



**Investigating the Corporate Accounting
Regulation and Factors Influencing the
Adoption of International Accounting
Standards (IAS) in Libya**

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the Degree of Doctor of Philosophy at Liverpool Business
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PhD

Declaration

This is to certify that this thesis is submitted in fulfillment of the requirements of the degree of Doctor of Philosophy in the Business School at Liverpool John Moores University and it is entirely my own work. No part of this work has been accepted for any other degree.

Essa El-Firjani

Dedication

This thesis is dedicated to
my parents, my wife and my lovely children
Seraj, Najah, Aya and Ibtihaal

Abstract

This study aims to analyse the nature and development of corporate accounting regulation in Libya and to assess the factors which influence the decision taken by Libya towards adopting IASs. Two research methods are adopted. The first method uses a questionnaire survey designed to explore the perceptions of target groups (statutory auditors, state auditors, financial managers and accounting academics) about the corporate accounting regulation, the influential factors on the adopting of IASs in Libya and the participants that have an impact on the accounting standard setting process. The questionnaire also explores the ability of the LAAA to achieve its objectives that relate to the development of accounting practice and other accounting issues. The second method employs semi-structured interviews to support the data from the questionnaires. The descriptive statistics technique and the mean score are used to analyze data collected from these methods. The analysis of variance (ANOVA) is used to investigate the difference between the questionnaire respondents of the four target groups with respect to the above points.

The results of the study revealed a general agreement that the accounting regulation of public corporations and banks is strongly influenced by the Libyan Commercial Code (LCC) and the Income Tax Law (ITL). Although listed companies and banking sector in Libya are required to comply with IASs, the majority of them still comply with the US GAAP. Moreover, the conclusion that can be drawn from the study is that the enforcement of IASs is very weak and the absence of a standardised form and content of financial statements of unlisted companies in Libya has led to the emergence of different forms of financial statements, even those within the same industry.

The results also indicate that the accounting profession in Libya is still in its early stage of development and is still lacking a clear structure in order to develop the corporate accounting practice and it appears to play only an important role in retaining external influences on accounting practice. The empirical results of this research show that all the Salter and Niswander (1995) criteria (longevity, setting exam and auditors' opinion on companies' financial reports) indicated that the level of professionalism in Libya is below the required standard. The results of this research indicate that the level of participation in the process of accounting standard setting including the EDLASs issued by the LAAA was inadequate. Furthermore, the results of the interviews revealed that although the LAAA is the only accounting body in Libya responsible for establishing accounting standards, the Libyan government strongly influences the process of EDLASs setting.

In addition the results of this study indicated that international factors including foreign companies, international institution legislations, international accounting firms and the need for improvement of companies' financial reports and internal factors including the increase in the level of accounting education and economic growth motivated Libya to move towards adopting IASs. However, there is no evidence that the national external auditors had significant influence on the adoption of IASs.

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Chapter One

Introduction

Chapter One

Introduction

1.1. Introduction

This chapter aims to provide the background to this study. It sets the aims and the research questions. It also presents a brief summary of the research methodology, motivation, contribution to knowledge and recommendations.

Accounting regulations are important because published accounting information users need to be able to have confidence that the information is a fair representation and has not been manipulated by management (Elliott and Elliott, 2007). Financial reporting has been considered as the main source of information for users groups when making decisions (Alrazeen and Karbhari, 2004). The most important objective of financial reporting has been changed to provide quantitative information about the financial position, performance, and changes in financial position of economic entities that intended to be useful for a wide range of users making economic decisions, in making resolved choices among alternative courses of action (Higson, 2003; Schroeder, 2009; Zhao and Millet-Reyes, 2007), and to exercise their rights. These rights, include disclosure and accounting rules, are protected through the enforcement of regulations (Zhao and Millet-Reyes, 2007; Dahawy and Conover, 2007). Higson (2003: 165) stresses that:

“The financial statements contain data, and it is only if this data is appropriately interpreted that one can say that information has been received. If users do not understand the mechanisms and conventions behind the compilation of the financial statements, they will struggle to understand the figures”.

Accounting standards as a form of regulation, determine how and what corporate information is presented as well as provide a higher quality and quantity of corporate information (Tower, 1993).

However, the accounting information produced by national accounting standards may be insufficient for users to make decisions due to the growth of international trade and globalization of businesses, (Zeghal and Mhedhbi, 2006), while IASs

reduce international differences in accounting standards which assist in removing barriers to cross-border acquisitions (Ball, 2006). Furthermore, IASs provide more information than the national accounting standards and are good value for investors (Rawashdeh's study, 2003).

Recent improvements in information quality have focused attention on the ideas of global business strategy. An essential part of how to understand the economic entities practices of a particular country is to determine how these entities measure and report their economic transactions to their owners and how well the outside world understands their practices (Mashayekhi and Mashayekh, 2008). Aljifri and Khasharmeh (2006) suggest that the use of IASs would enhance the comparability of financial reports and make them more relevant and reliable. Moreover, the International Accounting Standards have been adopted by an increasing number of companies in developing countries (Chamisa, 2000), all listed European Union companies are required from the beginning of 2005 to use IASs/IFRS when preparing their consolidated financial statements (Haverals, 2007). Furthermore, more than 150 countries have adopted or in processing to adopt IAS/IFRS (IASC, 2007).

This chapter is organized as follows. Section 1.2 focuses on the background of the research problem. Section 1.3 presents the objective and questions of the research and following by research methodology in section 1.4. Section 1.5 gives the motivation for the research. Section 1.6 provides contribution to knowledge. Finally, the structure of the research is presented in section 1.7.

1.2. Background to the problem

An examination of the existing accounting systems in many developing countries reveals that they are largely an extension of those in developed countries, (Samuels and Oliga, 1982), and others have adopted IASs with little or no modifications. This adoption was done in some countries by country's governments and in others by companies (Nobes and Parker 2002, and Srijunpetch, 2004). Libya as a developing country is no exception.

Libya was subject to long periods of colonisation (Turkey from 1551 to 1911, Italy from 1911 to 1943 and Britain and France from 1943 to 1951). From 1911 most of the business firms relied generally on foreign accounting firms from Italy

and Britain (Bait-El-Mal et al, 1973). After Libya's independence in 1952 company accounting developed as result of foreign companies investing in the country to carry out various projects in particular from U.S.A and the U.K. Western influence has caused the accounting profession in Libya to follow the same path as its counterparts in the U.K and the U.S.A (Kilani, 1988). Furthermore, these companies followed the GAAP of those countries, significantly influencing the accounting system (Bait-El-Mal et al, 1973; Mahmud and Russell, 2003). After the Libyan change of political regime of 1969, the Libyan government changed the Libyan economy to an economy based on the ideology of socialism, (Buferna et al, 2005), and was dominated by large enterprises owned by the state, and controlled and supervised by Libyan government institutions to help achieve sustained economic growth in the country (Buzied, 1998; Ahmad and Gao, 2004).

However, since 1992, the country's socialist regime has changed. In 1992 the Libyan government encouraged the private sector to work in line with the public sector. In 1997 foreign investors were allowed to invest in the country by entering into partnership with Libyan enterprises. With the emergence of a private sector, economic growth, the growth of foreign direct investment and the impact of globalization, there is a strong demand for a better accounting and accounting regulation development (Ahmad and Gao, 2004).

Until the late 1990's there was no evidence that the Libyan Accountants and Auditors Association (LAAA) which was established in 1973 played a role in terms of developing domestic accounting standards (Bait-El-Mal et al, 1973; Kilani, 1988; Buzied, 1998). The absence of national accounting standards in Libya resulted in flexibility in choosing the accounting standards and principles or methods. To address this problem, the General People's Congress (GPC) in 2005 enacted the Banking Law No: 1 which required all banks in Libya to adopt IASs. Moreover, in 2006, the GPC issued decision No. 134 to establish the Libyan Stock Market (LSM) which also required all public and private companies that have one million LY.D capital or more are required to be listed on the LSM and follow IASs. Bribesh (2006) found that Libyan companies complied with IASs. Furthermore, in 2006 the LAAA has announced the first

draft of Libyan Accounting Standards (LASs) including 29 accounting standards. These accounting standards are based on IASs.

Previous studies focused on the development of accounting and accounting regulation and practices as well as the accounting standard setting process of different groups of countries particularly developed countries, while little attention has been paid to developing countries. However, Libya as a developing country has been overlooked despite recent changes in economic and accounting regulatory environment. Therefore, this study focuses on corporate accounting regulation and practices, the role of the LAAA in the development of the accounting profession and the factors which influenced Libya towards adopting IASs. This study, therefore, fills a gap in international accounting research in the developing world.

1.3. The objectives and questions of the research

The main aim of this research is to analyse the nature and development of corporate accounting regulation in Libya and assess the factors which influenced the decision taken by Libya towards adopting IASs. To achieve this aim, this research sets the following objectives:

1. To review the relevant literature about accounting regulation in order to understand the nature and development of corporate accounting regulation and development in relation to the adoption of IASs and the factors that led to adopting these standards as well as the accounting standard setting process;
2. To investigate the corporate accounting regulation in Libya and the role of the accounting profession in developing corporate accounting practice.
3. To assess the factors influencing the decision by Libya towards adopting IASs in its accounting regulations;
4. To analyse the views of participant groups (e.g. Company managers, External Auditors, Academics and Government) involved in accounting standards setting process; and

5. To investigate the differences of the subject groups' perceptions of the role of accounting profession in corporate accounting regulation and the factors may that have an impact on the adoption of IASs in Libya.

To achieve these objectives the study will address the following questions:

1. What accounting source are Libyan companies using to prepare their financial reports?
2. What are the accounting sources that auditors consider important when they audit company financial reports?
3. To what extent are the accounting regulation approaches (self-regulation and legal regulation) appropriate in developing the accounting profession in Libya?
4. To what extent has the Libyan Accountants and Auditors' Association (LAAA) achieved its role in developing the accounting profession?
5. What are the entry requirements into the accounting profession in Libya?
6. What are the factors that may have contributed to the development of the accounting profession in Libya?
7. What are the factors that may have influenced Libya's decision to adopt IASs as national accounting standards?
8. Do the interest groups (company's managers, external auditors, academics and government) in Libya participate in the accounting standard setting process?
9. Do the perceptions of the role of accounting profession in development of corporate accounting regulation and the factors which have an impact on the adoption of IASs differ between the sampled groups?

1.4. Research methodology

The relevant literature reveals a number of methods that might be employed to investigate accounting regulation and its development. These methods include qualitative and quantitative approaches, (Jankowicz, 2000; Patton, 1990).

Qualitative data means all non-numeric data or data that have not been quantified, while quantitative data means all numerical data or data that could usefully be quantified, (Saunders et al, 2007). Although, both quantitative and qualitative approaches have different strengths and weaknesses, they constitute alternative but not mutually exclusive approaches to research. Thus, both approaches are suitable or can be used to collect data in the same study, (Patton, 1990).

Using both quantitative and qualitative approaches, in the same study enhance the accuracy of data of the study and strengthens a research design. Patton (1990) suggests that studies which only adopt one method are more exposed to errors related to that particular method than studies which use multiple methods in which different types of data provide cross validity checks. These different methodologies, being used in previous studies, indicate that both quantitative and qualitative techniques can be used in investigating the accounting regulation and its development.

Therefore, due to the nature of the required data and the research objectives, and to overcome the weaknesses of using either one of the methods alone and to obtain the useful results, qualitative and quantitative approaches are used in this study. This study is based on analytical and descriptive approaches by using both qualitative and quantitative methods. Therefore, questionnaire survey and semi-structured interviews are the main methods of collecting data that assist in answering the research questions. However, there are advantages and disadvantages¹ which are related to each method.

1.5. The motivation for the research

The motivation for choosing this topic and Libya as a case study is because Libya has changed its economic policy, and is encouraging more foreign direct investment and private ownership along with public ownership as well as the emergence of the Libyan Stock Market. In addition, Libyan laws concerning corporate and bank activities have adopted IASs in the national accounting

¹For more details about advantages and disadvantages of each methods see chapter four

environment. It is also interesting to investigate why Libya did not adopt IASs earlier in its accounting regulation as some developing countries did. There are no local accounting standards used, and there is evidence that Libyan companies complied with IASs (Bribesh, 2006). There is little or no research in Libya about accounting regulation and accounting standards development as well as the accounting standard setting process.

1.6. Contribution to knowledge

This study contributes to the existing literature of accounting in general and accounting regulation in particular. Firstly, this study investigates the issue of accounting regulation and its development, within developing corporate accounting practices in Libya. This study would improve the limited research in this area in developing countries. Moreover, this study also aims to examine the level of professionalism to reduce the gap in accounting development in the literature. In other words, based on Gray's (1988) model and Salter and Niswander (1995), the professionalism level in Libya is inadequate, therefore, the accounting profession is weak. This conclusion is consistent with the result of Buzied (1998) in the Libyan context.

Secondly, this study aims to reduce the gap in the accounting literature in developing countries. The study focuses on accounting standard setting to identify the participation levels of interested groups in the process of accounting standard setting in Libya, and factors that are considered to have an impact on the adoption of IASs. These issues have been overlooked in research. Therefore, investigating these issues within a global context reduces this gap by providing evidence that suggests the level of interested groups' participation was low. Adopting IASs in Libya has been influenced by international and national factors. This result is in line with the findings of Rahman et al (1994); Tandy and Wilburn 1996; Mcleay et al (2000); Mir and Rahman, 2005; Joshi and Ramadhan, 2002; Chamisa, 2000; Rahman, 1998).

1.7. Structure of the research

The study consists of eight chapters as shown in figure 1.1.

Chapter one presents a background to the research problem, and the objectives of this study. This chapter also provides a brief description about the research

methodology used in this study. It explains the motives behind conducting the study and highlights the contribution to knowledge.

Chapter two presents a review of the literature that identifies the two main approaches to accounting regulation which are self-regulation and legal regulation. To understand how these approaches operate, the remainder of the chapter discusses in some detail the historical development of accounting profession and accounting practices in different countries the UK, the USA and France, followed by a brief discussion of the corporate accounting regulation and development in developing countries. This chapter also assesses the factors that have an impact on the adoption of IASs. It has provided an overview of the concept of the accounting standard setting process and allows review of the participation of interested groups in the accounting standard process. This chapter also discusses the enforcement of accounting standards, followed by a brief discussion of the historical development of the International Accounting Standards Board (IASB). Finally, it gives a brief review of the conception and application of agency theory to the study.

Chapter three provides comprehensive and essential background information on the Libyan political and economic environments as well as accounting education. In addition this chapter presents Libyan laws that relate to regulation of corporate accounting practices in Libya including commercial law, tax laws, banking law, etc. it also gives a brief review of the historical of the Libyan Stock Market and accounting profession in Libya.

Chapter four discusses the research methodology employed for this study. The chapter also highlights the research strategy and approach, questionnaire development and administration method used in conducting the interview. This chapter presents the population and subject groups, followed by the methods of data analysis. In addition, it illustrates the instruments of data collection. They are namely: the pilot testing, questionnaire survey administration and the conduct of a semi-structured interview.

