly and appreciate characteristics of investment opportunities.

IFRS standards provide transparency, allow companies and markets to be more efficient. These standards promote faith, development and financial stability in the long run. Those positive effects are the result of enhancing comparability of the financial statements and reducing information costs to investors, mainly to foreign capital-investors. This article highlights corporate financing by foreign capital-investors, that is mostly interested in a preliminary analysis of financial statements completed by IFRS standards to take financing decision. Indeed, in order to make clear this research, this has been the central question:

- Is the IFRS practice a major determinant of financial information for foreign capital-investors in Morocco?

In order to answer this question, the article is structured in three parts. The first one aims to justify the relevance of the problem, both in terms of the practices and theoretical frameworks generally used to study the practice of IFRS standards by companies. It explains the specificities of the financial statements realized according to IFRS standards. It also clarifies the benefits of private equity financing, how it constitutes a financial intermediation adapted to the demand for financial resources, the terms of such a private equity financing and its challenges in terms of governance.

In the second part, the theoretical framework allowed us to bring out the problem of research and the following resulting research questions: What types of financial information are identified by IFRS practice? Are the foreign capital-investors interested in the quality of financial information disseminated by the company?

In the third part, we will try to summarize the impact of using IFRS standards on the financial market, and conclude with the challenges that IFRS standards represent for investors.

1- CAPITAL INVESTMENT AND THE DETERMINANTS OF THE PRACTICE OF IFRS STANDARDS

In this first part, we will try to highlight the conceptual framework of private equity and its vocations, to bring to light different situations of financing by private equity and to draw up a summary scheme
of the study of several authors experts in the field.

1.1- Capital investment

1.1.1- Definition
Private equity is defined as an alternative financial intermediation to bank indebtedness, it’s an equity or quasi-equity investment for an average of seven years (Lachman 1999). Capital investment consists in acquiring minority or majority holdings in the capital of companies that are often unlisted. This acquisition allows financing their starting up, their growth, their transmission and their survival in case of difficulty. Capital investment consists of four segments: Venture capital, Development capital, Leverage Buy Out (LBO) and Turnarounds.

- Capital investment aims to:
  - Provide the financing needed for its development;
  - Allocate resources and the most appropriate means for growth and performance;
  - Assist the top management in the strategic decision-making;
  - Enhance value creation potential;
  - Ensure security to prospective lenders (Customers, suppliers, banks)

1.1.2- Capital investment and elements of diversity of financing situations:
One could distinguish different private equity funding situations. The following diagram illustrates the different types of private equity transactions.
Illustration N° 1: TYPES OF PRIVATE EQUITY TRANSACTIONS

Private Equity

Venture Capital

- Seed capital
  - Funding required to support preliminary activities of a project such as product research.
- Start-up capital
  - Financing the creation of businesses.
- Early Stage capital
  - It concerns the start-up years of a business.
    - Industrial launch and first commercialization.
- Growth capital
  - The company has reached its break-even point and is making profit.
    - Funding to increase production capacity and sales force, develop new products, finance acquisitions, and increase the working capital.
- Capital transmission (RES, buyouts, MBO, LMBO, LBU, MBI, BIMBO)
  - Capital to acquire a holding company by the existing management and investors using bank indebtedness (Leverage).

Special case: Turnaround
Takeover of a firm in difficulty

Parallel sources of financing

- Personal contributions
  - Start-up capital
  - Self-financing
  - Public aid
- Start-up capital
  - Self-financing
  - Public aid
- Self-financing
  - Public aid
  - Bank lending
- Self-financing
  - Public aid
  - Bank lending
  - Industrial participation
- Self-financing
  - Bank lending
  - Industrial participation

1.1.3- Capital investment vocations

In general, private equity firms apply three sets of measures to enhance the value of their investments, commonly referred to as financial engineering, governance and operational engineering. (Kaplan and Strömberg, 2009)

- Financial engineering: The use of financial leverage to drive managers to increase capital efficiency and thus reduce the problem of investing the excess cash.
- Governance engineering: includes owners since they are more actively involved than in most other forms of business, and creating more effective incentives for management. In addition, a consequence of active governance is a reduction in agency costs through better monitoring.
- Operational engineering: includes operational efficiencies and strategic direction by employing a board of senior management who can contribute with valuable experience and industry expertise. These improvements are reducing overheads and economies of scale. (Acharya and Kehoe, 2008).

