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Research Article

The Impact of IFRS Adoption on Financial Reporting, Earnings Management and Securitization: The Case of the FT Auto Mobility Securitization Fund

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ABSTRACT

International Financial Reporting Standards (IFRS) Adoption of IFRS has brought tremendous changes in the area of financial reporting, risk management & grouped finance. This study investigates the impact of IFRS 9, IFRS 7, and IFRS 10 on Financial transparency, profit to the FT Auto Mobility Securitization Fund, and influence on investors perception of the FT Auto Mobility Securitization Fund. The move to IFRS, however, resulted in higher levels of financial charges due to the expected credit loss model under IFRS 9, which knocked 65% off its consolidated net income. Furthermore, IFRS 7 enhanced the classification and disclosure of significant noncurrent financial instruments, contributing to a 19.4 million MAD increase in cash holdings, which in turn enhances transparency and liquidity.

However, the leverage ratio rose from 8.35 to 8.64, which might alarm investors with concerns over financial risk. Although these movements enhance both financial stability and comparability, they also challenge profitability and capital management. In addition, this paper suggests that steps should be taken to optimize financial structure, strengthen financial communication, and implement regulatory monitoring to reduce the adverse effect of IFRS adoption. By doing so, FT Auto Mobility can leverage the benefits of IFRS while ensuring that investor confidence and market competitiveness are not compromised.

Keywords: IFRS, securitization, financial reporting, expected credit losses, leverage ratio, investor perception, financial transparency.

INTRODUCTION

The adoption of International Financial Reporting Standards (IFRS) has transformed the global accounting landscape, with the aim of improving the quality, transparency and comparability of financial information. In Morocco, this transition is of particular importance, especially with regard to earnings management and securitization operations. The case of the Auto Mobility securitization fund (FT) provides a concrete illustration of these dynamics.

IFRS were designed to harmonize accounting practices on an international scale, thereby enhancing the transparency and reliability of financial statements. They make it easier for investors and other stakeholders to compare company performance across different jurisdictions (Elhamma, 2023). In Morocco, the adoption of IFRS has been seen as a lever for attracting foreign investment and boosting confidence in financial markets (Laouane & Torra, 2021).

Accounting standards have a significant influence on earnings management. Some studies suggest that the adoption of IFRS may limit opportunistic earnings management practices, thereby improving the quality of financial information (Daanoune & Aouinatou, 2023). With regard to securitization, IFRS, notably IFRS 9 and IFRS 7, establish clear guidelines on the classification and valuation of financial instruments, ensuring greater transparency in securitization operations (African Scientific Journal, 2023).

In Morocco, the financial sector has undergone significant change with the introduction of mechanisms such as securitization. The FT Auto Mobility is a securitization fund dedicated to the acquisition of receivables from leasing contracts with purchase option (LOA) and loans for the purchase of vehicles, distributed by SOFAC for the customers

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of the Auto Hall Group (Auto Hall, 2024). This initiative aims to diversify sources of financing and optimize the use of SOFAC's equity by pooling the gains generated by the fund (CDG Capital, 2024).

OBJECTIVES

This study aims to assess how the adoption of IFRS has influenced the quality of financial reporting in Morocco, focusing on the transparency and comparability of the financial statements of entities involved in securitization transactions, notably FT Auto Mobility.

The study will examine how the adjustments required by IFRS affect the earnings management and profitability of Moroccan companies, focusing on entities involved in securitization transactions.

Finally, the study will analyze the impact of IFRS on the structuring and accounting of securitization transactions in Morocco, using FT Auto Mobility as a case study.

METHODS

A comparative analysis of the financial statements of the entities involved in FT Auto Mobility will be carried out to assess the impact of IFRS adoption on the quality of financial information.

Financial ratios and management indicators will be calculated to measure the impact of IFRS on financial performance and earnings management.

IFRS 9, IFRS 10 and IFRS 7 will be applied to interpret results and understand their impact on securitization and earnings management.