Chapter five presents the findings of data collected from the questionnaire survey. It gives the background of the participant groups in this study. This chapter also analyses the collected data about corporate accounting regulation,

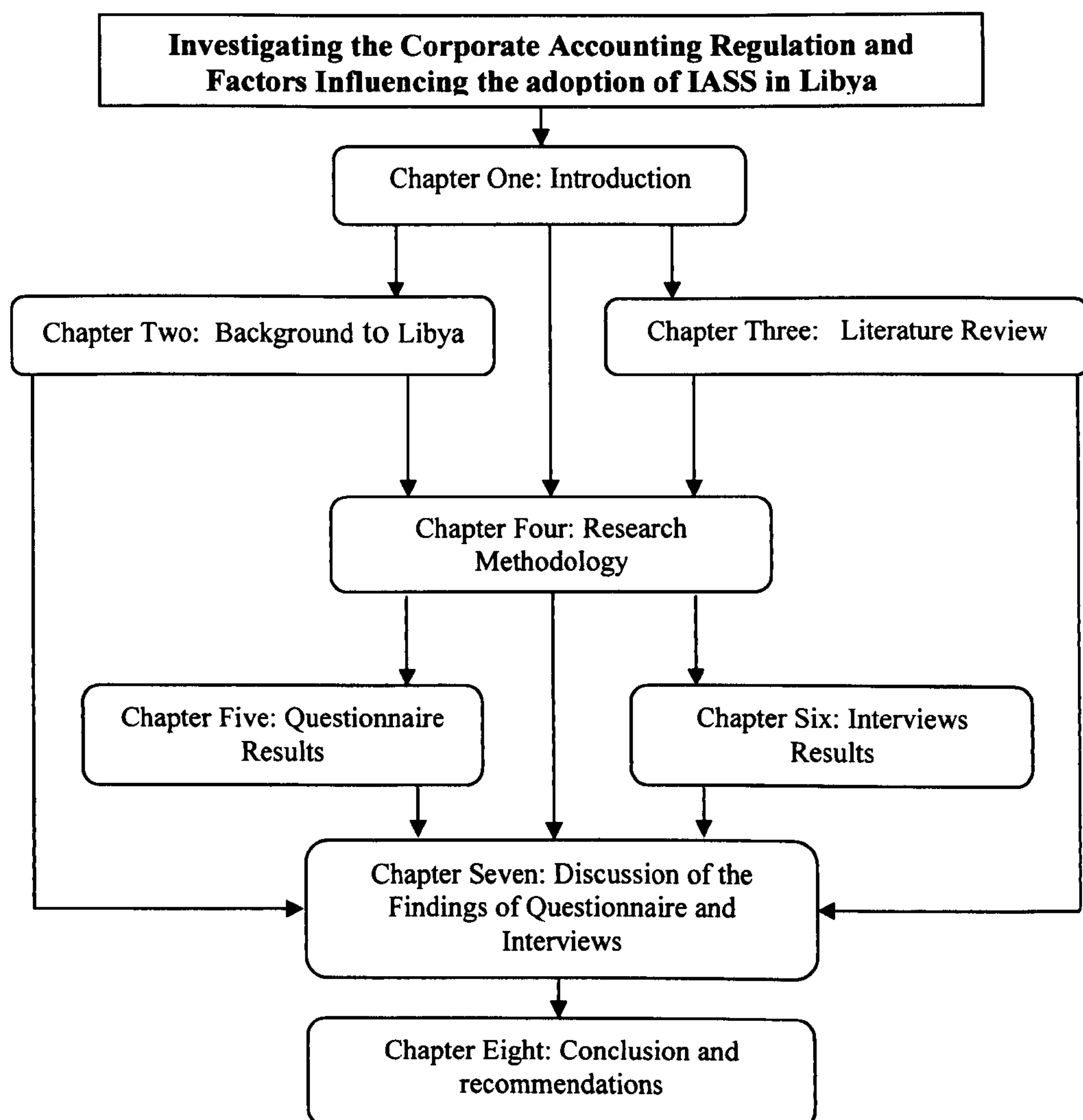
accounting profession development, the factories that may have an impact on adopting IASs in Libya and the involved groups in the accounting standard setting process in Libya.

Chapter six provides the results of the qualitative data from the semi-structured interview survey. The chapter has presented the interviewees' background information. It also gives the analysis of the collected data about the same points of the questionnaire survey.

Chapter seven provides the discussion of the findings of both the questionnaire survey and the semi-structured interview.

Chapter eight is devoted to a summary of this study and draws conclusions and addresses the limitations of the study and provides recommendations and presents suggestions for further research. The following chapter deals with the background to Libya market which as a case study of this research.

Figure 1.1: The structure of the study



Chapter Two

Libyan background

Chapter Two

Libyan background

2.1. Introduction

In order to gain a better understanding of the accounting development in Libya, this chapter provides an overview of the economic, geographic and political environments in Libya. It will also discuss accounting education in Libya. The chapter also assesses Libyan laws that have an impact on the companies accounting practices in the country including Tax Law, Commercial Law and Banking Law. Finally, it gives a brief review of the development of accounting profession and its practices in Libya (company accounting in particular).

2.2. Political and economic background

Prior to 1951, Libyan history was influenced by a long period of colonization and domination by developed countries (mainly European countries). These colonizers were the Ottoman Empire from 1551 to 1911 and Italy from 1911 to 1943. After 1943 until 1951, Libya was under British and French administrations. One of the important reasons leading the country to be subjected to different invaders and colonizers was Libya has a strategic geopolitical position that stems from its linkage between the east and west of Africa, and between Southern Europe and the rest of Africa leading the country to be controlled by different powers, (Obeidi, 2001; Ritchie and Khorwatt, 2006; Ahmad and Gao, 2004; Mahmud and Russell, 2003; Buzied, 1998). This has resulted in several changes in economic and political regimes in the country. Thus, the main changes will be reviewed in two stages; before and after the country's independence.

2.2.1. Prior to the country independence

Libya remained part of the Ottoman Empire for the longest period for nearly four centuries. Throughout the Ottoman period, Libya was completely under Ottoman authority and was a poor country. Its economy was primitive agriculture that depended on rainfall. Due to the low and irregular rainfall and lack of funds, the agricultural activities were subsistence crops and livestock production. These products were essential raw materials for small industries in the country (e.g.

foods, clothes, etc) (Bribesh, 2006; Buzied, 1998). There was no infrastructure (e.g. roads, ports, rail roads, buildings, etc) (Sergre cited in Buzied, 1998). Furthermore, during the period from 1551 to 1952, there were no education systems or programmes, which led to a high rate of illiteracy of 94 per cent, (Wright, 1981). However, the Libyan education system has been improved by the beginning of the 2000s. Porter and Yergin (2006: 118) stress that:

“Libya’s education system does appear to be successful in achieving good basic education outcomes. Reported adult literacy levels are among the highest in the region at 82%; with youth literacy reaching 100% and female literacy considerably better than many Middle East and North Africa (MENA) peers”.

These economic problems and Turkish political rule left Libya relatively easier to invade by Italy in 1911. Italy occupied the country for almost more than three decades. However, the Italians gained control over the whole country in 1932, because during the first two decades the Italians faced significant resistance and the country was in a state of war. Libyan economic conditions improved particularly after the Italians dominated the whole state compared with the prior period but the Libyans were still very poor because the economy was run largely for the benefit of the Italians. In addition, World War Two had contributed to worsening the Libyan economy seriously, destroying factories, farms, and livestock, which left the country in very poor condition. After World War II, Libya was administered by the British and French military forces, who were responsible for running the country’s affairs and implementing their laws, (Obeidi, 2001; Ahmad and Gao, 2004; Buzied, 1998).

2.2.2. Post the independence period

Libya became an independent state by the decision of the United Nations (UN) on December 24, 1951. The new state was initially named as the United Libyan Kingdom, (when the country was divided into three regions: Tripolitania in the North West, Barga (Cyrenaica) in the East and Fezzan in the West and South West), and later as the Kingdom of Libya (Otman and Karlberg, 2007; Obeidi, 2001). In 1951, Libya was in difficult economic and social position and had

limited resources that hampered Libya in convincing the UN to create unified political structures. In this regard, Vandewalle, (2006: 45) states that:

"...Libyans had expressed to the United Nation's commissioner about creating a truly unified political structure for the country ... But Libya in 1951 hardly possessed the resources to act upon those convictions. The country faced such enormous economic and social difficulties that both the British government, in the discussions leading up to independence, and the International Bank for Reconstruction and Development (after 1951) repeatedly expressed more practical concerns about the country's viability and continued existence."

Libya's economy was deficient to an extraordinary extent which meant that the country depended on agriculture and a basic industrial sector, (Mahmud and Russell, 2003). In this regards, Agnaia, (1996: 32) argues that:

"After independence in 1951 Libya was a poor country. Its economy was suffering from deficits in the budget and was based on the limited productivity of a primitive agricultural sector, mainly animal husbandry, and a few small industries".

The industrial sector was hampered by a number of factors, such as the lack of supplies of raw material, skilled workforce, and capital investment. In addition, technical and management expertise and organisational skills were inadequate due to the high rate of illiteracy, (Bribesh, 2006). These factors and the absence of alternative opportunities for creating enough employment in the other sectors of the economy forced Libya to depend on foreign aid, mainly from the UK, the US and UN to help the country to survive and overcome the deficit in its budget, (Buzied, 1998). The UK and US financial funds were in turn for the use of military bases in Libya over two decades starting in 1953, (Wright, 1981; Vandewalle, 2006). According to Vandewalle, (2006) although the number of Libyan population was more than one million, the annual average income per capita was estimated at \$30 (20 LY.D). All these social and economic indicators revealed that Libya prior to 1960 was still one of poorest countries in the world.

Furthermore, there were deficits in the country's budget, the trade balances and balance of payments and deficit in the achievement of the country's projects, (Mahmud and Russell, 2003). After 1960, when Libyan oil was discovered and exported in commercial quantities, the wealth of the country and its resources increased rapidly and changed the situation for the better. The revenue of crude oil increased from 4.097 million LY.D in 1961 (the beginning of oil export) to 116.861 million LY.D in 1963, (Mahmud and Russell, 2003; Agnaia, 1996).

After Libya changed its regime on September 1969 (First of September Revolution), significant fundamental changes occurred in the country's economy and administrative culture. The country retained at least 51 per cent of the oil sector, instead of the 100 per cent foreign ownership (Pratten and Mashat, 2009; Mahmud and Russell, 2003), and controlled Libyan economic development, (Agnaia, 1997). From the beginning of the 1970s up to the beginning of the 1990s, the Libyan government provided new economic development plans to improve the Libyan economy and to overcome the problems that affected the economic and social life of the country. As a result of the increase in oil revenues, the Libyan government established many sectors mainly heavy industry and agriculture to create future wealth in order to achieve self-sufficiency and self-reliance, and controlled all the production and service sectors, (Agnaia, 1997). Within the first decade of this period the economy has largely depended on oil resource as the main source of wealth, with its contribution to GDP from 58 per cent to nearly 64 per cent, (see table 2. 1).

However, Libya suffered from sanctions imposed by the US and UN. In November 1985 the US president placed an embargo on Libyan oil exports to the US. In 1986 the US imposed economic sanctions against the country, including the freezing of Libyan assets in US. The Libyan government was accused of two airliner bombings which are: the Pan Am Flight 103 in 1988 over Lockerbie, Scotland, that killed 270 people and the French UTA 772 bombing in 1989 over the Niger desert, which killed 170. The US/Libyan relations changed when the two Libyans who were suspected on the first bombing at the end of 1991. This led to the US actions against Libya asking the government to hand over these two suspects for trial. In April 1992, the UN imposed a number of sanctions against Libya to force its government to bring the two Libyans for trial in a special court

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in connection with the bombings. These sanctions included the following penalties which were effective from 15 April 1992:

1. Denying any aircraft to take off from, land in, or overfly other UN states if the same aircraft had taken off from or was to land in Libya;
2. Prohibition of the sale of any aircraft or aircraft components, aircraft engineering or maintenance, certification of airworthiness, payment of aviation-related insurance claims, or the issuance of new direct insurance for Libyan aircraft;
3. Ban on supply of arms or related material of all types and the technical advice or training relating to arms and items;
4. Reduction in Libyan personnel manning Libyan diplomatic missions and consular posts and restriction of the movement of those officials who remained in Member State's territories;
5. Libyan citizens denied entry to or expelled from other states due to their involvement in terrorism.

In November 1993, under pressure from the USA the UN imposed further sanctions including the freezing of Libyan's assets abroad and all funds and financial resources owned or controlled by the Libyan government except funds related to petroleum, air communications, oil equipment and prohibiting the transfer of money or assets to Libya. In April 1999, the Libyan government and its British counterpart agreed to hand over the two Libyan suspects in the bombing of Pan Am flight 103. This resulted in suspending the sanctions in late 1999. In August 2003, the UN sanctions against Libya officially were lifted after the Libyan government reached a settlement with the families of the Lockerbie victims. In late 2003, the Libyan government announced it would abandon its Weapons of Mass Destruction (WMD) programmes which resulted in the US lifting its embargo on Libya in 2004. This led to Libya being reintegrated in the international community.

During the sanctions period, Libya faced an increase in the costs of raw materials, which led to an increase in consumer prices of goods produced locally. The Central Bank has also imposed more restrictions on foreign exchange which companies use to import semi-raw materials, spare parts and other types of

material which were considered basic requirements for the production process in the companies. As a result, imports were limited and some goods were stopped (Aгнаia, 1997). Furthermore, business visits to Libya were restricted. The country's market share of exports also decreased as a result of the sanctions. Porter and Yergin (2006: 87) state that:

"During the sanctions in the 1980s and 1990s, Libya effectively disappeared from the international tourist radar, and even business visits were hampered by the lack of access by air Libya accounts for 0.185% of the world's total exports. More than 95% of these exports are derived from oil and gas in which Libya had a 2.8% market share in 2003. However, even in this sector, Libya lost more than 0.4% share between 1997 and 2003. This is mainly the result of sanctions in place on Libya in the early years of this Period".

Porter and Yergin (2006) also argue that the quality of Information Communication Technology (ICT) infrastructure was poor and the country faced difficulties in improving it due to restrictions on supplies of technology and expertise during the period of sanctions. As a result, Libyan companies it is difficult to import many types of facilities, equipment or spare parts especially from western countries that can help the Libyan development programmes. Therefore, economic circumstances affected the companies with respect to the facilities, costs, planning, production issues, etc, (Aгнаia, 1997).

In 1990, the Libyan government aimed to change its economic policy to improve economic and social development. This policy was led through a privatization process, (Mahmud and Russell, 2003). In year 1992, the government established Act No. 9 to enhance and regulate the activities of the private sector in the country. The Act allows business activities owned and managed by individuals and families. It also permits the selling of public enterprises to private investors. This resulted in emergence of some private firms. Furthermore, Libya has moved to encourage foreign investments. In 1997, the Libyan government enacted the Act No. 5, followed by other important amendments in 2003 which regulate the investment of foreign capital brought into the country in line with the Development Plans of the country's economy. According to the Article (1) the

Law aims to promote foreign capital investments to improve the economic growth and social development in Libya, in particular:

1. Transfer of modern technology;
2. Building the Libyan infrastructure;
3. Diversification of income sources;
4. Contributing to the development of national products to help its entry to international markets; and
5. Spatial and urban development

The Law also allows local investors (national capital) and foreign investors to form partnerships (Article, 2). In addition, to encourage the flow of foreign investment in Libya, law No 5 exempts foreign investors from the following taxes and duties which are: customs duties, stamp duty, production tax and income tax. This exemption is given for five years from starting-up the business activity (Article, 10).

The contribution of the non-oil sectors to GDP dates dropped from 77 per cent to only 69 per cent, (see table 2. 1). The average income per capita increased from 20 LY.D before the country's independence to 100 LY.D in 1960, rising to 600 LY.D in 1970, to 8,000 LY.D in 1984, and to 8219 LY.D in 2005, (Central Bank of Libya, 2007; Agnaia, 1996).

2.3. Accounting education in Libya

Libya was colonized for more than four centuries by various powers, which resulted in a significant impact on Libyan education in general and accounting education in particular. During the Ottoman period there were only a few traditional Islamic Schools providing educational programmes, while throughout Italian rule no serious changes were made to the previous Ottoman administration policy though few Italian schools were opened in Libya for the Italians and only few Libyans joined these schools. There were no changes after the Italian occupation and the country's independence, (Buzied, 1998). Further, during the 1950s when Libya obtained its independence, education was neglected and at least 90 per cent of the people were illiterate and very few Libyans had studied at university or were qualified, which resulted in a lack of administrators,

planners, regulators and professionals including professional accountants, (Ahmad and Gao, 2004; Agania, 1997). General educational programmes were established for all education levels (from primary level to university level), including accounting education. These programmes were based heavily on advisors, including experts, from the UK and the US.

In this regard, some researchers for example, Ahmad and Gao (2004) and Bait-El-Mal et al (1973) argue that the education system and text books were brought from both UK and US through the UN, and the teaching staff were foreigners, mainly from Egypt who were already influenced by British accounting systems. In this context, also Mahmud and Russell (2003: 200) state that:

"From 1957 – 1976 the accounting education system in Libya was British oriented in all its elements (curriculum, textbooks and faculty members), whereas from 1977 to date, it has been American orientated".

When Libya's wealth and resources increased due to increasing the oil exports during 1960s, the Libyan government paid more attention to developing the education system at different levels (primary, intermediate and university). The government realized that education has a significant impact on all other aspects of life, which resulted in increasing the number of schools and colleges and faculties in different subjects were opened in the country. As Porter and Yergin (2006: 118) stress that:

"Two important goals of the Libyan education system are to contribute to the economic, social and cultural development of Libyan society, by improving the skills and abilities of Libyans, and to rapidly raise standards of human development in the society".

Generally, the number of students at all educational levels (primary, intermediate and university) as shown bellow in table 2.2. In addition, table (2.2) shows that the number of students at the primary level increased rapidly from 144570 in 1961 to 1,169000 in 1987 then dropped slightly to 1,079554 in 2006. However, the numbers of students at both intermediate and university levels in different subjects increased remarkably during this period including the

accounting subject.