1.2- The determinants of IFRS practice

Users of the financial statements include current and potential investors, company staff, funders, suppliers, etc. Since the investor is the venture capital provider of the company, the provision of the financial statements will meet their needs and possibly the decision to invest or not in this company. It is primarily the management of the company that is responsible for the preparation and presentation of the financial statements. One can mention, while citing the deployed theory, among the determinants of the adoption of IFRS by management.

1.2.1- The neo-institutional theory

Neo-institutional theory: Developed by Dimaggio and Powel (1983), Meyer and Rowan (1977) and Scott (2008), they distinguish institutional isomorphism, which allows to understand the process of institutionalization, namely:
- Coercive Isomorphism;
- Normative isomorphism;
- Isomorphism mimetic.

1.2.2- Agency theory, signal theory and information cost theory

Agency theory, signal theory, and information cost theory: from previous studies by Zéghal and Sellami (2010), these theories are ubiquitous about the determinants of voluntary disclosure and the theory of the costs of information early adoption of international standards. The following factors may explain the decision of the early adoption of IAS / IFRS by the French groups. These factors have been grouped under the following three categories:
- Dependence on international markets: listing on foreign financial markets, level of foreign sales;
- Corporate governance: the type of audit firm, the level of indebtedness, the concentration of ownership ;
- Operational characteristics: the size of the company, the level of profitability of the company

From these data, it can be seen that investors, including foreign investors, are interested in the quality of information disseminated by the target company. However, this information must be
disseminated through standards that are recognized and understandable by international financial analysts such as US GAAP or IAS / IFRS. Remember that in our work we will focus only on IAS / IFRS standards.

2- FOREIGN INVESTORS CAPITAL AND IFRS FINANCIAL INFORMATION

The definitions of concepts and the theories that regulate them in the field of research have been highlighted in part one. In fact, the foreign investor capital is interested in the information disseminated by the target companies, which enables it to optimize the costs of obtaining the information. But what about foreign capital investors? And what are the types of financial information reported by IFRS practice? The second part of our work will answer these two questions.

2.1- Foreign capital-investors

2.1.1- The definition of foreign investment capital

In the literature review, there is no distinction between foreign and domestic capital investor. Indeed, the statistics of AMIC (Moroccan Association of Capital Investors) have highlighted the difference according to the nationality of investment funds. Entrepreneurial projects supported by private equity are financed by capital that comes mainly from public savings through investments made by banks, insurance companies and institutional investors. On the other hand, these financial sources are provided by legal or natural persons, public sector entities, so-called "corporate" large companies and pension funds, but also by foreign investors.

2.1.2- Statistics of presence of foreign investors in Morocco

In Morocco, the foreign capital of private equity industry has grown in popularity according to the figures announced by AMIC. The following figure illustrates this 28% increase for investors from the European Union and 25% from and Mauritius.

Illustration N° 2 : Major countries investing in Morocco

![Illustration of major countries investing in Morocco](image-url)
It seems necessary to point out the importance of foreign investment flows in Morocco. According to an empirical study on the determinants of financing by private equity in Morocco, the main investors are interested in the results already generated by the target companies. Indeed, a financial analysis of the summary statements of these companies seems essential. An analysis of these statements established according to the standards of the National Accounting Council represents a cost of access to information. To minimize the cost of information that is essentially to interpret the financial performance of target companies, make financial analysis accessible to foreign investors, a presentation of financial information by IFRS is desirable.

2.2- IFRS financial information

IFRS is actually a standardization of financial and accounting information of companies, for the needs of stakeholders and primarily sources of capital. According to the conceptual framework, the financial statements from which the financial information can be derived are several and include the Balance Sheet, the Statement of Income and the cash flow statement.

This information is based on:
- **Commitment accounting**: transactions are recorded at the time of realization and not at cash flow;
- **Continuity of operation**: continuation of activity in the foreseeable future without the intention to terminate this activity.

2.2.1- The conceptual framework

According to the conceptual framework, the accounting and financial information has qualitative characteristics such as:
- **Intelligibility**: information must be understandable by users;
- **Reliability**: error-free information that can be trusted. We mean by the reliability of the financial information: The faithful image, the pre-eminence of substance over form, neutrality, prudence and completeness.
- **Comparability**: a coherence and permanence of the presentation of the financial information in order to compare the performance of the financial situation;
- **Relevance**: information influences decision makers' evaluations and is of significant importance.