RESULTS

2. Theoretical framework: IFRS, earnings management and securitization

2.1 IFRS and the quality of financial information

International Financial Reporting Standards (IFRS) were introduced to harmonize accounting practices worldwide and improve the transparency and comparability of corporate financial statements (ENGDE, 2023). They make it possible to standardize accounting standards by imposing a normative framework based on the primacy of economic substance over the legal form of transactions (Revue Comptabilité Contrôle Audit, n.d.). The adoption of IFRS has thus enabled listed companies to enhance the quality of published information, contributing to better decision-making by investors and regulators (Oubahou & El Ouafa, 2022). One of the main contributions of IFRS is to improve the comparability of financial statements between companies operating in different economic and regulatory contexts. By imposing a single normative framework, they eliminate the disparities that existed between the various national reference frameworks, thus facilitating the analysis of financial performance on an international scale (Oubahou & El Ouafa, 2022).

The adoption of IFRS in Europe in 2005 marked a decisive turning point, forcing listed companies to revise the way they present their financial statements and making them more accessible to foreign investors. This transition strengthened financial transparency, encouraging better assessment of investment risks and opportunities (El Idrissi et al.). In the Moroccan context, this adoption has enabled companies listed on the Casablanca Stock Exchange to comply with globally recognized standards, thereby increasing their attractiveness to foreign investors (El Idrissi et al.).

The introduction of IFRS also helps to eliminate sectoral differences in the presentation of financial statements. This enables investors and financial analysts to compare companies not only within the same sector, but also between different sectors, thereby enhancing the transparency and efficiency of financial markets (Oubahou & El Ouafa, 2022).

- **Limiting accounting bias and reducing distortions**

IFRS were designed to reduce subjectivity in the preparation of financial statements and limit accounting bias. With well-defined recording principles and strict requirements for the recognition and measurement of assets and liabilities, they reduce the scope for companies to adjust their results for strategic purposes (Hamzane et al., 2018).

One of the major advances of IFRS is their ability to limit earnings management practices. The latter, which consists in manipulating accounting information to influence investor perception, is now more difficult to implement thanks to IFRS requirements for transparency and fairness of financial information (El Idrissi et al.). The introduction of the concept of fair value, in particular with IFRS 9, has made it possible to better reflect the economic reality of companies and ensure faster recognition of any losses, thereby reducing the risk of asset overvaluation (Oubahou & El Ouafa, 2022). The application of IFRS has also standardized methods for valuing and presenting assets, liabilities and income. This has helped to reduce differences between companies in the recognition and disclosure of financial items, thereby improving the comparability and readability of financial statements (Hamzane & Baghar, 2019).

- **Empirical studies on the impact of IFRS on the quality of financial reporting**

Several empirical studies have been carried out to assess the impact of IFRS on the quality of financial reporting. Oubahou and El Ouafa (2022) point out that the application of IFRS has standardized accounting practices and made Moroccan companies more competitive on the international scene. They point out that the adoption of these standards has helped to increase the transparency of financial statements and limit accounting discrepancies between companies.

However, some research has shown that the benefits of IFRS are not uniform for all companies. For example, El Idrissi et al. found that, while the transition to IFRS improved the quality of financial reporting for many companies, it did not necessarily lead to a significant reduction in earnings management in some cases. This suggests that the effects of IFRS may vary according to the institutional context and incentives specific to each company.

In the case of Morocco, the work of Hamzane et al (2018) revealed that the adoption of IFRS required a significant upgrade in the skills of accounting professionals. The lack of training and expertise in IFRS has been identified as an impediment to their effective application, which may limit the expected gains in terms of the quality of financial information.

- **IFRS implementation challenges**

Although the adoption of IFRS has brought significant improvements, a number of challenges remain. One of the main obstacles is resistance to change on the part of some companies, notably because of the costs associated with the transition. Compliance with IFRS requires a significant investment in terms of staff training and updating accounting information systems, which can be a hindrance for some companies, particularly SMEs (Hamzane et al., 2018).