Table (2.2), The number of students in primary, intermediate and university levels in the period of 1961 -2007

Sources: Agnaia (1996; 34); General Authority for Information (2006: 131-133)

The intermediate (pre-university) level consisted of specialized schools (known high school), commercial colleges and technical and vocational institutes. Most of them were established to overcome the shortage of bookkeepers, clerks, accountants and secretaries for both public and private sectors in the country. The educational programme in those institutes extends over 3 - 4 years. More than 30 intermediate institutes were established during the 1980s and 1990s, (Buzied, 1998; Ahmad and Gao, 2004). The number of institutes and schools reached 807 during the period of 2000's and were located all over the country, (General Authority for Information, 2006).

The first accounting educational programme at the university level was introduced in Libya by the Faculty of Economics and Commerce in 1957 at the University of Libya (currently named Garyounis University). It was the first accounting Institute established in the country and the only faculty that offered accounting education at university level until 1981, (Ahmad and Gao, 2003; Kilani, 1988; Buzied, 1998). According to Bait-El-Mal et al, (1973) the educational programme, introduced by Garyounis University, was completely British orientated. This programme was started with 48 students and 10 members of staff in three departments taught accounting, economics and administration. The Faculty established two other departments in Statistics in 1970 and Political Science in 1976, which resulted in developing the accounting education system. The academic year was nine-months, with a bachelor degree being offered over a four year period, (Garyounis University, 1977).

In 1976, the Faculty of Economics and Commerce moved its accounting programme to the American system. The academic year was divided in two semesters each being sixteen weeks. The number of undergraduate students increased from 48 at the beginning of establishing the faculty to 1639 students in 1976, and the number of graduates was 1359 in the same year with about 96 per cent of them from the first three departments. While the number of the faculty members increased to 49, lecturers were educated in the UK and the US before they came to Libya to teach (Ahmad and Gao, 2004; The Booklet of Economics and Commerce, 1977).

As a result of economic growth and the increasing number of businesses in the 1980s, the need for accountants and accounting services became more apparent in Libya. To meet this need for accountants and accounting technicians, many intermediate institutes and economic faculties were established to provide

Table (2. 3): The number of students and teaching staff at the Libyan universities for the academic year 2006/2007

Sources: General Authority for Information (2006: 131-150)

accounting programmes. These include the Faculty of Economics at Al-Fatah University and the Garyan Accounting Faculty (now one of the faculties of Al-Jabal Al-Gharbi University). During the period of 1977 – 2006, the number of students increased from 1639 in the academic year 1976/77 to 63502 in the academic year 2006/07 including the number of intermediate schools (see table 2.3).

Furthermore, the figures in Table (2.3) the numbers of both intermediate and higher levels were commanding the same attention for developing accounting education. In addition, the Table shows that the highest number of students in the university level studied at Garyounis University and Al-Fatah University. There are now more than 20 faculties distributed between 11 universities in Libya.

Regarding postgraduate level programmes, a master's degree is offered by most Libyan universities. The first masters programme was provided by Garyounis University in 1986. The number of postgraduate students in Libyan universities reached 6000 students in the academic year 1999-2000. This rose to 9836 in 2005-2006. In addition, there were 8935 postgraduate students who studied abroad, (The People's Committee of Higher Education, 2009: 5-8). The majority of the members of academic staff were Libyan graduates from foreign countries mainly the UK and the US.

However, most accounting text books used in Libyan accounting institutions until now were generally English (e.g. Bigg, 1970, cited in Ahmad and Gao, 2004), or Arabic, either translated from English (Ahmad and Gao, 2004) or have been written by Arab writers who studied in British universities (e.g. Buzied, 2005).

As a result of the sanctions and the embargo imposed by the US and UN during 1990s and over the first half of 2000s, the quality of education during this period declined because teachers did not have access to resources (facilities, equipments, etc) and did not have the opportunity to have modern and up to date international training and development. In addition, existing teachers have little motivation to upgrade their skills to meet the changing requirements and graduates are not attracted into teaching because of low salaries. However, it can be argued that the standard of Libyan education has improved and a lot of

progress has been made by the government providing the financial support for Libyans to study in the UK and USA, most companies in the country complain that intermediate and university education graduates in all subjects usually need extensive retraining to make them productive, (Porter and Yergin, 2006: 119).

2.4. Related Libyan Laws and regulations to accounting

2.4.1. The Libyan Tax Laws

"During the period from 1952 to 1968, there were three different laws applicable at the same time in Libya which created many problems due to these legal differences. To overcome these problems the Libyan government issued a new Tax Law in 1968" (Buzied, 2005: 223).

The current law for regulating income tax of national and foreign companies in Libya is the Income Tax Law No. 11 of 2004. This Law replaced the Income Tax Law No. 64 of 1973, which replaced the Income Tax Law No. 21 of 1968, with very minor changes. However, the new Income Tax Law No, 11/2004 has major changes to the Libyan taxation system and was introduced as part of the programme to encourage both national and foreign capital to invest in Libya by reducing the burden of taxation on these businesses, (Mukhtar et al, 2008). This Law consists of the following five parts:

Part one relates to general provisions. According to Article No. 1 of 2004 Tax Law, all income that is generated from any activity in Libya, are subject to this Tax Law. Also this part focuses on the procedures of preliminary and final assessments of tax. According to Articles No. 2, 3, 4 and 39 of 2004 Tax Law state that each taxpayer should submit a tax declaration to the Tax Authority. The Tax Authority has the right to assess the taxable income immediately as it deems appropriate if it is not satisfied with the declaration or any one who fails to submit his/her declaration.

Article 34 exempts all incomes that are gained from the following sources: non-profit organizations, savings accounts in banks, student scholarships, agricultural activity for ten years from the establishing date of this Tax Law, export activity and authorship. The incomes of the last three sources were previously included in both previous 1973 and 1986 tax Laws, (Article No. 2. of 1973 tax law; Buzied,

2005). Additionally, Article No. 37 of 2004 Tax Law exempted 1200 LY.D if the payer tax is single, 1800 LY.D if the payer tax is married with no children and 2400 LY.D if the payer tax has children. There were used from the levels in the Tax Law No. 64 of 1973 when these exemptions were 480 LY.D, 720 LY.D and 900 LY.D respectively. The Article also excluded insurance expenses from tax, with predetermined conditions set explicitly by these laws. These exemptions are:

- 1- Insurance premiums on the life of the taxpayer as concluded in favour of his wife or his dependants, as maximum of LD 600 annually.
- 2- General insurance premiums such as fire and theft, concluded in favour of the taxpayer, at maximum of LD 420 annually.

Part two relates to taxes on individuals and partnerships activities. These taxes consist of different types of tax for various income sources categorized into seven groups which are:

1. Income from agriculture activity;
2. Income from trade, industrial and craft activities;
3. Income of partners that use (Partners, not employees).
4. Income from free vocational activity;
5. Income resulting from work (salaries);
6. Foreign income of residents in the country; and
7. Income resulting from deposits in banks.

According to the Law 2004, 1973 and 1968 each income source has separate annual tax rates and the legislation gave the lowest tax rate to the sources which, depend on the personal efforts such as the agricultural activity is, 5% annually, and the highest tax rate was given to the sources which relies mainly on using the capital such as the trade activity is, 35% annually. In addition, Article No. 65 of 2004 exempted tax on the dividends of companies to the partners and shareholders similar to the Law in 1968 (Buzied, 2005) but it was included in the Law in 1973 (Article No. 83). The current Tax Law excluded the tax on the hire of properties which was included in both previous laws.

Part three relates tax on companies. According to the article No. 72 of 2004 all income of national companies and branches of foreign companies registered in Libya are subject to this tax. It also states that all income generated by branches of Libyan companies operating outside Libya are subject to this tax. Article No. 76 allows the Tax Authority in Libya to estimate the incomes of the foreign companies' branches on the basis of the percentage from the total revenue of the foreign company, as compatible with the outcome of works of the branch, provided that this income shall be estimated in similar way to that specified in this Law.

The Laws (11/2004, 64/1973 and 21/1968) did not define the meaning of income that was to be subject to tax nor the accounting standards and principles that should be adopted in determining the taxable income. Those laws provided a list of some deductible and non-deductible expenses. Article No. 41 of 2004 Tax Law and the Articles No. 33 and 34 of its executive regulation changed the allowance deduction for preliminary expenditure and goodwill 5 years. In addition, the executive regulation of 2004 tax Law states that the depreciation of fixed assets should follow the straight line method. The new law excluded the general tax on income. This tax was included in both previous laws. This tax imposed on public and private companies and on the same taxable income after deducting specific taxes. Its annual rates were from 15% to 60%.

Part four determined the penalties against any one for example, who did not pay tax by the deadline or providing any incorrect information, by not using the documents and records that are required by the law such as Journal records; inventory and balance sheet and inventory cards. Any responsible person for management of a taxable activity, who does not keep the books and records/registers and preparation of accounts as required under the provision of Article (102) of this Law (see part five) shall be punished by a fine not less than (LYD 200) and not more than (LYD 2000).

Part five relates to final provisions which determine the responsibility of organizations such as administrative offices, public and private firms, and partnership to inform the Tax Authority of any business that deals with collecting tax and transferring it to the Tax Authority before completing the business. The public or private corporations, partnerships or individuals shall not pay any due

amounts or providing services to any contractor or dealer, except after submission of a certificate proving payment of the tax liabilities (Article, 99 of the Law 2004). The Article No. 102 of 2004 Tax Law and the Article No. 43 of its executive regulation determine the any company or taxpayer should keep the following journals:

- 1- General daily journal.
- 2- Journal of inventory and balance sheet.
- 3- Stock journal.

These journals should be stamped and signed by the Tax Authority before use them.

2.4.2. The Libyan commercial code

At the end of 1953 after Libya gained independence, the Libyan government enacted the first commercial code. This Commercial Code (LCC) was imposed on all traders operating in the Libyan market. Article No. 9 of this Law defined a trader as any company or person doing commercial business as a main activity for them in the country. Article No. 5 in the Law provided a list including 23 activities which were considered as commercial activities. These activities are related to services, industrial, constructive, insurance and banking activities. Therefore, the LCC was designed to cover the following commercial aspects:

1. Merchants and commercial activities;
2. Commercial contracts;
3. Banking transactions;
4. Negotiable instruments (financial bonds);
5. Commercial paper;
6. commercial companies;
7. Bankruptcy and its preventive procedures.

According to the law, all companies in different activities established under this law must be registered in the Commercial Journal. Articles 58 – 60 determined that mandatory records must be kept by every business activity. These are:

1. Daily journal. Any personal business must keep in this journal all daily transactions that relate to its business and its monthly total expenses.
2. The inventory and balance sheet journal. An inventory list, financial reports (balance sheet and profit and loss account) of any personal activity must be kept in this journal. The law also required that maintaining these journals would be enforced by the court.
3. Received and sent letter files. These files are for registration and keeping of all letters received or sent that relate to the personal business transactions and keeping their copies.

Public companies, in addition to the above journals, should keep the following books:

1. Shareholders' register. This book should include all details of shareholders (e.g. their names and their shares) and all changes in these details.
2. Loan book. All information about loans, bonds and any changes that occur must be kept in this book.
3. Shareholders meetings book. All annual meetings where decisions of shareholders must be kept in this book.
4. Company' board book. It should include the company's board meetings and decisions that are made.

Under Articles 572 and 573 the companies' managers are required to prepare their companies' balance sheet and profit and loss account. Furthermore, Article No. 574 also determines the accounting rules that should to be followed. Buzied (1998; 146) summarized these rules as follows:

- a) fixed assets, which must be valued at their historical cost at the time of purchase and reduced by the related depreciation in each financial year;
- b) Recorded trade marks and industrial patents should not be valued higher than their cost or purchase price. The value of trademarks should also be amortised in each financial period according to their useful life;

- c) Goodwill must not be recorded as a company asset unless it is gained by purchase, and should be amortised in accordance with the estimate of the directors and the boards of auditors;
- d) Debts should be valued at their realisable value;
- e) Research and development costs may be capitalised with the consent of the board of directors;
- f) Each corporation has the right to stipulate in its charter the purposes of the use of reserves taken from the annual net profits;
- g) Each corporation is required to retain five per cent of the annual net profit before tax as a legal reserve, with a maximum amount of 20 per cent of corporation's capital.

However, the LCC did not pay much attention to the accounting principles and standards that should be adopted as well as the auditing standards.

2.4.3. The Libyan banking law

The present law, which regulates the banking sector in Libya is the banking law No. 1 of 2005 which replaced the banking, monetary and credit Law No. 1 of 1993. According to Mukhtar et al (2008) Law No 1 of 2005 provides the legal framework for banking activities. This law was introduced as part of measures aimed at reforming and developing of the financial and the banking sectors. The law was designed to cover the administrative and financial transactions of both the Libyan Central Bank, (LCB), commercial and specialized banks and its responsibility for regulation and controlling these banks. Mukhtar et al (2008) also argue that the banking sector is monitored day-to-day by the Libyan Central Bank. Under Article No. 55 the LCB controls all the following banking institutions:

1. Commercial banks.
2. Specialized banks whose objectives include financing and granting credit for specific activities;
3. Banks that operate abroad whose head office is in Libya;
4. The branches of foreign banks in Libya;

5. The representation offices of foreign banks in Libya; and
6. Money changing and financial services companies;

The LCB monitors and supervises these banking institutions to ensure the soundness of their financial position, monitors their performance, and protects the rights of their depositors and customers, (Article No.5 of the law). The banking law also obliges all organizations that operate under this law that applies the LCB's decisions and regulations.

According to Articles 24 to 26, the LCB is required immediately after the end of the last day of each month to prepare and publish a statement of its assets and liabilities and four months after the end of its fiscal year should prepare its financial statements according to International Accounting Standards (IAS). These financial statements shall be audited by Libyan Financial and Control Institutes (LFCI) according to the nature of its activity applying the International Standards of Auditing (ISA) and the IAS. In addition Articles 27 and 28 of the law determine some of the accounting rules that must to be followed in evaluating some items of the LCB's accounts such as: all net profits after creating all required provisions and reserves under this law such as bad and doubtful debts and asset depreciation and any other reserves required by IASs must be added to the general reserve of the bank until its total be equal to a half of authorized capital. In addition, 25 per cent from the profits should be added to the reserve until this reserve reaches the amount of authorized capital. 10 percent of net profits should be added to the general reserve until it equals twice the amount of authorized capital and 5 per cent until it totals 10 per cent of the bank's total assets. The remaining net profits must be transferred to the public treasury. However, in a commercial bank, each bank should add no less than 25 per cent of its net profits to the capital reserve until it totals one-half of its capital then 10 per cent until the reserve equals the capital (Article No. 73 of the banking law).

Furthermore, the law allows the LCB to set up, according to the requirements of the national financial and credit situation and international banking standards, rules in order to regulate matters related to a bank's activity including accounting matters. Some of these are:

1. The method which should be followed to estimate different types of bank assets;
2. The provisions that must be created by a bank to cover its assets whose value is subject to extreme fluctuation; and
3. Disclosure rules, the statements that must be published and the method of publication.

For commercial banks, Article No. 83 states that each bank have to establish an administrative unit called the compliance unit its main objectives are: monitoring the supervisory instructions issued by the LCB and ensuring to what extent the bank and their branches are compliant with these instructions, and supervising the compliance of the bank with standards that govern daily banking activities such as: maintenance of the required reserves and international banking standards. In addition, the Article stresses that external auditors of a bank must prepare a report on the bank's financial statements. The report should clarify the extent to which the audited financial transactions are treated according to this Law. The auditors also must provide a half annual report monitoring the bank's financial performance are complied with domestic and international banking standards. According to Article No. 100 all existing banks at the time of this law must amend their internal regulations and bylaws in line with the requirements of this Law within one year from the issue date of the Law.

Regarding the penalties, Article No. 111 for example, indicates that any bank violates the Article No. 100 shall be punished by at least a fine between LYD 10,000 to LYD 50,000. The penalty should be doubled if the bank fails to comply with this Law within 18 months of the date of the Law's issue. Moreover, if the bank continues to violate the above Article (100) of the Law within two years from the enact date of the Law, the bank shall be punished by revoking its activities. Article No. 112 indicates that any auditor who violates the requirements in Article No. 83 or fails to observe the required accuracy in his/her report shall be punished by imprisonment of at least six months and/or a fine of LYD 50,000. Furthermore, the Article No. 106 states that any bank violates the requirements of the Article No. 73 shall be punished by fine at least LYD 20,000 and not more than LYD 100,000.