IFRS has resulted in financial information that has upset the nature of the existing ones, in addition to potential cash flow indicators namely the EBITDA, the CAF has a revolution in financial information with the presentation of the cash flow table alone able to provide information on changes in the cash flow, regardless of the accounting standards used, and which may periodically stipulate changes in investment, financing and operating activities either by the direct or indirect method. Under IFRS, financial reporting from the statements is more real and relevant by applying fair value, which in itself has been a cost revolution and has crushed and canceled an accounting principle. To this information can be added sectorial information that allows investors to have an

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1 AMIC : Moroccan Association of Capital Investors.
idea about the performance and problems of the company in several segments, namely the business segments and geographical areas.

2.2.2- IFRS standards in the literature

Another point that is very important is the impact of IFRS on financial information, several articles highlight this impact and detail it according to four aspects:

2.2.2.1. Consequences of IFRS standardization in terms of Value Relevance

Value relevance refers to the ability of IFRS information to retranscribe embedded items in market values, stock prices and stock market returns. By integrating market-related elements, several researches are interested in the impact of IFRS on the evolution of the relevance and the reliability of information for investors. According to studies, it is recognized that IFRS have a superior value in terms of «value relevance» Hug and Subramanyan (2007) assert a very strong sensitivity to markets, and equity in IFRS when compared to this sensitivity in national standards. The obligation of financial information in IFRS contributes to the improvement of the value of entities with a positive correlation of relevance of the information with the conformity of the international reference framework and its methods of application. This relevance is a tool for forecasting future flows of the company by analyzing the stock market information used to forecast the accounting information and to reconcile them in a more efficient way in IFRS than in national standards. We also find a consistency between the informational utility in IFRS with the stock market returns. In addition, the improvement of the relevance and the reliability in the treatment of the goodwill and the revaluation of the assets with the application of IFRS standards seems adequate with the financial market.

2.2.2.2. Consequences of IFRS standardization on results management

The impact of IFRS on the management of results (Earning management) of companies is very important. There is an abundance in the accounting literature of the methods of results management. A significant decline in the practice or use of earnings management is noted in recent works on the impact of IFRS.

Barth et al. (2008) show that in 21 countries, companies that apply IFRS practice less smoothing of results, and better anticipate their shares, and their values are relevant when compared to companies that do not adopt these standards. Given the quality of the information and accounts of these companies before the adoption of IFRS, we cannot judge whether the IFRS post-adopter improvement is due to other factors such as the economic market and the policies of countries or to the introduction of the international reference system. According to statistical studies in and outside the EU, Zeghal et al (2011) confirm that other factors such as the quality of the internal audit, the existence of an independent audit committee and the rating in foreign financial markets have a positive impact on the adoption of IFRS.

2.2.2.3. Consequences of IFRS standardization on the quality of information

All the studies approve the positive nature of the impact on the accounting information of the adoption of IFRS especially for the voluntary transition, but the opinions are divergent for the
obligatory introduction of the standard international reference frame. The information qualities due to the obligation of IFRS are related not only to standard rules but also to several factors such as the development of financial markets, capital structure, ownership structure and the tax system. Paananen and Lin (2009) go so far as to say that the adoption of IFRS in Germany has a negative impact on investors due to a deterioration of the accounting quality after the mandatory transition. On the other hand, in China (Liu et al., 2011) ensure that the quality of accounting information is relative to the mandatory transition to standards and not to the various factors already mentioned. Finally, with the impact of IFRS alone or that of other factors, the studies do not deny that there is an increase in the quality of financial and accounting information, whether with a voluntary or mandatory transition.

2.2.2.4. Consequences of IFRS standardization on the comparability of information

Yip and young (2012), based on a study of 17 countries, focus on improving comparability after the transition to IFRS, this improvement is due to the similarity and standardization of standards that allows for better comparison between different information and different states. In Scandinavia, the listed companies according to (Caban Garcia and HE, 2013) state that market mergers and the transition to standard IFRS standards are factors in improving comparability. In Spain, on the other hand, IFRSs do not provide relevant information on the market, because of the coexistence of both international and national standards in the same country. Another point of view results from the conclusions of the work of Liao et al. (2012), which indicate that comparability is very high in the early years of the transition to IFRS, and after that there is a deterioration due to the accounting choices of companies (French and German).