In addition, the complexity of IFRS can pose interpretation and application difficulties for companies that lack the resources to ensure proper compliance. According to Bouguerra (2018), companies in developing countries, such as Morocco and Algeria, often encounter difficulties related to the lack of local expertise in international standards, which can limit their ability to take full advantage of the benefits expected from IFRS adoption

2.2 IFRS and earnings management

Earnings management, also known as "results management", refers to the use by a company's management of various accounting practices, more or less legitimate, aimed at presenting financial results in line with expectations or targets. Such practices may include smoothing earnings, adopting aggressive revenue recognition methods to overstate sales and earnings, or over-recording non-recurring restructuring charges in a loss-making year to improve the appearance of subsequent years' results.

- **Results management techniques**

Earnings management techniques fall into two main categories:

Management of accruals: This technique involves adjusting recognized income and expenses, without any immediate impact on cash flow, in order to influence net income. For example, a company may modify estimates relating to provisions for bad debts or depreciation to achieve the desired result.

Real business management: This approach involves modifying actual transactions or the timing of operations to influence financial results. For example, a company may accelerate or delay the sale of assets, adjust production levels or modify research and development expenditure to achieve set financial targets.

- **Impact of the transition to IFRS on accounting flexibility**

The adoption of International Financial Reporting Standards (IFRS) has been seen as an initiative to improve the transparency and comparability of financial information worldwide. However, these standards also offer a degree of flexibility in the choice of accounting methods, which can influence earnings management.

Some studies have suggested that the adoption of IFRS could increase the quality of financial information by reducing opportunities for earnings management. For example, one study showed that IFRS adoption increases the quality of published information, suggesting a positive impact on the transparency and reliability of reported information.

However, other research suggests that the flexibility inherent in IFRS may allow managers to exercise greater judgment in the preparation of financial statements, potentially increasing opportunities for earnings management. One study found that the adoption of IFRS has not necessarily improved the quality of financial information, suggesting that the standards offer managers too much latitude, which may threaten the quality of information.

- **Empirical studies on the impact of IFRS on earnings management**

A number of empirical studies have examined the impact of IFRS adoption on earnings management, with varying conclusions.

For example, a study carried out on a sample of 4,807 listed companies in 30 countries that had adopted IFRS on a mandatory basis between 2005 and 2008 showed that, when accounting standards are uniform and exogenous to national institutions, the quality of financial information, as measured by earnings management, is not influenced by legal and political institutions such as the level of investor protection or the quality of corporate governance. However, the richness of the information environment, as measured by media prominence and analyst following, is significantly associated with information reliability. In addition, the way in which companies apply IFRS is a determining factor in the quality of published financial information.

Another study examined the impact of mandatory IFRS adoption on accounting results management through a comparative analysis of the meaning, scope and extent of changes in results management practices. The results showed that IFRS adoption led to an increase in P&L management in certain contexts, suggesting that the increased flexibility offered by IFRS can be exploited by managers to achieve specific financial objectives.

In addition, a study on the effect of introducing IFRS revealed that, despite the objectives of harmonizing and improving the quality of financial reporting, the adoption of IFRS can have varying effects on earnings management, depending on the specific incentives of companies and the institutional contexts in which they operate.

2.3 IFRS and securitization

- **Securitization and IFRS accounting issues**

Securitization is a financial technique that has transformed financial markets by offering institutions an efficient method of liquefying their assets and transferring risk to investors. Used on a large scale since the 1970s, securitization is based on the conversion of illiquid financial assets, such as receivables or loans, into marketable securities. This transformation takes place via a special purpose vehicle (SPV), which issues securities backed by the cash flows generated by these assets. This mechanism enables companies to free up liquidity while spreading risk among several investors (El Attar, 2013).

While securitization offers many advantages, notably in terms of balance sheet management and access to financing, it also raises significant accounting challenges. The financial crisis of 2007-2008 highlighted the shortcomings of certain securitization structures, notably the opacity of transactions and the difficulty of accurately assessing the underlying risks. These issues have led to an overhaul of accounting and prudential regulations, in particular under IFRS, which aim to increase the transparency and comparability of securitization transactions (Lanani & Moudine,

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2021).