2.4.4. The general financial regulation

The financial law was issued in 1980 by the Libyan General People's Committee to regulate the accounting matters of state companies. It consists of the following parts:

Part one is related to the budget process which includes the estimation of expenditures and expected revenues. It is also related to the accounting system and records and financial reports of a company. Article (8) requires each company to prepare an annual budget for monitoring the annual current expenditure and revenues and articles (9-11) determine the procedures of the budget process. According to the article (61) the following should be considered when designing the company's accounting system:

- All financial transactions that relate to the company's activities;
- The expenditure regulations
- Determining the appropriate documents for each department (e.g. purchases, sales, warehouses, and financial departments) and the relationship between them;
- Setting-up codes of accounts; and
- The necessary accounting records in particular the records that are required by law.

Article (65) determines the necessary accounting records and books that should be kept by a company. These accounts and books include:

- General account (Daybook);
- General ledger;
- Treasury and banking ledger;
- Fixed assets ledger;
- Subsidiary and statistical books; and
- Book of supervision of stores.

All of these journals and books should be numbered and stamped by the company's stamp before using them. In addition, the articles (78 and 79) require

each company to prepare its financial reports within three month after the end of the fiscal year. These financial reports should be prepared according to the Generally Accepted Accounting Principles (GAAP) and rules. These Articles also require that a company should consider all instructions and initiatives from concerned parties which is in charge of this company. In addition a company must create the necessary financial reserves. Furthermore, in this context, the company's financial statements must be prepared on the accrual basis.

Part two is related to the purchases transactions and contracts. This part focuses on the administrative procedures of the purchases and contracts of a company. The financial law also requires a manager of a purchases department of a company should prepare the appropriate documents and forms to record all the purchases transactions.

Part three is concerned with the company's stores. According to Article (199) each company must keep two books for its store. One should be kept by a storekeeper and another by the financial department. While, Article (178) indicates that a company must follow the FIFO (first in first out) method of inventory valuation.

2.5. The Libyan Stock Market

In 2006 the Libyan General People's Committee issued decision No. 134 of 2006 for the purpose of establishing the Libyan Stock Market (LSM) with 20 million Libyan Dinars (LYD) capital. The LSM is controlled and observed by the General Public Committee of the Investment, Economic and Commerce. According to the Article No. 3 of the decision. The main objectives of the LSM are as follows:

1. To prepare an appropriate investment environment in order to achieve the general welfare;
2. To encourage the saving habit and raise the investment knowledge in order to direct the capital to the most beneficial sectors;
3. To control and observe financial transactions;
4. To serve the social and economic development;
5. To contribute in the process of privatisation of state owned enterprises;

6. To conduct research and collect statistical data about the listed enterprises;
7. To establish the required standards to ensure and secure the correctness of the financial market's transactions;
8. To develop the competence of the LSE's employees by conducting the necessary training;
9. To develop cooperative relationships with other regional and international financial markets; and
10. To organize stocks (shares) of new publicly companies.

The Article No. 8 of the decision indicates that the LSM is managed by a committee consisting of six members, the chairman of the LSM, the assistant of the chairman of the LSM, representative for banks, representative for publicly (stock) companies, representative for mediators in the LSM, financial consultant, economic consultant and statutory consultant. The Article No. 29 of the decision requires all public and private companies that have one million LYD capital or more must register in the LSM. In addition the according to the Article No. 55 of the decision, until the establishment of national accounting and auditing standards, all listed companies' financial reports have to be prepared and audited according to the LASs and international auditing standards.

This Decision has been amended by the Libyan General People's Committee issued decision No. 436 of 2008 with little changes. The main changes are the LSM's capital has increased to 50 Millions LYD, all public, private and foreign companies that operate in Libyan market with capital not less than 250, 000.00 LYD must register in the LSM. (Article No. 31 of the decision 436). Furthermore, the Article No. 64 of the decision 436 also emphasised that all listed companies' financial reports should be prepared and audited according to IASs and international auditing standards. (Article No. 8 of the decision 436). Both decisions required to apply from their issuance dates. 15 companies are listed on the LSM (see Appendix one. E, Tables. 2) (The LSM's Annual Report, 2010). Article N0. 30 determines the required documents that should be provided by companies to register on the LSM are:

- 1- Issue law or decision and bylaws of a company;

- 2- The last audited financial statements;
- 3- A list of members of a company's board; and
- 4- A list of the shareholders of a company.

According to the Article No. 52 all listed companies must provide to the LSM any changes that are accurate on:

- 1- An amendments to the company's bylaws;
- 2- The members of a company's Board;
- 3- The company's capital structures; and
- 4- An external auditors of a company

Regarding the penalties, any company that violates the requirements of registration on the LSM and the company fails to complete them during the required period of the LSM shall be punished by revoking its listed financial securities. In addition, the Article No. 60 determines the penalties for any companies which violate the requirements of this Act as follows:

- 1- Reminder;
- 2- Suspension from practicing the activities for one month or until settling the violations;
- 3- Suspending the company's financial securities from the trading in the LSM.

2.6. Accounting in Libya

Accounting in Libya has been influenced by several factors and experiences before and after its independence. These factors can be divided into two main types. The first consist of the external factors such as the effect of colonisation, the impact of foreign aid organisation and foreign tax law. The second are the internal factors such as the country's laws, accounting education and professions as well as economic and political conditions.

2.6.1. Prior independence

As mentioned earlier in this chapter, during the period before Libya's independence in 1952, Libya was colonized by three colonizers: Ottoman Empire from 1551 to 1911, Italy from 1911 to 1943, and Britain and France from 1943 to 1952. During the period of Turkish occupation, Libya was ruled by traditional systems and there was no evidence of any modern accounting practices and profession were implemented in the country (Kilani, 1988). Modern accounting practices were brought to Libya during the Italian occupation period. During this period, Italian systems e.g. accounting, economic, legal and management systems were implemented since 1920. Accounting profession was brought to Libya mainly through Italian accountants who work in Italian enterprises and in Italian governmental departments which operated in Libya (Buzied, 1998 and Kilani, 1988). The financial accounting was the key branch of accounting applied by the Italian accountants in Libya and there is no evidence of any auditing practices during this period (Kilani, 1988).

The accounting profession was strongly influenced by the Italian Income Tax Law of 1923. According to Bait-El-mal, et al (1973) enterprises required to provide financial statements at the end of fiscal year to Italian tax authority, prepared according to the Italian tax law of 1923. Thus, the Italian accountants continued to practise accounting in line with the Italian accounting profession and tax law until the end of 1960s (Nyhoom, 1976 cited in Buzied, 1998 and Kilani, 1988). After World War II when Britain and France administered Libya from 1943 to the Libyan independence there was no Libyan accounting profession and there were no serious changes to the Italian administration, except closing of all branches of Italian banks and opening of the British Barclays Bank (Buzied, 1998). During this period also the Italians still controlled most enterprises and relied on foreign accounting firms from Britain as well as the UK accounting principles and auditing standards. The Italian tax law still continued to be the only the tax law in the country (Bait-El-Mal et al, 1973).

2.6.2. Post independence

As indicated above, after World War II, accounting in Libya was influenced by external factors such as foreign companies and Italian tax laws. After the

country's independence, accounting was still influenced by these factors and internal factors such as the country laws and regulation and accounting education and profession. Internal regulations including tax laws, financial regulation and banking law have been discussed and investigated earlier in this chapter (see sections, 2.4 and 2.5).

The Libyan economy deteriorated during World War II and the United Nations (UN) issued a resolution in the early 1950s stating Libya was in urgent need of aid to improve its economy (Otman and Karlberg, 2007). Therefore many foreign agencies came into the country mainly from Britain and the US such as the Libyan Public Development and Stabilisation Agency (LPDSA), the Libyan American Reconstruction Commission (LARC), the Libyan American Joint Service (LAIS) and the Libyan American Technical Assistance Service (LATAS). Accounting systems of these agencies were expected to be British and American oriented, which were marking a new western accounting orientation in Libya (Kilani, 1988). Therefore, Britain and American influenced accounting profession in the country through these foreign aid agencies by implementing their own accounting systems until the discovery of oil in the late 1950s which made remarkable changes in all aspects of life in Libya. This led to the development of the accounting profession in the country.

2.6.3. The accounting profession in Libya

The discovery of oil in the late 1950s played a positive role in developing economic activities in Libya, leading to independent growth of the Libyan economy. As a result, more reliable accounting information in Libya was required from many users such as managers, investors, and state agencies (Ahmad and Gao, 2004). There were a limited number of local qualified accountants so the Libyan government allowed Libyans to establish public accounting firms in addition to the foreign accounting firms mainly from the UK and the USA (Ahmad and Gao, 2004; Buzied, 1998). In this respect, Bait-El-Mal et al (1973: 92), state that "*A few years ago (previous 1973) all public accounting firms were branches of foreign firms controlled largely by foreign head offices*". Thus there was no organized public accounting profession in Libya.

With the increase of accounting graduates from Libyan universities and many Libyan graduates returned from abroad, many public accounting firms were established. There was a need to establish professional body, to take the responsibility for developing a general framework of accounting in Libya. In order to sort out this problem and to regulate the accounting profession in Libya, the Libyan government established the Libyan Accountants and Auditors Association (LAAA) in 1973 by Law 116. This is the first Law enacted to organize the accounting and auditing professions in Libya. It consists of the following sections: (1) the establishment of the LAAA; (2) registration of members; (3) exercise of the profession; (4) fees; (5) pension and contribution fund; (6) obligations of accountants and auditors; (7) penalties; and (8) general and transitional provisions.

The LAAA started its activities in 1976 with the following objectives:

1. To organize and develop the affairs of the accounting and auditing professions, and to develop the standards and efficiency of accountants and auditors professionally, academically, culturally, and socially.
2. To set up the conditions for monitoring accounting and auditing for exercising regulations covering financial transactions.
3. To participate in planning accounting education which relates to society's needs and demands.
4. To increase co-operation between local and international accounting bodies and facilitate exchange of information between them.
5. To organize and participate in scientific conferences and seminars related to accounting internally and abroad, and to keep in touch with new developments, issue journals, conduct education and training programmes, provide lectures, publish research that relates to accounting.
6. To provide updates on accounting and auditing and provide it to members.
7. To establish a retirement pension fund for its members.
8. To increase co-operation between its members and to protect their rights, and the profession itself.

9. To take action against members who violate the traditions and ethics of the profession.

According to the article No. 26 of the Law there are two classifications of membership. The first is for practising accountants and auditors which is divided into two groups of practising accountants and auditors and assistant accountants and auditors. The second membership classification is that of non-practising accountants and auditors including non-practising accountants and auditors and non-practising accountants' and auditors' assistants. The total of the LAAA's memberships since its establishment to until the end of 2008 was 2181 (The LAAA membership directory, 2010) (more details see in Appendix one, E, Table, 1). According to article No. 23, accountants are unable to practise in the accounting profession in Libya before they register as members of the LAAA, and agree to work with complete honesty and sincerity (article, No. 33). According to article No. 24, accountants who want to do so must meet the following requirements:

- (i) Hold a Libyan nationality;
- (ii) Have a bachelor's degree in accounting;
- (iii) Enjoy political and civil rights;
- (iv) Have good conduct, reputation and respectability required for the profession.
- (v) Have five years experience of accounting practice in an accounting office after the University degree. However, accountants who have a degree higher than a Bachelor's degree in accounting are exempt from the experience requirement.

An accountant who has a bachelor's degree in accounting without experience in accounting and auditing and wants to work as accountant or auditor can only be registered as a working assistant, but after two years' experience, he/she has the right to practice in the profession with some limitations. An accountant who has a Bachelor's degree in accounting and does not intend to practice in the profession is listed in the non-working assistants group. According to the Article No (68) the accounting and auditors who hold a Bachelor's degree in accounting with two years experience and they hold a licence before the establishment of the

Law No. 116 of 1973 can should be registered in the working accountants, whereas, if they have less than two years experience they should be registered as accountants and auditors' assistants. However, the accounting and auditors who have not held this degree should sit for an examination to register in the working accountants with some limitations (Article No. 69). Finally, article No. 53 of the Law determines the penalties for members who violate the traditions and ethics of the profession as follow:

- (i) Reminder;
- (ii) Suspend from practising the profession;
- (iii) Cancel their registration.

The new regulation has changed the accounting regulatory framework. Moreover, In 2006 the LAAA introduced the first Exposure Drafts of Libyan Accounting Standards. These exposure drafts included 29 accounting standards which are prepared by looking to IASs that are considered as appropriate standards for the Libyan environment. Although the LAAA is the only body responsible for development of the accounting profession in Libya, this draft is not officially mandatory because it is not approved or endorsed by the Libyan authorities. In addition, the LAAA has not specified a standard form for the auditor's report, as some researcher such as Bait-El-Mal, et al (1973), Kilani (1988), Buzied (1998) and Khorwatt (2006) who have conducted their studies in Libya concluded that the Libyan auditor uses the form of the American audit report. Moreover, as a result of the slight increase in demand, changing to open market and in the economic policy in Libya, accounting and audit services are more likely to develop a suitable level of their qualities. However, due to a lack of LAAA's members who may supply accounting and audit services, the Big 4 firms entered the country recently. Although the Law 116 of 1973, which is the only legislation that regulates the accounting and audit professions in Libya, prohibits non-Libyans from providing statutory accounting and auditing in the country, the Big 4 firms became involved in a partnership with Libyan accounting and auditing firms/offices. Consequently KPMG, Deloitte and PriceWaterhouseCoopers have been involved in partnerships with those national Libyan accounting and auditing firms/offices in Tripoli. However, Ernst and

Young have established its own branch under the name of Ernst and Young & Partners (Shamsaddeen and Akbar, 2010).

From the general historic review of the accounting profession in Libya it can be said that the LAAA was established since 1973 to develop the accounting profession. In addition, there was no stock market in Libya until 2006. This was because all businesses in Libya were in state ownership. There was as negative impact to the UN sanctions on both the quality of education and its resources including accounting education and economic development in Libya. Prior to 2006 there were laws and regulations as essential rule for accountants. Therefore, one could argue that the commercial law, financial law and the income tax laws and some regulations such as the General Financial Regulation are considered significant factors in the development and regulation of corporate accounting practices in the country. Buzied (1998) points out in the absence of the accounting standards the income tax law has had a significant impact on the accounting practices in Libya.

2.7. Summary

This chapter has discussed relevant background information for this study. It has presented a brief background about the country's political and economic environments and their impact on the accounting profession development in the country. Moreover, this chapter has focused on accounting education in Libya. It also highlights the sanctions which were imposed by the UN and the US and its influence on accounting practice in Libya. The subsequent chapter is devoted to a discussion of the accounting regulation and accounting development. It also concerns the adoption of IASs and the process of accounting standard setting.

Chapter Three
Literature Review

Chapter Three

Literature Review

3.1. Introduction

This chapter reviews relevant literature on the topic under consideration. It is divided into eight sections. Section 3.2 provides the accounting regulation and accounting regulation approaches in general and in the UK, the UAS and France as developed countries. Section 3.3 presents the development and regulation of the accounting profession in developing countries. Section 3.4 gives discussion on the factors influencing the adoption of IASs and following by the enforcement of accounting standards is described in section 3.5. While Section 3.6 shows the participation in the accounting standard setting process. The overview of the International Accounting Standards Board (IASB) is provided in section 3.7. Finally, the application of agency theory to the study in section 3.8 and followed by summary is presented in section 3.9.

3.2. Accounting regulation

The main objective of accounting is to provide information to interested groups who may have access to this information to make rational and economic decisions. This information is often used to justify the need for accounting regulation, (Gaffikin, 2005). Accounting regulation has been defined by Taylor and Turley (1986: 1) as:

“the imposition of constraints upon the preparation, content and form of external reports by bodies other than the preparers of reports or the organizations and the individuals for which reports are prepared”.

Prior to the development of accounting regulation, the widespread ownership of stock in companies gave management complete control on the format and content of accounting disclosures. This situation was not satisfactory – especially if management was judged on its financial report’s figures (Higson, 2003). Development of accounting regulation has been influenced by the growth of business enterprises and the general philosophy prevailing in society. It has also come about in response to shocks experienced in the financial reporting

environment. These shocks have largely come in the form of scandals or important business failures, (Taylor and Turley, 1986). According to Cooke and Wallace (1990) an effective regulation is affected by internal environment variables such as the stage of economic development; the goals of society; culture and the underlying legal rules or common law and external environmental variables include colonial ties that can transfer accounting systems; international movements of accounting professionals and firms; internationalization of world trade and stock markets and membership and participation in the bodies that set international accounting standards.