Kang (2012) supports these results by showing that the adoption of IFRSs differs from one country to another according to the motivations of economic policy. In concluding, the adoption of IFRS not only provides relevant and reliable information, but it also requires a regulatory environment and a motivating policy.

2.2.3- The use of financial information by capital investor

As already mentioned, the financial information can be derived from several financial statements, the components of which will be defined below:

2.2.3.1. Balance-sheet

It has become mandatory to distinguish in the balance sheet between current and non-current items, it is also possible to use a presentation in terms of liquidation if the latter provides relevant and reliable information.

- **Current assets:**
  - Salable, realizable or consumable assets in the operating cycle;
  - Transaction assets or realizable over the next twelve months;
  - Cash assets.

- **Non-current assets:** These are the assets that do not meet the above criteria, and are the long-lived assets.
- Current liabilities: the liabilities that are part of the BFR in the operating cycle, we have 3 special cases:
  - Refinancing;
  - Repayable bonds;
  - Conditionally repayable loans.
- Non-current liabilities: These are liabilities that do not meet the above criteria, and are long-term liabilities.

2.2.3.2. Income Statement

For the income statement, there is no preferable method, it can be presented by the method by nature or by the method of destination. IAS 1 defines only a few minimum items to present.

2.2.3.3. Changes in Equity

In this table or in the appendices, we must present the capital and distribution transactions, the balance of the retained earnings, the reconciliation at the beginning and end of the year of the book value of all categories.

2.2.3.4. Cash flow statement

This table is managed by IAS 7. It presents cash flows from operating, investing and financing activities. This table can be presented either by the direct method or by the indirect method, but they are encouraged to present it by the direct method.

2.2.4 - Investment Decision Variables of foreign capital investor

From the valuation of the company, the foreign capital investor decides to grant or not its financing. For this, he follows a process in several stages. Desbrières and Broye (2000) explained the phases and criteria for assessing the target of a foreign capital investor. Indeed, the investor starts with:

- A detailed study of the project and the company development plans illustrated in the business plan;
- an analysis of the financial statements;
- Strategic studies, market, securities, auditing, legal, tax, environmental, IT. etc.
- Audits of the management team, particularly in terms of reputation with the company's partners (Mougenot, 2007).

These in-depth studies and analyzes, called due diligences, require months of intervention (six to seven months on average) by financial analysts of foreign investment funds.
Illustration № 3: The phases of the investment decision during capital investment financing

Evaluation and valuation: which methods to use?

- **The asset value method:**
The asset value corresponds to the ANCC the net book value adjusted for the tax consequences of revaluation or depreciation of assets, also known as the revalued net position. The return corresponds to the excess profit or goodwill realized over a given period at the classification rate, including the risk presented by the company.

- **Dynamic or intrinsic methods:**
They consist in valuing a company based on its discounted future profitability, represented by the discounting of free cash flow (discount cash flow DCF) or economic profit (Economic Value Added EVA) over a period of n years. The discount rate is equal to (weighted average cost of capital WACC). It is the equity-weighted average at market value and the net financial debt also at market value, as well as the expected shareholder return calculated using the CAPM model and the cost of debt net of tax.

- **Comparative or analog methods:**
They consist of analyzing multiple valuations of comparable listed companies to determine the value of the business being valued. 
  - Search for a sample of comparable listed companies;
  - Determination of the main aggregates: The net results of cash flow or net assets are calculated from the market capitalization of the company. EBITDA, EBITDA and Rex are calculated on the basis of the aggregate value determined by adding net financial debt and minority interests in equity to the market capitalization.
  - Determination of the number of years retained for the analysis: we generally look at the multiples of the current year and those of two years of projections.

Foreign investor capital also uses the profitability valuation method in that it considers two main indicators: EV / EBITDA and PER (Mougenot, 2007). In the second part, we tried to clarify the foreign investor capital and statistics produced by AFIC to highlight the importance of these investors in the private equity industry. The capital investor conducts a study beforehand to decide whether or not he will finance the target company using the valuation methods.

In a third part, we will try from a literature review to study the consequences of the practice of IFRS on several domains, including financial investors, to verify the relevance of our central problem and confirm our idea of starting point, namely the existence of a correlation between private equity financing and the practice of IFRS.