- **Mechanisms and players in securitization**

Securitization is a structured process involving several key players. Firstly, the seller is the financial institution or company that holds the assets to be securitized and wishes to transfer

them to improve its liquidity or reduce its risk exposure. These assets are transferred to an independent entity, the Special Purpose Vehicle (SPV), which is responsible for issuing financial securities backed by these assets, known as Asset-Backed Securities (ABS) (El Zanati, 2023).

Investors who purchase these securities then receive the cash flows generated by the underlying assets. These cash flows may come from the repayment of mortgages, consumer loans or other receivables. This model enables financial institutions to refinance their assets without having to resort to conventional borrowing (Djamila & Chabha, 2016).

However, securitization would not be possible without the intervention of rating agencies, which assess the risk of the securities issued and assign them a rating. This rating is essential for investors, as it enables them to assess the level of risk associated with the securities they buy. However, the subprime crisis revealed that these agencies had not always assessed risk correctly, thus contributing to the spread of the financial crisis (Mishkin, 2010).

Finally, regulators play a key role in overseeing securitization practices to ensure the stability of financial markets. Following the 2008 crisis, reforms were introduced to enhance transparency and limit the systemic risks associated with these operations. For example, new regulations require banks to retain part of the risk of securitized assets in order to avoid incentives to transfer exclusively the riskiest assets off their balance sheets (Schackmann-Fallis & Weiss, 2014).

- **Advantages and risks of securitization**

Securitization offers a number of advantages for companies and investors alike. In particular, it enables financial institutions to free up funds to finance new projects, while improving their risk management. By transferring assets to a separate entity, banks can reduce their exposure to defaults and diversify their funding sources (El Attar, 2013).

Moreover, securitization contributes to the dynamism of financial markets by offering investors a new, diversified asset class that can be adapted to different risk profiles. This promotes financial inclusion and access to credit, particularly for small and medium-sized enterprises (Lanani & Moudine, 2021).

However, securitization also entails significant risks. One of the main challenges is the lack of transparency and the difficulty of accurately assessing the quality of the underlying assets. The

subprime crisis demonstrated that many securitized securities were backed by poor-quality assets, leading to a massive loss of investor confidence and a liquidity crisis (Djamila & Chabha, 2016).

Furthermore, the complexity of securitization structures can make it difficult to identify the true risk holders. This opacity increases information asymmetries, which can lead to capital misallocation and financial crises (Mishkin, 2010).

- **Accounting framework for securitization under IFRS**

IFRS standards have been adapted to meet the challenges posed by securitization, with an emphasis on transparency, asset recognition and risk management. Two standards in particular are essential for securitization transactions: IFRS 9 and IFRS 10. **IFRS 9: Classification and measurement of securitized assets**

IFRS 9 replaces IAS 39 and introduces a classification and measurement model for financial instruments based on two main criteria:

- Contractual cash flow characteristics: Assets must be classified according to their ability to generate stable, predictable cash flows.

- The entity's business model: companies must demonstrate whether they hold these assets with the objective of collecting contractual cash flows or whether they intend to sell them (IASB, 2018).

One of the major changes introduced by IFRS 9 concerns the expected credit loss model. Unlike the previous model based on incurred losses, IFRS 9 requires companies to anticipate losses as soon as they become probable. This approach is intended to reinforce accounting prudence and avoid underestimating the risks associated with securitized assets (Capkun et al., 2016).

- **IFRS 10: Consolidation of securitization vehicles**

IFRS 10 sets out strict principles for the consolidation of special-purpose entities used in securitization transactions. Under this standard, an entity must be consolidated if the company controlling it :

Has the power to direct its relevant activities,

Is exposed to variable returns associated with the entity,

Has the ability to use its power to influence these returns (IASB, 2018).

This rule is designed to avoid abusive deconsolidation practices, where risky assets were transferred to SPVs without being properly reflected in the banks' balance sheets. In this way, IFRS 10 ensures a more accurate representation of the financial position of companies and limits the risk of contagion in the event of a financial crisis (Schackmann-Fallis & Weiss, 2014).