3.2.1. Accounting regulation approaches

Accounting regulations are important because accounting information users need to be able to have confidence that the information is a fair representation and has not been manipulated by management (Elliott and Elliott, 2007). The development of a new financial accounting regulation process in different countries is influenced by the economic and political environment changes, the demand for and use of financial information, (Ashraf and Ghani, 2005; Chamisa, 2000). Evidence from the accounting literature indicates that accounting regulation and the approaches to achieving this regulation have varied from country to country. In some countries, for example, the UK and the US, accounting regulations were developed by the accounting profession (self-regulation) (Day, 2000). In other countries, like France, accounting regulation was developed by legislation (legal regulation) (Mcleay et al, 1999). In the U.S the accounting profession has developed into self-regulation by the American Institute of Certified Public Accountants (AICPA) which has a history back to 1887, when the American Association of Public Accountants (AAPA) was formed (Hilary and Lennox, 2005). In the UK, the accounting profession started to develop by the Institute of Chartered Accountants in Scotland in 1854 (was named as the society of Accountants in Edinburgh) (Mcleay, 1999; Taylor and Turley, 1986). The flexibility of accounting statements, for example, in the UK and the US is because of the movement and the consolidation of capital appears as one reason for their interest in the regulation of accounting rules, (Cooper and Robson, 2006). The accounting in France was regulated by the Code Savary of 1673 (Kaffikin 2006).

3.2.1.1. Self-regulation approach

Self-regulation is “*the form of regulation in which both the regulator and regulated are from the private sector*”, (Velayutham, 1996: 354). Velayutham, (1996) argues that self-regulation is usually initiated by the organisation’s members (individuals or business units) involved in a particular activity when the activity is threatened by public regulation, or the members feel there is some benefit to be obtained from this regulation. With this approach accounting regulation is carried out by the accounting profession, independent of legal direction or government intervention. Accounting standards are established entirely by expert professional accountants. According to Taylor and Turley (1986: 20) “*The accountancy profession has exerted considerable influence on the development of financial reporting and regulation*”. Tower, (1993) points out that accounting standards, as a form of regulation, restrict choice in how and, in what manner, corporate information is presented. In a free market economy with a strong capital market (e.g. the UK and the US) accounting standards were purposely prepared to provide information for specific groups of users and the operation of accounting systems is based on the belief that economic resource allocation can be achieved by the operation of the free market. Useful accounting reports and appropriate accounting standards are essential for the development of capital markets (Wallace, 1993). Effective accounting standards produce financial reporting that is more meaningful to their users. In this respect, Watts (1993: 200) states that:

"Accounting standards are concerned with the development of uniform rules for external financial reporting, presumably with the objective of making accounts more meaningful to users...A standard can lay down how information should be presented".

As argued by Glautier and Underdown (2001) various users of financial reports have private interests and preferences with respect to these reports, each of these users tries to pursue its self-interest in setting accounting standards. A strong interest in lobbying activities by a particular group is one means which has been used to influence the accounting standard setting process and specifying the reporting requirements that are in accordance with preferred desire. In this

respect, for example, Tandy and Wilburn (1996) point out that the Financial Accounting Standards Board (FASB) encourages participation through procedures preceding the issuance of Statements of Financial Accounting Standards (SFAS).

Generally speaking, accounting regulation is intended to narrow the differences in practice and to protect the interests of the public. By its nature, self-regulation involves the activities of various individuals and private/government agencies including the capital market, the accountancy profession, financial accounting users, management/preparers, independent professional accountants and regulators in the implementation of regulatory activity, (Kwok and Sharp, 2005; Cooper and Robson, 2006).

In the USA as a result, in the Stock Market Crash of 1929 and the Great Economic Depression, efforts were made to examine the problems of the stock market, investors, and the accountants in relation to financial reporting, (Higson, 2003), many investors lost their money and consequently suffered extreme economic hardship. One of the reasons for the huge corporations' collapses was that the accounting for these corporations was more directed to satisfying management than attempting to describe any perceived underlying economic transactions (Gaffikin, 2006). The Securities and Exchange Commission (SEC) was established by the US Congress in 1934. The SEC could prescribe the format and content of financial statements and the earnings statement (Higson, 2003). The SEC was very important for the New York Stock Exchange (NYSE) to restore public confidence in investing in corporations (Gaffikin, 2006). The SEC has tended to limit the exercise of its accounting standard-setting authority to a supervisory role, permitting and encouraging the private sector (Nobes and Parker, 2008).

In 1938, the AICPA's Committee and Accounting Procedures (CAP) commenced issuing Accounting Research Bulletins. This body was the first private-sector body involved in US accounting standards. The CAP was replaced by the establishment of the Accounting Principles Board (APB) and the Accounting Research Division in 1959 with the mission to advance the written expression of what constitutes generally accepted accounting principles (GAAP) (Higson, 2003; Nobes and Parker, 2008).

As the APB was dominated by the accounting profession, there were insufficient provisions to ensure that the opinion of other interested parties were taken into account. The Wheat Committee's report in 1972 'Establishing Financial Accounting Standards' led to the formation of three new bodies: the FASB responsible for setting standards; the Financial Accounting Foundation (FAF) responsible for appointing members of the FASB and the Financial Accounting Standards Advisory Council (FASAC) as advisory body (Nobes and Parker, 2008). Therefore, the Accounting Principles Board was superseded by the Financial Accounting Standards Board (FASB) in 1973.

In 2001, due to the spectacular collapses of some large companies like Enron the difference between US standards and IASB standards was highlighted. In 2002, the FASB announced a joint project with the IASB to remove as many differences as possible between their standards by 2005, and then to work on further convergence in the in the medium term (Nobes and Parker, 2008).

In the UK, the Institute of Chartered Accountants in England and Wales (ICAEW) was provided (under title the English Institute) in 1880. Therefore, the UK has been one of the earliest countries to establish professional accounting associations. Due to the absence of an effective law to sort out all accounting problems, the development of the accounting profession in the UK has been the responsibility of the professional accounting bodies, and, particularly, the ICAEW (Taylor and Turley, 1986). Day (2000) suggests that the UK profession's power is a great factor in the use of self-regulation as opposed to government regulation of accounting details. He also indicates that the regulatory framework has changed significantly since the 1854 Companies Act marked the first formal control over accounting.

The accounting development in the UK started with the standards setting process. The ICAEW was the first body involved in this process, in 1942. In 1942, the ICAEW produced many recommendations on Accounting Principles, and they gave general guidance to Institute's members. 29 recommendations were issued by 1969, but they were not mandatory (Higson, 2003; Mcleay et al, 1999). As the result of a number of financial scandals in 1960s and the flexibility of accounting practice, the need for standardization of accounting was increased to deal with those problems: the flexibility and the deficiencies in accounting practice.

In 1970, the Accounting Standards Steering Committee (ASSC) was formed as a committee of the ICAEW. The ASSC rapidly incorporated members from other accountancy bodies were: the Institute of Chartered Accountants of Scotland; the Institute of Chartered Accountants in Ireland; the Association of Chartered Certified Accountants; and the Chartered Institute of Management Accountants (Higson, 2003).

By 1974 the Chartered Institute of Public Finance and Accountancy had joined with the five accounting bodies. These six governing bodies of the ASSC worked together and formed the Consultative Committee of Accountancy Bodies (CCAB) (Mcleay, 1999; and Nobes and Parker, 2006), later (in 1976) the ASSC was renamed the Accounting Standards Committee (ASC) to prepare a draft standard for the six professional accounting bodies (Elliott and Elliott, 2008). This body was reconstituted as a joint committee of the CCAB, equivalent in function, (Nobes and Parker, 2006). The ASC established as a response to government and audit requirements. Mcleay, et al (1999: 340) believe that:

"ASC was established as a response to pressure from the state and the media, but it was established within the institutional context of the audit industry and could appeal neither to the authority nor legitimacy of the state."

The main objective of the ASC was the development of the Statements of Standard Accounting Practice and ensuring these standards are accepted within and outside the accounting profession and influence in the regulation of practice, (Taylor and Turley, 1986). This is supported by Nobes and Parker (2006: 284) who state that:

"The role of the ASC was confined to developing Statements of Standard Accounting Practice (SSAPs) with adoption and enforcement remaining the responsibility of the six professional bodies."

In 1990, the ASC was replaced by the Accounting Standards Board (ASB). The ASB is supervised by the Financial Reporting Council (FRC), independent of the

profession, and it has its own authority and power to issue accounting standards, (Nobes and Parker, 2006).

3.2.1.2. Legal regulation approach

Under this approach, government plays a crucial role in the control of economic activities, and accounting standards become part of the legal framework. Therefore, the accounting profession may become relatively weak or has a limited role, (Mueller et al, 1987). In this situation, a government is a single authority (usually the nation's national planning board) which exercises control over accounting information. This approach is usually adopted in a centralised economic system. Accountants under this economic system develop accounting policies through an authoritative, comprehensive chart of accounting processes. In France and Germany for example, external accounting is dominated by a comprehensive chart of accounts, (Nobes and Parker, 2002; Taylor and Turley, 1986).

In contrast to the self-regulation approach, uniformity is the main feature of accounting systems under the legal regulation approach. In this respect, Wallace (1993) argues that France believed in planning and controlling the allocation of the resources of its environment by following a uniform accounting plan for micro and/or macro control in purposes. The uniform accounting system is likely to have a different set of characteristics. Its extent is wider than financial reporting and external auditing, financial statements are prepared for a wide range of users (e.g. national planners; shareholders; management and society at large), normally include information related to budget and accounting being shaped by legal requirements It may be inflexible and difficult to apply (Mueller et al, 1987; Taylor and Turley, 1986).

In the seventeenth century, several attempts were made in France to regulate accounting through legislation. This started in 1673 when the government issued the first decree "*Ordonnance de Colbert*" made obligatory for all business to keep books of accounts and register them with a national plan authority. Mcleay et al, (1999: 80), argues that:

"In 1673, during the reign of Louis XIV, the government issued an

edict requiring all French traders who were engaged in commerce to keep books of accounts, specifically a journal of original entries which recorded all transactions by date, an inventory of all possessions to be completed every two years, and a book of letters received and copies of letters sent out."

This decree formed the basis for the Napoleonic Commercial Code (code de commerce) of 1807, (Nobes and Parker, 2006). Prior to the 1940's, an annual financial report was presented by directors to company's annual meeting as response to the Companies Law of 1867, and it applied until 1919 (Mcleay et al, 1999).

A set of generally accepted accounting principles did not exist in France, mostly because of there was no accounting standards body like in the UK and the USA (e.g. FASB and ASB) to regulate accounting standards in the country. Thus accounting in France has been influenced by laws rather than the profession. Alhashim and Arpan (1992: 31) state:

"The accounting profession in France has been involved in the preparation of legislation related to accounting matters, which explains the historical readiness of the accounting profession to adopt accounting legislation. Professional institutes, however, have continued to issue numerous recommendations on proper accounting, auditing, and disclosure guidelines in order to implement and to revise the Plan Comptable General and to encourage revision of the tax laws."

Therefore, the National Accounting Plan was the most important source for accounting regulation, (Nobes and Parker, 2006). In 1946, a new national accounting code was formulated by the *Commission de Normalisation des Comptabilités* which was established by the French government. The implementation and development of this code was vested in the '*Conseil de Sécurité de la Comptabilité*' (CSC) (Mcleay et al, 1999).

The 1947 *Plan Comptable Général* (PCG) was the first comprehensive effort for accounting regulation in France. The plan was administered by the National

Council of Accountancy (*Conseil National de la Comptabilité* [CNC]) to commence the standardization of accounting practice in France. The membership of the PCG includes accountants; industrialists; and civil servants. It is organized and controlled by the Ministry of Finance in France, (Alhashim and Arpan, 1992; Nobes and Parker, 2006). With issuance of the Companies Law of 1966 (amended in 1967) all business in France had to prepare an activities report, a profit and loss account and a balance sheet at the end of the fiscal year. It also clarified when financial statements of large and medium firms should be checked by their external auditors and regulated the appointment and responsibilities of those auditors, (Alhashim and Arpan, 1992).

According to Nobes and Parker, (2006), tax law plays an important role in the contents of financial statements of all business in France for the following reasons:

- There is no difference between the rules for measuring the accounting profit and those for measuring the taxable income.
- Expenses are only deductible for tax purposes if they were treated as expenses in the annual profit and loss account.

The plan was revised in 1957, 1982, 1986 and 1999 to meet the new need of the environment and to comply with the Fourth and Seventh Directives of the EU. The 1982 revision was made compulsory for all industrial and commercial firms. The recent changes are made in the 1999 plan. It excludes any mention of cost and management accounting and combined financial statements (Nobes and Parker, 2006).

The French government established the Stock Exchange Commission (Commission des Opérations de Bourse, COB) in 1967, modeled on the SEC in the USA. This resulted in the marked development of the securities markets and the appearance of detailed financial information. Within 1999 the COB greatly increased its powers to take on control of financial markets and related information. It now provides regulations, carries out investigations, and imposes fines. It updated the previous plans' explanation of accounting terms, valuation rules, codes of accounts, and the contents and formats of required financial statements (Nobes and Parker, 2006).

In June 2000 the EU Commission announced its intention to adopt IFRS as part of its policy of encouraging free movement of capital (Welbenberger et al, 2004; Whittington, 2005; Fearnley et al, 2006). In 2002 the EU's Council of Ministers approved the regulation No. 1606/2002, which makes the mandatory application of IFRS by all companies listed on EU stock markets from 2005 onwards to prepare their consolidated financial statements under these standards, (Callao et al, 2007; Haller, 2002; Schipper, 2005; Whittington, 2005; Weibenberger et al, 2004; Larson and Street, 2004; Fearnley, et al, 2006). France as a member of the EU its regulatory framework has been influenced by the new EU regulation No. 1606/2002. Therefore, all listed companies in France are required to prepare their consolidated financial reports in accordance with IFRS from beginning or after January 2005.

In the UK, legal regulation of the accounting profession contains regular changes and improvements in the content of accounts required by both law and the objectives of the statutes. Therefore, company's activities in the UK are primarily controlled by the Companies Acts (Taylor and Turley, 1986). Day (2000) found in his study on the UK accounting regulation that the UK has a commercial legal system relying on a limited amount of statute law. The Joint Stock Companies Act of 1844 had required a 'true and fair' balance sheet to be prepared, audited and presented to both the ordinary meeting of shareholders and the Register of Joint Stock Companies. The framework of the result of legislation during a period of over forty years beginning with the Companies Act 1948 which was added to 1967, 1976, 1980, 1981, 1985 and 1989 Acts (Glautier and Underdown, 2001).

The Companies' Act of 1948 was more comprehensive and provided that the 'true and fair view'. With the Companies' Act of 1981, accounting standards and procedures became incorporated in legislation in the UK. Any variation in accounting practice from these standards and procedures must be explicitly justified in the essence of the 'true and fair view' override law if necessary clause which emphasizes the quality of information, (Alhashim and Apran, 1992). Higson and Blake (1993) argued that:

The introduction of the phrase “a true and fair view” was recommended by a UK government committee on company law, the Cohen Committee, to replace a requirement that balance sheet should exhibit “a true and correct view” of a company’s affairs. This change was advocated by the UK’s largest professional accountancy body, the Institute of Chartered Accountants in England and Wales (ICAEW).

These Acts also required the appointment of an external auditor for a company. This auditor must clarify whether company's financial statements are prepared within the Acts requirements, and whether they give a 'true and fair view' of the company's financial position and the outcomes of its operations, (Alhashim and Arpan, 1992).

The Fourth Directive of the EU required from its members such as the UK, its legislation must incorporate EU Directives. Furthermore, the UK made many modifications to its companies' laws in order to standardize the content and presentation of corporate financial statements and to bring its legislation closer to European Community Directives such as the Companies Act of 1989, (Glautier and Underdown, 2001). According to Nobes and Parker (2006: 224) the first draft of the Fourth Directive was published in 1971, before the UK and Ireland had entered the EU in 1973, or had representatives on the *Groupes d'Etudes*. The influence of the UK and Ireland on the commission, parliament and *Groupes d'Etudes* was evident in a much amended draft in 1974. This draft introduced the concept of the 'true and fair view', and some flexibility of presentation. This process continued, and by the final Directive, the 'true and fair view' was established as a predominant principle in the preparation of financial statements. In this respect, Higson and Blake (1993) state that:

The true and fair view concept has been at the heart of financial reporting in the UK for over forty years. In recent years there has been a major increase in the international importance of this concept. This has come about with its adoption by the European Community in the Fourth Directive on company law and its

implementation in all Community countries.