### 3- CONSEQUENCES OF THE PRACTICE OF IFRS

According to previous studies by Covrig et al. (2007) then DeFond et al. (2011), there would be no increase in investments of national mutual funds (FCFs) with all the necessary information. In addition, regional mutual funds (Asia, Europe, etc.) would be the most sensitive to the adoption of IFRS. DeFond et al. (2012) conducted a study that states that investors (especially active and growing) are in favor of valuing a high level of financial information quality. In
addition, the adoption of IFRS would be positively associated with a significant increase in foreign direct investment (FDI) according to Gordon et al. (2012).

3.1- Consequences of IFRS standardization on equity markets and on financial investments

3.1.1- Equity markets
The equity market analysis allows IFRS to ensure an information asymmetry between executives and investors. The impact of adopting an international disclosure strategy for listed companies shows a reduction in the asymmetry of information that is named by a narrowing of the gap between the price of supply and the demand for action and by increasing the volume of transactions, following the adoption of IFRS. The IFRS financial statements include information that complements that demonstrated by the financial statements in national standards. From this, the influence of the information provided by the financial statements is heterogeneous.

An increase in the informational content of earnings announcements is raised by (Landsman et al, 2012) for companies in countries that impose IFRS, this is defined by an increase in the volatility of abnormal returns and also the abnormal trading volume reported over the years of Post-adoption. On the other hand (Bissessur and Holdgson, 2012) reveal, firstly, a decline in the synchronicity of equity markets during the first two years of the adoption of IFRS. And secondly, an upward reversal of the same synchronism during the next two years, to reach a more interesting level than before the adoption of IFRS. We can therefore see that the decrease in the asymmetry of information, the increase in transparency and the comparability of the accounts, by using the IFRS reference, facilitate capital increases at a lower cost and more particularly the capital increases abroad.

3.1.2- Financial investments
With the adoption of international IFRS standards, companies adopt an international disclosure language that is easily understood and analyzed by foreign investors. These companies want to be open and accessible to them and can bring in foreign capital. According to (Florou and Pope, 2012), equity demand for institutional investors increased by 4% and more than 10 investors between 2003 and 2006 in 45 countries adopting IFRS. The use of IFRS allows companies to meet the needs of international investors in order to satisfy them and rely on foreign financing. It also enhances a high level of financial information quality, improves the comparability of financial statements and reduces the cost of acquiring information by investors. The adoption of IFRS would therefore be positively associated with a sharp increase in foreign investors, with all the necessary information.

Nevertheless, (Beneish et al, 2008) conclude that the reduction in the cost of processing information under IFRS is not sufficient for the investor to overweight in his portfolio of domestic and foreign equities. Moreover, (Yu and Wahid, 2014) have recently contradicted these findings and demonstrate that the adoption of IFRS is beneficial in the country of investment or in the country of the investor as it meets the needs of investors and also allows a reduction of information asymmetry.

3.2- Consequences of IFRS standardization on the production of financial analysts' opinions, on the cost of capital and on the credit markets

3.2.1- Production of financial analysts' opinions
Several variables tested and studies carried out were made by various financial analysts, concerning the adoption of IFRS. These studies generally show an increase in the coverage of financial analysts for companies that have adopted this standard. According to (Bae et al., 2008), the difference in accounting standards that are not in compliance with IFRS generates more expenses for analysts. In addition, IFRS compliance allows European and foreign analysts to increase the accuracy of their earnings forecasts. According to (Kim and Shi, 2012), this repository also makes it possible to improve more strongly the public financial information, identical to all the analysts, than private, special to each analyst. Finally, (Cuijpers and Buijink, 2015) suggest that analysts need more time to interpret and understand IFRS financial statements.

3.2.2- The cost of capital

The cost of capital is among the main elements necessary for the decision of foreign investors. The lower the cost of capital, the greater the investment in the company's shares. Numerous studies have been carried out to test whether the adoption of IFRS standards can lead to a lower cost of capital, due to the improvement of financial information compared to that given by national accounts and due to the increase in comparability. According to the study by (Li, 2010), there is no evidence of a decrease in the cost of capital for European groups that voluntarily adopted IFRSs before 2005. However, for those who adopted it compulsorily in Europe in 2005, the study shows an average reduction in the cost of capital. According to (Dask et al, 2013), there is no longer a difference after 2005 between voluntary adopters and compulsory adopters. The study by (Dask et al, 2012) shows that only so-called (serious) adoptations benefit from the reduction in the cost of capital, unlike adoptations (labels). It is therefore necessary to rule out the effects on groups between those who are limited to obtaining the IFRS label and those who aim to improve their method and their strategy to enhance their transparency.