Securitization remains a powerful financial tool, enabling companies to raise capital and transfer risk to investors. However, it needs to be rigorously supervised to avoid the abuses that led to the 2008 financial crisis.

IFRS standards, notably IFRS 9 and IFRS 10, have increased transparency and prudence in the accounting of securitized assets. However, their effectiveness depends on strict enforcement and the ability of regulators to monitor these practices. In a context where securitization continues to evolve, particularly with the rise of fintechs and blockchain, it is essential to maintain a robust regulatory framework to guarantee the stability of the financial system.

3. Case study: Impact of IFRS on FT Auto Mobility

3.1. Presentation of FT Auto Mobility and its securitization transactions

FT Auto Mobility is a Fonds de Placements Collectifs en Titrisation (FPCT) set up by SOFAC, the Auto Hall Group's financing company. The purpose of the fund is to sell receivables arising from lease-to-own (LOA) contracts and car loans taken out by customers of Auto Hall and its subsidiaries. This securitization operation enables SOFAC to free up liquidity while transferring the risk associated with these receivables to qualified investors, in compliance with current regulations (AMMC, 2024). By issuing securities backed by these receivables, SOFAC can finance new projects and reduce its exposure to credit risk, thereby helping to optimize its balance sheet and provide access to alternative financing.

- **Nature and purpose of the Fund**

The FT Auto Mobility fund has raised a total of MAD 700.785 million, and is reserved exclusively for qualified investors. This issue enables SOFAC to transfer receivables from Auto Hall customers for car loans and LOA contracts. By transferring these receivables to a special purpose vehicle, SOFAC can free up financial resources, improve its liquidity and optimize its balance sheet, while reducing the credit risk associated with these receivables (AMMC, 2024). This securitization process is designed to attract institutional investors, offering a structured financial product while enabling SOFAC to diversify its sources of financing.

- **Importance of securitization in SOFAC's business model**

Securitization plays an essential strategic role in SOFAC's business model. It enables the company to raise funds rapidly while reducing its exposure to credit risk. One of the main benefits is improved liquidity, as the transfer of receivables provides SOFAC with immediate funds that can be reinvested in new financing projects. In addition, this mechanism contributes to the optimization of SOFAC's balance sheet, as it reduces the volume of receivables in its assets, thereby lowering the risks associated with these receivables. This improves SOFAC's financial structure and makes it more attractive to new investors. Securitization also helps to attract alternative financing by widening access to institutional investors looking for diversified, secure financial products (AMMC, 2024).

- **Recent securitization transactions**

Since its creation, FT Auto Mobility has carried out several securitization issues. The first issue took place in August 2024, for a total amount of 440 million dirhams. This issue was structured in two bond tranches: a MAD 419.7 million tranche for qualified Moroccan investors, and a MAD 19.67 million tranche subscribed exclusively by Auto Hall. The transaction was a success, with a spread of 65 basis points over the benchmark index, testifying to the fund's solidity and investor interest in this type of product (La Vie Éco, 2024). In December 2024, a new issue of MAD 990.906 million was launched to securitize receivables from motor vehicle LOA contracts. This issue was also reserved for qualified investors under Moroccan law, and confirms the attractiveness of securitization as a financing method for SOFAC (Les Inspirations Éco, 2024).

- **Role of SOFAC Structured Finance (SSF)**

SOFAC Structured Finance (SSF), SOFAC's asset management subsidiary, plays a key role in the management and structuring of securitization funds, including FT Auto Mobility. As a company approved by the French Ministry of the Economy and Finance, SSF ensures regulatory compliance, risk management and transparency of the securitization process. SSF guarantees the rigorous management of securitized receivables, ensures the appropriate distribution of financial flows and monitors the proper management of funds throughout their lifecycle (CDG Capital, 2024).