Furthermore, they found that the true and fair concept is an inappropriate basis for international accounting harmonisation.

Fearnley et al (2006) found that the UK regulatory system is subject to significant change. In June 2000 the European Commission announced an initiative to adopt IAS. In the same year, the EU Council of Ministers gave final approval to implement this regulation (Fearnley et al, 2006; Jermarkowicz and Tomaszewski, 2006; Welbenberger et al, 2004; Whittington, 2005). In addition, this regulation was approved by the European Parliament and enacted into Law on September 2002 as regulation No. 1606/2002 of the European Parliament and of the Council of July 2002 (Jermarkowicz and Tomaszewski, 2006).

This regulation requires all EU-listed companies to prepare their consolidated financial reports in accordance with IFRS by beginning on or after January 2005 (Jermarkowicz and Tomaszewski, 2006; Fearnley et al, 2006; Callao et al, 2007; Haller, 2002; Scnipper, 2005; Whittington, 2005; Weibenberger et al, 2004; Larson and Street, 2004). Fearnley et al, (2006: 1) argue that as the UK has the largest stock market in the EU therefore this new regulation is extremely significant in the UK. They state that:

“In 2002 the Regulation (EU, 2002a) requiring all listed companies in the EU to adopt international standards for group accounts for financial years beginning on or after 1 January 2005 was approved. This is a major change to the accounting regimes of EU listed companies, but is of particular significance in the UK because the UK has the largest capital market in the EU and more companies have therefore been required to change their accounting. Because of the importance of the UK’s capital market to its economy, the changeover is also of considerable interest to regulators” (Fearnley et al, 2006: 1).

3.3. The accounting regulation and development in developing countries

Generally, accounting literature suggests that the business environment changes and the needs of society and users of financial information changes led to the

development of accounting (HassabElnaby et al, 2003; Clark, 1973). The development of accounting systems within a society is linked to the cultural values as classified by Hofstede (1980, 1984). These values are (1) Individualism; (2) Uncertainty Avoidance (UA); (3) Power Distance and (4) Masculinity and (5) long and short term orientation. Moreover, Gray's (1988) model proposes four accounting values which are professionalism, uniformity, conservatism and secrecy, which are linked to Hofstede's (1980) cultural values. These accounting values have two opposite ends as defined by Gray (1988: 8):

Professional versus Statutory Control – a preference for the exercise of individual professional judgement and the maintenance of professional self-regulation as opposed to compliance with prescriptive legal requirements and statutory control.

Uniformity versus Flexibility – a preference for the enforcement of uniform accounting practices between companies and the consistent use of such practices over time as opposed to flexibility in accordance with the perceived circumstances of individual companies.

Conservatism versus Optimism – a preference for a cautious approach to measurement so as to cope with the uncertainty of future events as opposed to a more optimistic, laissez-faire, risk-taking approach.

Secrecy versus Transparency – a preference for confidentiality and the restriction of disclosure of information about the business only to those who are closely involved with its management and financing as opposed to a more transparent, open and publicly accountable approach.

Linking these accounting values to Hofstede's (1980) social values, allowed Gray (1988) to suggest a number of hypotheses relating to the relationship between the social values (Uncertainty Avoidance (UA), Power Distance (PD), individualism and masculinity) and accounting values which are:

1. A country with a higher rank on individualism and a lower rank in UA and PD, is expected to express a high rank in terms of professionalism (lower uniformity);

2. A country with a higher rank in UA and PD and the lower rank in terms of individualism, is expected to demonstrate a high rank in terms of uniformity (lower professionalism);
3. A country with a higher rank in UA and a lower rank in terms of individualism and masculinity, is expected to demonstrate a high rank in terms of conservatism; and
4. A country with a lower rank in UA and the lower rank in terms of individualism and masculinity, is expected to demonstrate a high rank in terms of secrecy.

The first accounting value constitutes the focus of this study. Gray (1988) proposes that the degree of professionalism be measured by using Auditor Judgment from prescriptive (with detailed legal requirements) to the use of a true and fair view, which indicates a high degree of professionalism and by professional structure from a state-controlled accounting profession whose primary function is to carry out duties on accordance with the law to independent professional bodies of long standing whose primary function is to carry out audits in accordance with its own professional judgment.

However, Salter and Niswander (1995) interpret the professionalism as the dimension of accounting value as (1) a choice or preference as to a source of accounting rules and decisions (Auditor Judgment) and (2) the source of regulation of the profession (Profession Structure). Salter and Niswander (1995) used two of these variables (Auditor Judgment and Profession Structure) to measure professionalism. The first variable was measured based on Bavishi (1991) scale ranging from “in conformity with local legal requirements” to “a true and fair view”. Higson (2003) suggested that an auditor does not specifically look for fraud, nor specifically investigate for bias. The auditor has to form an opinion on whether the financial statements show “a true and fair view”. The existence of bias would not necessarily mean that the financial statements did not show “a true and fair view”. He also indicated that the judgment of the UK courts is frequently cited as an indication that “a true and fair view” can be achieved by following normal accounting principles. Higson and Blake (1993) found in their study on assessing the views of senior UK practitioners on the true and fair

concept. The findings show that the “a true and fair view” arouses little enthusiasm amongst those in the UK most concerned with its application. These practitioners saw it is vague and ambiguous, and a significant number of them found it misleading.

The second variable can be considered by the following measures: the longevity of the profession, professional control over entry into the profession, and professional control over ethical and other audit behaviour standards. The first measure was claimed by a number of local audit firms which, while having a long history, appear to have little self-regulation. The second measure a 0/1 variable exam was created to measure the level of professionalism by whether a professional organization of auditors control entry into the profession by setting an examination. A score of one indicates control by the profession, while a score of Zero indicates no control. The last measure was almost universally claimed, even where in-depth country analysis indicates little, if any, professional self-regulation.

In this regard, Salter and Niswander (1995) examined Gray's (1988) model. They used the control of entry into the profession (exam) and auditor's opinion (Auditor Judgment) on corporations' financial reports (true and fair view) as measures of professionalism. The sample of their study consisted of twenty nine countries from developed and developing countries. They found that professionalism is influenced by the Uncertainty Avoidance (UA) level. UA was strongly and negatively related to both setting exams and auditors' practice of the accounting profession. In other words, countries that exhibit high UA appear to have accounting systems that are ordered by legal requirements [for accounting practice] and statutory control [for the auditing profession].

Buzied (1998) investigated the development of the accounting profession and practice in Libya. He used listed objectives in the Law No. 116/1973 of establishment of the LAAA as measures of the role of the LAAA in developing the accounting profession and practice in Libya. He also used Salter and Niswander's (1995) criteria (longevity of profession of accounting, setting examination and auditor's opinion on companies' financial reports) as measures of the professionalism in the country. Buzied (1998) found that all respondents agreed that the role of the LAAA in developing, organising and controlling

accounting has had very little success in achieving its objectives and its status is low. Buzied's (1998) findings also indicate that the level of professionalism in Libya is low. Further his findings show that the accounting practices were strongly influenced by the Libyan laws and regulations, which was similar to the findings of Bait-El-Mal et al (1973) on the development of accounting in Libya, which indicated that the tax law of 1968 has had a huge impact on accounting practice in Libya such that many companies have often adopted tax guidelines for general external reporting. Aljifri and Khasharmeh (2006) found that the adoption of IASs in the UAE was due to the fact that the accounting profession in the UAE is not sufficiently well developed or large enough to be able to undertake the setting of local accounting standards.

Ding et al (2007) investigated the determinants and effects of the differences between domestic accounting standards (DAS) and IAS. 30 developed and developing countries were chosen as a sample. They indicate that the absence of rules is higher in countries with a less developed stock market, while the divergence is positively associated with the level of economic development and the importance and strength of the accounting profession. Mashayekhi and Mashayekh (2008) examined the development of accounting in Iran. Their study confirms the audit organisation has played its role in developing national accounting standards which follows the publication of IASs and translation of them. In addition, their results indicate that existing laws (e.g. tax law, corporate law, and stock exchange regulations), culture and economic, foreign investments and political conditions are considered as factors that have a great impact on the accounting system in Iran.

HassabElnaby, et al (2003) investigated the impact of the environmental factors on accounting development in Egypt. Their results show that the level of the economy and the political environment are positively correlated with accounting development. Al-Akra, et al (2009) analysed the development of accounting regulation in Jordan. The results indicate that the accounting profession which is regulated by the Jordanian Association of Certified Public Accountants (JACPA) has played an important role in facilitating the adoption of IASs/IFRS by providing explanation of these standards. This resulted in enacting laws such as company law and securities law which called for the adoption and enforcement

of IAS/IFRS, enhancing the disclosure quality of Jordanian listed firms. The findings reveal that accounting practices have been largely influenced by laws such as tax law and government regulations. Their results also indicate that the political and economic factors which led to privatization have an impact on accounting practices and regulation. Furthermore, the findings confirm that the movement from state ownership to a wider group of private ownership has increased the need for accounting regulation. The above arguments provide a useful platform for future studies.

Dobija and Klimczak (2010) pointed out that Poland changed its accounting regulations which permit to use IAS/IFRS before it adopted IFRS in 2005 which had taken steps to reduce the gap between National Accounting Regulation and IAS (e.g. a significant increase in transparency and public disclosure of accounting policies and put greater emphasis on fair value instead of historical cost accounting).

Daniel and Suranova (2001) in their study on the development of accounting in Slovakia found that the Slovak Ministry of Finance played a key role in the development of accounting practices and regulation. All its regulations are generally obligatory for all companies. It co-operated with the Slovak accounting profession to prepare the legal acts concerning accounting. Furthermore, the Slovak accounting profession is involved in developing accounting education in both universities and secondary schools and in preparing the accounting standards. In addition, it plays a role in introducing and official translating of IASs in the country. Their results also show that the profession's licence is obtained by undertaking an official examination. In addition, the findings indicate that the Slovak accounting system is influenced by the commercial code and accounting law which is generally based on IASs.

Al-Qahtani (2005) addressed the development of the accounting regulation in Gulf Cooperation Council (GCC) countries including the state of Bahrain; the state of Kuwait; the state of Qatar; the state of United Arab Emirates (UAE); the Kingdom of Saudi Arabia (KSA); and the Sultanate of Oman. His results indicate that the regulation of the accounting profession is still influenced by the codes of commercial laws in all the GCC countries except the Kingdom of Saudi Arabia (KSA), which regulates its accounting profession by the power of Government

by giving authority to the Saudi Organisation for Certified Public Accountants (SOCPA) (including reviewing, preparing and endorsing of accounting standards).

In the same countries Al-Shammari et al (2007) studied the development of enforcement mechanisms following the adoption of IASs in the GCC countries. They found that the governments of the GCC countries are involved in regulation of the financial reports and they control the accounting and auditing professions. In addition, their findings indicate that among the professional accounting bodies which exist in the GCC countries, only the Saudi Organization for Certified Public Accountants (SOCPA) and the Kuwait Accounting and Auditing Association (KAAA) have roles in the development of local accounting standards. Furthermore, all of the professional accounting bodies have no regulatory authorities to license accountants and auditors or to establish accounting standards except SOCPA. Radebaugh and Gray (1997 and 2002) point out that accounting development in Brazil has been influenced by the commercial code and the Companies' Law which contains the basic requirements governing the preparation of financial statements and disclosures for public companies. While listed companies are required to comply with the national accounting standards that are approved by the Securities Exchange Commission.

3.4. The factors influencing the adoption of IASs

Many countries do not have adequate standards of accounting and auditing (Riahi-Belkaoui, 2000). According to Rahman (2000: 5):

"The recent (in 2000) initiatives of the international community through various institutional efforts --- e.g. Financial Stability Forum and International Forum on Accountancy Development --- have raised awareness of the need to establish internationally recognized accounting standards in every country".

IASs have been adopted by some developing countries without any modifications such as Pakistan, Bahrain, Bangladesh, Nigeria, Malaysia, Thailand, Jordan, the Arab Gulf Countries Co-operation Council member states (GCC) and Singapore, (Joshi and Ramadhan, 2002; Ashraf and Ghani, 2005), or with a view to ensure that it is consistent with local laws and regulations such as in Zimbabwe and Iran

(Chamisa, 2000; Mashayekhi and Mashayekh, 2008). The adoption of IASs in developing countries is enforced by country authorities or a group of companies, (Zeghal and Mhedhbi, 2006). For example, in Pakistan, Bangladesh, the EU and the GCC, IASs are adopted by country's authorities, or by companies' themselves such as in Bahrain and United Arab Emirates. These countries believe the adoption of IASs is economical and less time- consuming than preparing their own standards, and it has great advantages in facilitating both national and foreign firms and international connections (e.g. access to global capital markets) (Tan et al, 2009; Mashayekhi and Mashayekh, 2008; Nobes and Parker, 2002). Mashayekhi and Mashayekh, (2008: 77) states that:

“Observing international accounting standards, makes the reporting more useful to investors. To attract direct foreign investment in oil and non-oil products, therefore, financial reporting should follow accepted accounting standards”

Joshi and Ramadhan (2002) found that the adoption of IASs in Bahrain was less costly and there was no difficulty in interpreting IASs. This section presents the factors which may have an impact on the adoption of IASs.

3.4.1. Foreign corporations

Al-Shammari et al (2007) examined the development of enforcement mechanisms following adoption of IASs in the GCC countries. Their results show that the involvement and increasing number of foreign banks in (i.e. Qatar and KSA) that voluntarily used IASs led their governments to require all banks to adopt IASs. The results also indicate that the pressure from multinational corporations in the GCC countries led to the adoption of IASs by their governments. Mashayekhi and Mashayekh (2008) reported that Iran has employed International Accounting Standards as the basis for developing its National Accounting Standards. They also indicate that Iran attracted foreign investment to improve financial reporting and accounting standards. On the other hand, they suggested that to attract foreign direct investment financial reporting should follow accepted accounting standards like IASs.

Dobija and Klimczak (2010) indicated that the new regulations which allowed using IAS/IFRS reduced the gap between National Accounting Regulation and

IAS were part of the international harmonization process that effected on facilitating foreign investment in Poland. Dahawy et al (2002) suggest that to attract external capital adoption of IASs is required to provide external credibility. Daniel and Suranova (2001) studied the development of accounting in Slovakia. Their findings reveal that the Slovak accounting system is influenced by laws and regulations which are generally based on IASs. This development resulted from the country seeking to attract foreign investors. Preobragenskaya and McGee (2003) investigated the adoption of IAS and the problems Russian firms face with the adoption and implementation of IAS in Russia. Their results indicated that the lack of credibility of reported financial information seems to be a factor that negatively affects the ability to attract foreign capital in the Russian economy. Adopting IAS is seen as one way to overcome this problem.

3.4.2. International Institutes legislation

Mir and Rahman (2005) investigated the factors which influenced the Bangladesh government and professional accounting bodies towards the adoption of IASs. They found that institutional legitimization is a major factor that drives the decision because of the pressure of the key lending institutions on the Bangladesh government. Similarly the results of Joshi and Ramadhan (2002) show those financial institutions (Banks') requirements that were significantly associated with the adoption of IASs in Bahrain. Srijunpetch (2004) in her study who stresses that the conditions of international lenders were a great factor in the adoption of IASs in Thailand. Rahman (2000) suggests that international financial institutions such as the World Bank (WB) and the International Monetary Fund (IMF) demanded certain conditions in most Asian countries during the Asian economic crisis in 1997. Some researchers for example, Chamisa (2000); Rahman (1998), argued that the World Bank (WB) and the International Monetary Fund (IMF) are increasingly insisting on the use of IASs by recipients of their finance. The WB and IMF convinced the ministers of finance, ministers of trade and industry and securities commissions in developing countries that accounting reform is a major part of financial reform.

3.4.3. Improvement of companies' financial reports quality

Commonly, the quality of financial reporting is accompanied by the quality of the accepted accounting standards such as IASs. Joshi and Ramadhan (2002) show that the factors which influenced the decision to adopt IASs the expectation of improving the efficiency and effectiveness of financial reporting as well as achieving the company's objectives. IASs have been adopted by developed and developing countries for improving their companies financial reporting. For example, Jones and Higgins' survey (2006) examined the decision of the Financial Reporting Council to adopt IFRS from 2005 by companies in Australia. Their findings suggest that IFRS are expected to have the greatest impact on existing financial reporting practices in areas where there are no equivalent Australian accounting standards.

Christensen, et al, (2008) found that accounting quality improvements are confined to German firms with incentives to adopt IAS. Barth et al (2008) examine whether application of IAS by firm from 21 countries (including developed and developing countries) is associated with higher accounting quality. They found that firms that apply IASs have higher accounting quality than those firms that do not.