3.2.3- Credit markets

The mandatory adoption of IFRS has raised some concerns about the impact of the new accounting principles on credit institutions' accounts and financial stability. The standards are characterized by the use of the notion of fair value, which may bring greater volatility in the income statements and balance sheets of credit institutions. It is thus necessary to value the stable balance sheet items such as equity securities or property, plant and equipment at fair value and the fair value revaluation of certain assets recorded at amortized cost. IAS 39 does not recognize the hedging of risks, the basis of macro-hedging, used by credit institutions to cover the risk of transformation related to their activity. In this respect, the transition to IFRS is favorable to credit institutions. According to (Kim et al, 2011), borrowers who voluntarily adopted IFRS, experienced a decline due to the decline in asymmetric information with lenders. For example, knowing that the contractual commitments will be less restrictive for banks, and thus more favorable financial conditions if the groups adopting IFRS. In addition, the banks grant credits of larger amounts with a long duration.
Contributions and difficulties related to the application of IFRS by foreign investors

Despite the conventional approach, an IFRS conversion is not primarily a redesign of the chart of accounts, nor primarily technical accounting or financial reporting. Indeed, the business is likely to waste a lot of time responding to concerns about taxation, valuation, law and compliance, technology, and communications. The differences in the impact of consolidation will likely have a significant impact on private equity funds and the companies that manage these funds. Obviously, a lot of work involves moving to IFRS. Yet, despite these challenges, it can be seen that the benefits of these reports under IFRS outweigh the costs.

Investment managers often outsource services to several third-party administrators who provide fund reports according to the accounting standards applicable in the country in which they operate. In such cases, there are significant benefits that can be obtained from the transition of all funds to IFRS, including the potential for reduced financial statement preparation time, improved controls, reduced staffing costs, and reduced costs. A centralized approach to regulatory reporting. The transition to a uniform set of standards has the potential to enhance the value of investors and shareholders.

Factor studies

The conversion provides a new look at current practices:

- Conversion can be a catalyst for streamlining reporting funding:
  Moving to IFRS may result in a re-examination of the location of financial reporting activities, resources and the procedures used for these activities.

- IFRS offers the opportunity to use principles-based accounting:
  Many finance professionals are increasingly frustrated with US GAAP and its voluminous rules for dealing with accounting issues. For a decade or more, financial executives have called for a return to principles-based accounting to help improve financial reporting. Some consider IFRSs sensitive to this demand.

- IFRS helps open the doors of the global market:
  The adoption of IFRS can improve access to foreign markets as foreign investors may be more comfortable or have more confidence in accounting standards accepted by everyone. Funds can also benefit from the improved ability to compare with competitors.

Challenges for investment funds:

- IFRS 7 Comparative Information
  Accumulation of performance analysis of relevant data on the portfolio of information objectives provided under IFRS 7 ("Financial Instruments: Risk Information"). Since the accumulation of geographical or industrial concentrations, it would be difficult to conduct sensitivity analyzes for interest rate and other risks, monetary exposure, exposure to liquidity, etc.

- Consolidation of Investments
  The IFRS guidelines for the consolidation of investments are very different from those of the standards applied in the United States. Many investments are not consolidated under U.S.
GAAP US standards but under IFRS. This means that private equity funds and other registered investment companies that control the investments will need to be consolidated. Private equity managers applying IFRS are obliged to consolidate the funds they manage.

- Systems limitations
Technology information systems ("IT") may be unable to provide certain information required by IFRS. For example, with respect to business activities, systems may not be able to segregate both the costs of securities and transactions / commission fees. Planning activities should take into account the information needs that enable appropriate financial reporting.

Conclusion
The theoretical developments of the first part led to the formulation of the research problematic: Is IFRS practice a major determinant of financial reporting for foreign capital investors? In our work, we have tried to match the quality of information disseminated by IFRS with the decision of foreign investors to invest in companies that have adopted these standards. Based on previous studies and syntheses that have been identified, it can be concluded that foreign investors are more interested in the profitability of the target company. Nevertheless, in order to understand the endogenous and exogenous variables that influence this performance, information must be comprehensible through a universal language that is illustrated by IFRS. Despite this fact, investor has difficulties in investing in a company that practices IFRS. These challenges are essentially the discrepancies between US GAAP and IFRS.

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