- **Impact on the Moroccan automotive sector and future prospects**

FT Auto Mobility's success has a direct impact on the Moroccan automotive sector. By freeing up liquidity through securitization, SOFAC is able to offer more advantageous financing solutions to customers of Auto Hall and its subsidiaries, thereby facilitating vehicle acquisition. In addition, this model supports Auto Hall's "One Stop Shop" strategy, which enables customers to carry out all the steps involved in purchasing vehicles at the Group's sales outlets, making the customer experience smoother and faster (La Vie Éco, 2024). Successful securitization issues demonstrate the potential of this mechanism for SOFAC. In the future, the Group could further diversify its financial products by securitizing other types of receivables, thereby attracting new investors and strengthening SOFAC's competitiveness on the Moroccan and international markets. Securitization thus represents a strategic financing avenue for SOFAC, which could also extend its model to other sectors, while continuing to optimize its financial structure (Les Inspirations Éco, 2024).

3.2. Comparative analysis of financial statements before and after IFRS

The application of IFRS has modified several aspects of FT Auto Mobility's financial statements, notably with regard to the classification of financial assets, the recognition of expected credit losses (IFRS 9), and the consolidation of securitization vehicles (IFRS 10). We will examine these changes by first analyzing the balance sheet, then the income statement.

- **Balance sheet: Assets and liabilities**

Element	**Bilan Social (MAD)**	**IFRS balance sheet (MAD)**	**Gap (MAD)**
Total assets	686.268.840,77	683.816.065,77	-2.452.775,00
Shareholders' equity	73.361.356,84	70.908.581,84	-2.452.775,00

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Consolidated net income	3.776.356,84	1.323.581,84	-2.452.775,00
Treasury	24.957.163,77	44.397.821,93	+19.440.658,16

-Reduction in total assets and shareholders' equity (-2,452,775.00 MAD)

The IFRS 9 adjustment requires expected credit losses to be taken into account, rather than actual losses. This means that FT Auto Mobility has had to recognize additional provisions on its securitized receivables, reducing the net value of the assets.

Calculating relative variation :

−2.452.775,00/686.268.840,77×100=−0,36%

→ Total assets fell by 0.36%, a limited impact but indicative of better risk anticipation.

Increase in cash and cash equivalents (+19,440,658.16 MAD)

The reclassification of certain financial assets under IFRS 7 resulted in an increase in cash and cash equivalents. This means that certain receivables have been reclassified as available cash rather than as non-current receivables.

Calculating relative variation : 19.440.658,16/24.957.163,77×100=+77,9%

→ Significant 77.9% increase in cash, improving the fund's liquidity.

Impact on shareholders' equity (-2,452,775.00 MAD)

The fall in equity directly reflects the effect of the new IFRS 9 provisions on expected credit losses. This directly affects the fund's level of equity, which in turn may influence investor perception and the rating of the securitization vehicle.

- **Income statement: Impact on profitability**

Element	Before IFRS (MAD)	After IFRS (MAD)	Change (MAD)
Financial income	23.000.768,83	23.000.768,83	-
Financial expenses	19.224.411,99	21.677.186,99	+2.452.775,00
Consolidated net income	3.776.356,84	1.323.581,84	-2.452.775,00

Increase in financial expenses (+2,452,775.00 MAD)

This increase is mainly due to IFRS 9 adjustments relating to expected credit losses. Impact on profitability :

−2.452.775,00/3.776.356,84×100=−65%

→ 65% decline in consolidated earnings, reducing short-term fund profitability.

Stable Financial Income

Financial income remained unchanged, indicating that returns on securitized receivables were not affected by the transition to IFRS.

- **Analysis of Financial Ratios and Indicators Before and After IFRS**

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Ratio	Before IFRS	After IFRS	Interpretation
Securitization ratio	24,04 %	24,12 %	Slight increase in the weight of securitized receivables.
Return on Equity	13,94 %	13,94 %	High yield, positive impact for investors.
Financial leverage	8,35	8,64	Increased leverage, heightened risk perception.

Ratio analysis :

- **Securitization ratio**

Before IFRS : 164.965.492,03/686.268.840,77=24,04%

After IFRS : 164.965.492,03/683.816.065,77=24,12%

➜ Slight increase in the weight of securitized receivables, indicating stable fund operations despite IFRS adjustments.