Iatridis and Rouvolis (2010) found that disclosers have believed IFRS were providing lenders and investors evidence of credibility and quality in listed Greek companies' financial accounts. Soderstrom and Sun (2007) found that IFRS adoption in the EU has a positive impact on accounting quality. Jermakowicz (2004) examined the adoption of IFRS in Belgium. The findings reveal that the adoption of IFRS increases comparability of consolidated accounts as well as levels of transparency for many Belgian companies. Ashraf and Ghani (2005) examined the effects of some factors on the development of accounting practice and disclosures in Pakistan, and indicate that Pakistan has adopted IASs as national standards, however, the quality of financial reporting did not improve with the adoption of these standards. Rawashdeh's study (2003) on the effects of IASs on the Amman Stock Exchange in Jordan indicates that IASs provide more information than the local Jordanian accounting standards and were good value for investors. Joshi and Al-Basteki (1999) addressed the perceptions of accountants regarding whether or not national accounting

standards should be set in Bahrain or whether companies should adopt IASs. They found that companies in Bahrain should comply with IASs with regulate through a Companies' Commercial Code by an enforcement agency (e.g. the Ministry of Commerce). Such standards will enhance uniformity and bring more transparency in the financial reports practices of the firms in Bahrain.

The survey of Aljifri and Khasharmeh (2006) investigated the suitability of IASs to the United Arab Emirates (UAE). They sent 210 questionnaires to financial reports' preparers and users (auditors, managers, financial analysts and banks). The results show that the adoption of IASs in the UAE would result in advantages which would encourage more companies in the UAE towards adopting IASs. The advantages are improving the quality of financial reports, comparability, reliability and relevance of financial information and enhancing the perception of the accounting profession across the world of financial reporting in the UAE. The findings of Al-Shammari et al (2007) indicate that the GCC countries' governments which have adopted IASs expect that this adoption will provide useful information to shareholders and investors as well as make greater comparability in financial reports.

3.4.4. Accounting education

Archambault and Archambault (2009) addressed the decision of 120 countries to permit or not to permit the use of IFRS for listed companies. The results show that literacy rates positively influence the decision to adopt IFRS. However, Al-Akra et al (2009) also investigated the development of accounting regulation in Jordan and suggested that accounting education may prevent the successful implementation of IASs/IFRS due to the quality of teaching in accounting and auditing, particularly at university level suffers from a lack of modern curricula and too few teachers and focus on elementary topics and not include IAS/IFRS.

The investigation of Zeghal and Mhedhbi (2006) into the factors that influence the adoption of IASs in developing countries confirms that countries with a higher literacy rate are the most motivated to adopt IASs. Aljifri and Khasharmeh (2006) conducted a study on the suitability of the IASs to the major industries (e.g. banking, insurance, industrial, and services) in the United Arab Emirates (UAE). Their findings show that the most important motivation to

adopt IASs in the UAE concerned the companies that use English when preparing their financial reports. Furthermore, the majority of the users agreed with the adoption of the IASs as suitable for the country.

3.4.5. Economic growth

Cooke and Wallace (1990) examined financial disclosure regulation and its environment across nations and found that accounting not only affects economic growth but it is also affected by economic growth and the interaction of other environmental factors of each country such as the levels of political, educational, and technological development. Gray and Roberts (1991) point out that an appropriate accounting system is important, because inadequate accounting systems may obstruct economic growth.

However, Zeghal and Mhedhbi (2006) found that economic growth and external economic openness did not have a significant impact on the adoption of IASs in developing countries. Daniel and Suranova (2001) studied the development of accounting in Slovakia. They conclude that the development of economic growth led to the development of accounting in the country. The empirical results of Larson (1993) on the adoption of IASs and economic growth in developing countries indicate that the higher economic growth of these countries that have adopted IASs presumably reflects internal environmental conditions. While, Larson and Kenny (1995) investigated IASs and economic growth in developing countries and found that the adoption of IASs alone did not guarantee increased economic growth. However, Preobragenskaya and McGee (2003) report that one factor achieving economic growth is transparent financial information and adopting IAS is seen as a means to achieve the level of transparency needed to satisfy the information needs of the international investor market. The study of Al-Akra (2009) examined Jordan's move towards full adoption of IFRS and concludes that economic factors, through privatization and the resulting accounting reforms, contributed more to the development of accounting practices that resulted from compliance with IASs.

3.4.6. External Auditors

Al-Basteki (1995) studied the voluntary adoption of IASs by the Bahrain corporations. He provided empirical evidence that external auditors influence

their clients' decisions to adopt IASs in Bahrain. He also documents that the IASC/IASB could encourage various countries to accept its standards through close cooperation with auditors practicing in these countries. Similarly Joshi and Ramadhan (2000) surveyed professional accountants of small enterprises in Bahrain asking them to identify the influences on the decision to adopt IASs. Their study shows that external auditors have a positive influence on the adoption of IASs in Bahrain.

While Srijunpetch (2004) found that the national external auditors in Thailand may have some influence on the extent of IAS compliance. However, international audit firms are the most influential factor in the adopting of IASs in the country, and are perceived as more credible than local audit firms. Furthermore, the findings of Nasser and Nuseibeh (2003) point out that in the Middle East countries where a number of governments have embarked on privatization programs, most of the national auditors are partnered with big international audit firms and this has a positive impact on corporate reporting particularly in improvement in the level of disclosure.

Rahman et al (2002) in their study analyse the factors that are associated with accounting practices harmonization suggest that the Big-6 (now Big-4) played a role in accounting practices harmonization. They also report that these auditors contributed to the establishment of the IASC in 1973, and they are still the main supporters of the IASB. While Sucher and Alexander (2004) argued that the Big 5 audit firms played a key role in the export of IASs/IFRS to large local corporations. Glaum and Street (2003) found that German companies that are audited by non-Big 5 firms (now Big 4) exhibit a significantly lower level of compliance with IASs than companies audited by the Big 5 firms. Similarly, Prather- Kinsey and Meek (2004) investigated the compliance with the IAS 14 for disclosure of companies from different countries required to comply with IASs which listed on the IASC's website. Their findings suggest that Companies that are audited by a Big Five auditor disclose more accounting information and comply better with the requirements of this standard.

3.4.7. Harmonisation

Nobes and Parker (2000: 66) define harmonization as "*a process of increasing the compatibility of accounting practices by setting bounds to their degree of variation.*" According to Higson (2003: 84) "*the globalization of world commerce has intensified the drive for the international harmonization of accounting standards*". Use of IAS has great advantages in eliminating the set up costs for countries who have no standards and permit those countries to immediately become part of the main stream in accepting IASs (Riahi-Belkaoui, 2000). In addition, harmonization of accounting standards may facilitate internationalization of capital markets and foreign business because it can give comparable financial information for several international users (Choi and Levich, 1991; Nobes, 1995 and 1991). Larson (1993) and Purvis et al, (1991) emphasize that harmonization is intended to facilitate economic growth and world trade by presenting financial information of corporations located in different countries. Murphy (2000) examined the impact of using IASs on the harmonization of accounting practices by comparing the accounting practices for depreciation, inventory, financial statement cost basis, and consolidation between Swiss companies. He compared it with others who used local standards. His study reveals that there was harmony among the selected Swiss companies.

Therefore, the adoption of IASs is one of the factors which contributed to the increase in the level of harmony. Similarly, Rahman et al (2002) conducted their research on the factors that are associated with accounting practice harmonization by comparing between Australian and New Zealand companies. These countries have similar culture, capital market features, accounting regulation, and accounting standards. They stress that accounting practice harmony is associated with both accounting regulation harmony and firm specific characteristics. The survey of Jermakowicz (2004) on the adoption of IFRS in Belgium indicates that implementing IFRS changes dramatically the way companies design both their internal and external reporting activities as well as created harmonization of these reports. Rawashdeh (2003) discovered that IASs provide more impetus towards international accounting harmonisation. Nobes and Parker (2006) suggest that the adoption of IFRS in the EU has reduced the differences in accounting in all listed companies.

3.5. Enforcement of accounting standards

Rahman, (2000) points out that there are two necessary conditions for sufficient accounting practices in a country: development of local accounting standards in line with IASs which is discussed above and development of an appropriate enforcement mechanism to make sure that the local accounting standards comply with IASs. Enforcement is very important for compliance with whether local or international accounting standards and the lack of its efficiency led to low quality of financial statements. In this context Rahman (2000: 1, 5)

“The lack of efficient and effective enforcement mechanism allows widespread non-compliance with national or international accounting standards ... countries enforce their own national accounting standards, and the lack of an effective and efficient enforcement mechanism may result in low quality of financial reporting, whether or not national accounting standards are conformity with internationally recognized standards and best practice”.

As mentioned earlier in this chapter, commonly, the quality of financial reporting is accompanied by the quality of the accounting standards such as IASs. However, it is also achieved by the effectiveness of their enforcement, (Ball et al, 2003). Some researchers such as Glaum and Street (2003); Rahman (2000) argues that the auditors are at the forefront of the mechanism enforcement to enforce companies' compliance with accounting standards and other relevant accounting regulations.

According to Rahman, (2000) there are three main links for the enforcement mechanism chain. If one of them is missing the enforcement is weakened. These links are:

1. Company's management who are responsible for preparing the corporate financial statements (preparers).
2. Company's auditors who present their opinion on the company financial reports to ensure they comply with established accounting standards (external auditors).

3. Regulatory authorities that monitor compliance with established accounting standards and take measures against non-compliance (regulators).

Rahman (2000) emphasizes that the top management of Capital Market Regulatory Authority should periodically persuade and meet formally both preparers and auditors of financial reports of listed companies to discuss the problems and encourage them to comply fully with endorsed accounting standards as well as the similar steps that should be taken by the regulators representing the central bank for persuading banks and other financial institutions to prepare their financial statements in conformity with the accounting standards and persuading their auditors to ensure that the audited financial reports are in compliance as well.

In addition the statutory regulators should exercise their authority to apply pressure on the preparers of financial reports to comply with the accounting standards and the professional accounting body should have an adequate system of monitoring mechanisms to ensure that its members as auditors comply with the applicable professional standards. This monitoring can be helpful in strengthening compliance with the endorsed accounting standards. Furthermore, the appropriate regulatory supervision (by the government supervisory authority and self-regulatory organizations) reinforces the application of endorsed accounting standards by the preparers and auditors and improving the quality of financial reporting. In addition, appropriate punishment for violation of rules and adequate penalties for discovered infractions are essential to create incentives for companies that comply.

Rahman (2000) also stresses that although all the East Asian countries have national standards based on IASs, the financial statements prepared by companies in these countries rarely comply fully because the lack of efficient and effective enforcement mechanism in most of these countries. His results also highlight that many company auditors fail to enforce the accounting standards mainly because of: lack of awareness about accounting standards, lack of awareness about the consequences of inappropriate application of specific standards, inability to accurately understand the essence of particular standards and unconcerned attitude towards complete compliance with these standards.

Al-Shammani et al (2007) conclude that the monitoring of relevant departments in the Gulf Cooperation Council (GCC) countries for companies' compliance with IASs relies on the external auditor's report. In other words, the enforcement of companies in these countries for compliance with IASs and other accounting regulations is achieved by external auditors and governmental enforcement bodies established by requirement of company laws. Their findings also indicate that in Bahrain the monitoring of all listed companies' compliance with IASs and other regulations is the responsibility for the Ministry of Commerce, while, in Kuwait and Oman, the monitoring is carried out by both the Ministry of Commerce and the Stock Exchanges. In Qatar, Saudi Arabia and the UAE, the central bank is responsible for monitoring banks and financial and investment companies.

Ashraf and Ghani (2005) found that although Pakistan has adopted IASs in 1985, the enforcement mechanisms were very weak. While Prather- Kinsey and Meek (2004) examined how the IAS 14 affected the segment disclosure practices of companies from different countries required to comply with IASs. Their examination confirms the enforcement is likely to a lesser extent and to be more difficult with companies audited by a non-Big 5 (now Big 4) firms.

3.6. The participation in the accounting standard setting process

According to Fogarty et al (1994) many professional leaders believe that the accounting standard setting process should be insulated from politics, as such, standard setters may be required to trade off relevance against the need to satisfy several constituencies with conflicting interests. Hassan (2008) investigated the processes of setting accounting standards in a developing country, the case of Egypt. He found that the major changes in the state's political philosophy, the regulators' motivations and the processes of the accountancy profession were as a result of set up of the formulation of Egyptian Accounting Standards (EAS), which is similar to the IASs process.

Durocher et al (2007) point out that participation in accounting standard setting is directly affected by a perception that it is the role of accountants to develop accounting standards or the role of one's association to represent one's interests. In Iran for example, the accounting standard setting is responsible for the Audit

Organisation. This organization recognizes the needs and points of view of users and discussing with them and with business firm's managers to determine the accounting problems or subjects. These problems will study by the relevant department and committees of the Audit Organisation in line with laws and IASs, and then comparing with accounting practices in the country. After that the drafts of developing standards will be prepared based on the results of studies. These drafts put forward for the public to comment and send directly to some professional authorities. The amended draft should be approval by the Audit Organisation and become mandatory.

According to Al-Akra (2009) in Jordan, the accounting standard setting process starts with preparing a standard draft by the Ministry of Industry and Trade (MIT) and Jordan Securities Commission (JSC) meets with government officials and shareholders. The draft should be studied by various consulting firms followed by meetings with the MIT. After the draft approved by the Council of Ministers was put into a legal format that complies with existing laws and regulations. The final proposed law of the draft should be referred to the Parliament for deliberation to approve and then send to the King for endorsement and becomes mandatory.

Hussein and Ketz (1991) suggest that there may be a conflict of interest among groups whenever a proposed standard would have a different impact across these groups. They also argue that many groups directly take part in the selection of accounting standards: users of financial standards (e.g. shareholders, investors, creditors, etc) issued by business firms to evaluate the management of these firms, preparers of the financial statements (i.e. management of business firms), the public accountants who audit firm's financial statements and government agencies.

3.6.1. Users

The study of Rahman *et al* (1994) on the nature of the impact of public choice in accounting standard setting in New Zealand found that interested groups have been provided with only limited scope for participating in the formal process of standard setting. It also indicated that low participation by users may result from a perceived absence of economic consequences for user groups. Similarity, the

study of Tandy and Wilburn (1992) on the participation of interested groups (e.g. academics, banking, government, and public accountants) in the standard setting process including the exposure drafts (ED) issued by FASB found that there was lack of participation in the standard setting process by users and academic groups. They reported that, only 239 of a total of 13,369 comment letters received by FASB in relation to the adoption of its first 100 accounting standards were submitted by report users.

Weetman *et al* (1996) examined the responses on main accounting issues relating to financial review which emerged from the literature are concerned with the lack of lobbying by users. The findings indicate that the reasons for users' low participation levels were a tradition of non-response to exposure drafts, a lack of time and the fact that participation happens through informal meetings with standard setters. Their findings also indicate that the reason for the lack of users' response in written submissions was they thought that their involvement is not expected to be influential in the lobbying process.

Moreover, Durocher *et al* (2007) point out that users' participation in the accounting standard-setting process is driven by their perceptions of its attributes. Larson (2007) studied participation in the due process followed by the IASB's Interpretations and Financial Reporting Committee (IFRIC). He examined the comment letters written to IFRIC in relation to its first 18 Draft Interpretations. He concluded that the level of participation of report users was a low. 34 (5%) of 714 comment letters received were from report users.

3.6.2. Academics

Tandy and Wilburn (1992) investigated the academic community's participation in the Financial Accounting Standards Board (FASB) due process, and found that the academics had a low level of participation. On the other hand, there were few academics who submitted comment letters, with the majority participating only once. Their findings also show that the low level of academics' participation resulted from the following reasons: the lack of understanding or interest in the perceived political nature of the FASB's process and the low expectations of affecting the FASB's decisions, inadequate academic rewards for this activity at their universities, the absence of a relationship between the issues and research or

teaching and the lack of understanding of these issues, the feeling of being unable to contribute, and lack of time or resources. Similar, Mcleay et al (2000) examined the impact of constituent groups (e.g. academics, auditors, and preparers) on the policy decisions of the German legislature over the transformation of the Fourth European Company Law Directive into German Commercial Law. The examination confirms the preparers group had a strong influence on the standard setting decisions of the German legislature, whereas the academic group exerted relatively little influence on the decisions. Nobes and Parker (2008) report that academic accountants have played an important role in accounting standard-setting in the USA. Individual academics are frequently commissioned by the FASB to conduct research on issues under discussion.