- **Return on Equity**

Yield calculation : 23.000.768,83/164.965.492,03=13,94%

➜ High yield, which remains an asset for fund investors.

- **Financial leverage**

Before IFRS :

612.907.483,93/73.361.356,84=8,35

After IFRS :

612.907.483,93/70.908.581,84=8,64

➜ Increase in financial leverage, indicating a higher level of debt relative to equity.

FT Auto Mobility's adoption of IFRS has had a significant impact on its financial statements, highlighting a more prudent and transparent approach to risk management. The application of IFRS 9 led to an increase in financial expenses due to the recognition of expected credit losses, which mechanically reduced consolidated earnings. On the other hand, the reclassification of certain financial assets led to a significant increase in cash, improving the fund's liquidity and its ability to meet financial obligations. Despite these adjustments, the profitability of securitized receivables remained stable, guaranteeing an attractive level of return for investors. However, the increase in financial leverage indicates a higher level of debt relative to equity, which could be perceived as an increased risk by stakeholders. On the whole, these adjustments reflect IFRS' determination to improve the quality of financial information by providing a more accurate and anticipatory view of the fund's economic situation, while influencing investor perception of its financial strength and risk management.

DISCUSSION

4. Discussion and recommendations

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The adoption of IFRS has had a significant impact on the financial structure and investor perception of FT Auto Mobility. These accounting adjustments, while improving transparency and risk management, have also introduced new challenges, particularly in terms of earnings management and the perception of financial risk. This section offers an in-depth analysis of the effects of IFRS on the quality of financial information, earnings management and securitization, before making recommendations for optimizing their implementation.

4.1 Impact on the quality of financial information

One of the fundamental objectives of IFRS is to improve the quality of financial information by ensuring a fair representation of the financial statements and enhancing investor confidence. In the case of FT Auto Mobility, this objective has been achieved through a number of adjustments.

- **Improving Transparency**

The application of IFRS 9 required a more conservative approach to the valuation of securitized receivables, by imposing an expected credit loss model rather than an actual loss model. This change has led to better anticipation of credit risks, thereby reducing uncertainty for investors and regulators. Similarly, IFRS 7 has strengthened disclosure requirements relating to financial instruments, providing a more detailed view of the nature of the risks to which the fund is exposed.

The impact of this greater transparency is reflected in particular in the increase in available cash, which rose from 24,957,163.77 MAD to 44,397,821.93 MAD, following a reclassification in line with IFRS 7 guidelines. This improvement in liquidity reinforces stakeholders' perception of the fund's stability and facilitates access to financing.

- **Investor perception and risk management**

The adoption of IFRS has also improved investor perception of the fund's risk management. The new accounting standards make the way in which FT Auto Mobility manages its securitized assets more visible, thereby boosting the confidence of institutional investors. Indeed, a more rigorous accounting framework provides additional assurance to creditors and other stakeholders about the fund's ability to absorb potential losses without compromising its solvency.

However, increased transparency can also have side-effects, notably by highlighting certain aspects of the balance sheet which, previously, could be masked by more flexible accounting practices. For example, the fall in total assets and shareholders' equity (-2,452,775.00 MAD) may be perceived as a sign of vulnerability by some financial analysts, despite its accounting rather than economic origin.

4.2 Effects on Results Management

While IFRS improve transparency, they also introduce stricter constraints on results management.

- **Lower net income**

Application of IFRS led to a 65% reduction in consolidated net income, from MAD 3,776,356.84 to MAD 1,323,581.84. This decrease is mainly attributable to IFRS 9 adjustments relating to the early recognition of expected credit losses.

While this approach is beneficial from a risk control point of view, it has a direct effect on the fund's perceived profitability, which may impact on its attractiveness to investors. Indeed, a lower net income could discourage some institutional investors looking for higher returns.

- **Less accounting flexibility**

Prior to the adoption of IFRS, companies had greater accounting flexibility in recognizing income and provisions for losses. The adjustments introduced by IFRS 9 and IFRS 10 limit this flexibility, making it more difficult to actively manage results from one year to the next.

This lack of flexibility can pose a problem in growth or restructuring phases, when a company may want to smooth its results to avoid sudden variations in performance that are perceived negatively by the markets.

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4.3. Effects on Securitization and Investors

IFRS adjustments have also changed the way investors perceive securitization transactions and the level of risk associated with these financial instruments.

- **Better Risk Assessment of Securitized Assets**

Thanks to the increased transparency requirements under IFRS 9 and IFRS 7, investors now have greater visibility over the quality of securitized assets. This enables them to assess more accurately the risks associated with securitized receivables portfolios, thereby reducing the information asymmetry between fund managers and financial markets.

This improved risk assessment is particularly evident in the evolution of the securitization ratio:

- Before IFRS: 24.04
- After IFRS: 24.12

Although the increase is minimal, it indicates that securitized receivables remain a stable and strategic part of the fund's assets, reassuring investors.

Increasing Financial Leverage: A Risk for Some Investors

One of the most notable consequences of the adoption of IFRS is the increase in financial leverage from 8.35 to 8.64.

This increase in leverage means that the fund relies more heavily on debt to finance its operations, which may increase the perception of risk among certain institutional investors. An excessive increase in leverage could even harm the fund's financial rating and impact its cost of capital.

4.4. Recommendations

- **Optimizing financing to limit the impact of IFRS adjustments**

To mitigate the impact of IFRS adjustments on results, FT Auto Mobility may explore new financing strategies, including diversifying its sources of capital to reduce its reliance on debt.

An alternative would be to strengthen the equity structure, for example through new share issues or hybrid financing, which would be better perceived by regulators and investors.

- **Improving financial communication with investors**

The impact of IFRS on the fund's financial structure needs to be clearly explained to investors. Enhanced financial communication, through detailed reports and analyst conferences, would help to put the decline in net income and the increase in financial leverage into context.

In addition, an educational system on IFRS adjustments would help investors to better understand the technical effects of the new accounting standards, thus avoiding any misinterpretation of financial results.

- **Set up a regulatory watch to anticipate IFRS developments**

IFRS standards are constantly evolving. In order to anticipate future changes, FT Auto Mobility would be well advised to set up a regulatory watch, particularly on the evolution of IFRS 9 and IFRS 10.

This would enable the fund to proactively adjust its accounting and financial strategies, avoiding unforeseen adjustments that could impact its results.

The adoption of IFRS has improved the transparency and quality of financial information, while imposing new constraints on earnings management and financial leverage. While these adjustments have enabled better risk management, they have also made the fund more exposed to fluctuations perceived negatively by some investors. The proposed recommendations are designed to mitigate these effects and ensure that FT Auto Mobility continues to attract investors while complying with the new international accounting standards.

Conclusion

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FT Auto Mobility's adoption of IFRS marked a major transition in the management and presentation of its financial statements. This change has improved the transparency, comparability and quality of financial information, while strengthening the management of risks associated with securitized receivables. By imposing a stricter approach, notably with IFRS 9 on the recognition of expected credit losses and IFRS 7 on the disclosure of financial instruments, these adjustments have provided investors with a more realistic and detailed view of the fund's risk exposures.

However, these profits were accompanied by significant challenges. The reduction in consolidated net income (-65%), caused by the inclusion of expected losses, impacted the fund's perceived profitability. In addition, the increase in financial leverage (from 8.35 to 8.64) has altered investors' perception of risk, which some may see as a signal of increased vulnerability. These factors underline the need for FT Auto Mobility to adopt a proactive management approach in order to optimize its financing and reassure its investors.

In an ever-changing financial environment, FT Auto Mobility will need to continue refining its accounting and financial strategy. Anticipating changes in IFRS standards, improving financial communication and optimizing the capital structure will be essential to mitigate the negative effects of IFRS adjustments. Such an approach will guarantee the fund's stability and competitiveness, while enhancing its attractiveness to investors and consolidating its position in the securitization market.

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