3.6.3. Auditors

Daniel and Suranova (2001) found that the Slovak Chamber of Auditors (SKAU) has a role in accounting standard setting. SKAU created special committees that discuss specific legal topics with the Ministry of Finance and then prepare accounting standards in their specific field of interest. The findings of Mashayekhi and Mashayekh (2008) indicate that auditors in Iran are considered as the main participants in accounting standard setting. Accounting standard drafts in Iran should be prepared based on the results of studies of committees of the audit organisation about accounting problems. Van Lent (1997) investigated the lobbying activities of various interest groups on the promulgation of Dutch financial reporting regulations for companies engaging in banking and insurance activities. The findings indicate that lobbying by most report users was not intensive, but authors and preparers of accounts seem to have greater possibilities to participate.

Puro (1984) provides empirical results on auditor participation (lobbying behaviour) when new standards were being considered by the Financial Accounting Standard Board (FASB)'s Exposure Draft. The auditors are expected to lobby for rules which benefit their clients, and benefit the audit firms. On the other hand, audit groups and their clients are more likely to adopt similar lobbying behaviour with respect to proposals designed to standardize accounting rules or standards, because both groups are more likely to face coinciding incentives on this issue. While they may tend to adopt competing behaviour in

relation to new disclosure requirements, because audit firms can expect that new rules will offer new business that will generate additional audit fees. In contrast, in the absence of specific disclosure rules clients can choose how much to disclose and may decide either to minimize or maximize particular disclosures. She also points out that audit firms were more concerned about changes in accounting rules which have an impact on specialties rather than about how those changes affected their clients' reported income.

3.6.4. Company's management

Company lobbying on accounting standards may involve a number of interconnected issues. This lobbying would carry out by whether submitting comment letters or meeting with the standard setter. Georgiou (2004: 219) stresses that:

"Corporate lobbying decisions, therefore, would involve a number of interrelated issues. These include: whether to lobby or not; which method(s) of lobbying to use (e.g. submission of comment letters or meetings with the standard setter); when to lobby (e.g. during the drafting stage of a discussion paper or after its exposure for public comment)".

Ang et al (1999) studied the incentives for Australian public companies to participate in the ED 53 accounting for superannuation. The findings show that companies responding to proposals were mainly concerned with issues relating to benefit superannuation plans, and with the unfavorable effects of the proposals and income volatility. Similarly, Hill et al (2002) showed that US company managers were more likely to influence standard setters. Georgiou (2000) examined the factors which influenced the decision of a sample of UK listed companies not to make a submission in response to the Accounting Standards Board's invitation to comment on its discussion paper proposals on deferred tax. The results indicate that the lack of perceived net benefits were conditioned more by the perception that companies could not have had any effect on the outcome of the accounting standard setting process and reliance on their auditors to adequately represent their position appear to have heavily influenced their decision not to make a submission.

Georgiou (2010) examined the nature of participation of UK investment management firms in the IASB standard setting process. The results indicate that the level of lobbying activity undertaken by investment management firms, relatively to that of other interest groups such as financial statement preparers, is low. Furthermore, the respondents to the questionnaire indicated that the most important reasons for not participating in the process were the cost of lobbying and the belief that other users would represent their interests. Hochberg, et al (2009) investigated the lobbying activity of corporate insiders and investors in the final implemented rules under the Sarbanes-Oxley Act (SOX). They suggested that, the number letters submitted by investor groups substantially lower than the number of letters submitted by preparers.

Kwok and Sharp (2005) investigated the IASC process with focusing on segment reporting and intangible assets projects. They found that preparers were more influential in the development of two IASC standards which are segment reporting and intangible assets than other interest groups (users and regulators). Moreover, they suggested that the reason for non-participation by financial statement users in the process is a perception that the process is controlled by the preparers of financial statements. Nobes and Parker (2008) indicate that the managements (preparers) of large companies have a major influence on the accounting standard-setting in the USA.

3.6.5. Government

Ball et al (2003) investigated incentives versus standards in four East Asian Countries (Hong Kong, Malaysia, Singapore and Thailand). Their findings indicate that the governments in Malaysia and Singapore have taken more interventionist roles in accounting standard setting. In Thailand the Institute of Certified Accountants and Auditors of Thailand (ICAAAT) is responsible for establishing standards, however, the government is directly strongly involved in accounting standard setting through the Ministry of Commerce and the stock market regulator. This involvement provides evidence of a weak accounting profession in Thailand. In this country the final accounting standard draft is required to be approved under the Ministry of Commerce.

Mckinnon and Harrison (1985) addressed the cultural influence on the motivation of the corporations and the government in accounting policy determination in Japan. The findings of their study reveal that cultural determinations bear two major implications for the process of accounting standard setting/policy, which are: the government and companies positioned as conflicting and influential interest groups in accounting standard policy/setting, and presetting the mode of conflict resolution in that process. Kosonboon (2004) found that the Thai government strongly intervened in the process of accounting standards setting through the Ministry of Commerce and the stock market regulator. This involvement provides evidence of a weak accounting profession in Thailand.

3.7. International Accounting Standards Board (IASB)

The IASB was formerly known as the International Accounting Standards Committee (IASC). The IASB was formed and supervised by the IASC Foundation in 2001. It is based in London and replaced the IASC, (IASB, 2008; Aljifri and Khasharmeh, 2006). The IASC was established in 1973 as a private organisation by agreement of accountancy bodies of the following nine countries: Australia, Canada, France, Germany, the UK and Ireland, the US, Japan, Mexico and the Netherlands, (IASB, 2008).

The IASC was a private sector body and it was independent from governments and all other bodies. Its membership has increased over the period from its establishment to 2001 and the members were accountancy bodies from various countries worldwide. It had 16 members from nine countries in 1973. By 1999 they were 143 members from 104 countries, and by 2001, its members were 150 members from 110 countries, (Nobes and Parker, 2002; Chamisa, 2000; Mueller et al, 1987).

The IASC was formed to develop IASs worldwide and promoting the use and application of these standards. According to Nobes and Parker, (2002: 77) the IASC aims:

“To formulate and publish in the public interest accounting standards to be observed in the presentation of financial statements

and to promote their worldwide acceptance and observance”.

IASC had prepared and published IAS, which had become the reference point for the entire world, (Zeghal and Mhedhbi, 2006). It tries to harmonize the world's accounting standards and eliminate the differences in financial reporting practices that cannot be explained by environmental variables, (Mueller et al, 1987). The IASC also aims to improve the quality of financial statements and increase degree of comparability, (Murphy, 1999).

During the period from 1973 to 2000, the IASC issued forty-one IASs to guide accountants, globally on financial statements preparation and presentation, (Aljifri and Khasharmeh, 2006; Mir and Rahaman, 2005). According to Elliott and Elliott (2007: 145) in 2000, the IASC was restructured to provide an improved balance between representation, competence and independence. They say that:

“.....trustees of the IASC represent a range of geographical and professional interests and are responsible for raising the organisations' funds and appointing the members of the Board and the Standing Interpretations Committee (SIC)”.

The IASC was governed by a board consisting of up to seventeen members (from thirteen countries) from both developed and developing countries: nine or ten members from developed countries and three or four from developing countries and the rest of them from the IASC's consultative group which included the World Bank, the International Confederation of Trades Unions and the International Federation of Stock exchanges, (Nobes and Parker, 2002; Mueller et al, 1987).

The IASB is the standard-setting body of the IASC foundation, an independent private sector body and observed by the Trustees of IASC, (IASB, 2008). It was formed as a restructured, accounting standard setter that has achieved much since the IASC formation in 1973, (Steer and Gray, 2002). It was committed

“To developing, in the public interest, a single set of high quality, global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world”, (IASB, 2008: 2).

The Board consists of fourteen members which are appointed by the IASC’s Trustees. These members are drawn from the nine countries (who established the IASC), of whom twelve of them as full-time members and two as part-time members. They shall have professional competence and practice experience, (IASB, 2008).

The IASB is responsible for developing IASs and creating the IFRSs. According to Elliott and Elliott, (2007: 145) *“The IASB adopted and developed all current IASs and began issuing its own standards, International Financial Reporting Standards (IFRS)”*. The purpose of developing the IFRSs is to give users with a common framework from which to evaluate the financial position of corporations, (Murphy 1999).

The IASB produces and develops IFRSs through an international due process that involves accountants, financial analysts and other users of financial statements, the business community, stock exchanges, regulatory and legal authorities, academics and other interested individuals and organisations from around the world. The due process helps to ensure the IFRSs are high quality standards and acceptable to various users, preparers and external auditors. As the IASB (2006) sets up the steps which are involved in the development of each standard:

1. The staff are asked to identify and review all the issues associated with the topic and to consider the application of the Framework to the issues;
2. Study of national accounting requirements and practice and an exchange of views about the issues with national standard-setters;
3. Consulting the SAC about the advisability of adding the topic to the IASB’s agenda;

4. Formation of an advisory group to give advice to the IASB on the project;
5. Publishing for public comment a discussion document;
6. Publishing for public comment an exposure draft approved by at least eight† votes of the IASB, including any dissenting opinions held by IASB members;
7. Publishing within an exposure draft a basis for conclusions;
8. Consideration of all comments received within the comment period on discussion documents and exposure drafts;
9. Consideration of the desirability of holding a public hearing and of the desirability of conducting field tests and, if considered desirable, holding such hearings and conducting such tests;
10. Approval of a standard by at least eight votes of the IASB and inclusion in the published standard of any dissenting opinions; and
11. Publishing within a standard a basis for conclusions, explaining, among other things, the steps in the IASB's due process and how the IASB dealt with public comments on the exposure draft.

According to Elliott and Elliott, (2007: 145) the setting process of a new IFRS is similar to the process of national accounting standards. They summarize the steps of the process as following:

“Once a need for a new (or revised) standard has been identified, a steering committee is set up to identify the relevant issues and draft the standard. Drafts are produced at varying stages and are exposed to public scrutiny. Subsequent drafts take account of comments obtained during the exposure period. The final standard is approved by the Board and effective date agreed.”

In May 2000, the IASB received an endorsement from International Organisation of Securities Commissions (IOSCO), and the European regulation of 2002 requires all listed European Union (EU) companies beginning in 2005 to use IASs and IFRS when preparing their consolidated financial statements (Haverals, 2007; Street and Gray, 2002). With this regulation Member States obtain the option to require or permit the use of IAS and IFRS in the corporate annual

accounts, (Larson and Street, 2004), and the European Commission intends to harmonising corporate taxation within the EU, (Haverals, 2007). Moreover, the IOSCO recommended that its members should allow multi-national issuers to use IAS for cross-border as supplemented (Street, 2002) to address outstanding substantive issues at a national or regional level, (Street and Gray, 2002). In addition, the London Stock Exchange requires foreign listed companies to comply with the IASB standards, (Bhushan and Lessard, 1992). More than 100 countries throughout world now use or in the process of adopting IFRSs, (IASB, 2007; IASB, 2006).

Furthermore, unlike, the common accounting requirements serves, IASs are playing an increasing role in the globalisation of capital market. Recently, it has become increasingly clear that IAS has great potential to provide the basis for comparable national and cross-border financial reporting, (Street, 2002). Jermakowicz and Tomaszewski, (2006: 171) state that:

“The IAS regulation is expected to help eliminate barriers to cross-border trading in securities and, consequently, increase market efficiency and reduce the cost of raising capital for EU companies. Actually, the application of IFRS by listed companies is considered to be a crucial element in establishing a single European Capital Market”.

3.8. Agency theory

Agency theory is directed at agency relationships. A theory concerning the relationship between one or more principals (such as shareholders) and another party as their agent (such as company's managers or directors). In this relationship the principal(s) delegate to the agent(s) to perform work on their behalf in return for some rewards, (Yu, 2006; ICAEW, 2005; Mitnick, 2005; Ogden, 1993; Eisenhardt, 1989). Ogden, (1993) indicates that agency theory simplified complex business relations. Jensen and Meckling (1976: 308) define an agency relationship as:

“A contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their

behalf which involves delegating some decision making authority to the agent".

They also argue that such delegation means the principals need to put trust in their agents to act in the principals' interests.

Some research for example, Eisenhardt, (1989) argue that agency theory deals with two problems resulting from conflicts of interest that emerge in contractual relationships when parties are differently informed or uncertain. The first is the agency problem which arises when the goals of principal and agent are not in conflict and the principal is unable to verify that the agent has behaved appropriately. In this respect, Baiman (1982) indicates that the conflict of interest between agent and principal discussed by the agency model arises from the assumption that both will act out of self-interest. The second is the risk sharing which occurs when the principal and agent have different attitudes towards risk. This means both parties may prefer different actions because of the different risk preferences, (Eisenhardt, 1989). According to Mitnick (2005) the agency relationships can be characterized by the following features:

1. The level of consent between the principal and the agents regarding the agent's acts;
2. The source of requirements of the agent's acts; and
3. The level of discretion holds by the agent.

According to agency theory, company's managers do not bear all the consequences of their decisions because they do not own all the company's shares, (Yu, 2006). ICAEW (2005) argues that as agent and principals are likely to have different interests and motives, agents may have incentives to bias information flows. Principals, in turn, may pay their attention to information asymmetries that are possessed by agents, because practically, principals can not access the information of the day-to-day operations of their business. In this respect, ICAEW (2005: 6) also states that:

"A simple agency model suggests that, as a result of information asymmetries and self-interest, principals lack reasons to trust their agents and will seek to resolve these concerns by putting in place

mechanisms to align the interests of agents with principals and to reduce the scope for information asymmetries and opportunistic behavior".

In order to better align the agents' interests with the principals' interests, agency theorists suggest that it is necessary to establish various types of contractual mechanisms to monitor or motivate the agents and to allow principals to measure and control the agents' behaviour, (Yu, 2006; ICAEW, 2005). Some researchers for example, Mitnick, (2005); Jensen and Meckling (1976) argue that principals can limit divergences from his interests by establishing appropriate incentives for agents and by incurring monitoring costs to guarantee that the agents will not take actions which would harm the principal's interests or to ensure the principal will be compensated if the agents will do take such actions. Another monitoring mechanism is the external auditor in which is considered as agent (Watts and Zimmerman, 1978). This auditor can provides an independent report on the information provided by the agents to the principals, which helps to maintain confidence and trust in the agents, (ICAEW, 2005).

Puro (1984) draws attention to the agency relationship between auditors and their clients and argues that the interests of both can overlap. Auditors also lobby for rules which benefit their clients and, in the process, benefit the audit firms. Under Jensen and Meckling's (1976) suggestion a perfect agency relationship does not allow for the possibility that changes in accounting rules can move audit firms away from their clients as they pursue their own, the results of Puro (1984) indicates that a classic agency problem when an accounting rules promise more business to audit firms. These rules will compensate auditors for losses suffered when their clients' wealth decreases due to the new rules.

According to ICAEW, (2005) the written duties of agents in contracts or embody in statute such as they place under company law is important to principals. From this perspective, regulators act on behalf of principals to ensure that their interests are appropriately regarded. Regulators are also can help to maintain confidence and trust in markets and the actions of agents, and regulatory reporting requirements can compensate for the weak rights of principals. Mitnick

(2005) indicates that regulation is seen as a generic relation observed widely in social behaviour and as particular type of agency relationship. He states that:

"Regulation centers on those relationships in which regulators (principal) interfere in the choices available to regulatees (agent) such that the regulatee is caused to act for some goals held by the regulator", (Mitnick, 2005: 447).

Mitnick (2005) also argues that a regulator seeks to control or influence the agent's actions as external party to the agent's activities set. The regulator is the principal who seeks to create agent in the regulated parties. Furthermore, a regulator itself also formally regulate (agent) of those regulatory parties, i.e. public system such as agency, industry or regulated entities, interest groups, legislature, executive, courts. These public systems can be seen as a complex of influence in which the creation of agency relationship plays a major role. In other words agency relationships exist between the regulatory body as agent and the industry as principal.

3.9. Summary

The review of the relevant literature has clarified and supported the main thrust of this study. It has sought to present an overview of accounting regulation including the adoption of IASs and accounting development including the accounting standards setting. In conclusion this review reveals that diversity exists among different countries in terms of their economic development and political and social environments. It shows also that differences exist among countries in the ways and methods accounting development and practices are implemented.

There is a debate among researchers regarding the adoption of IASs/IFRS by developing countries in general. Some researchers (e.g. Chamisa, 2000; Rahman, 2000; Zeghal and Mhedhbi, 2006; Aljifri and Khasharmeh, 2006) focused on the impact of the adoption of IASs on accounting practices. Others examined the relevance of IASs/IFRS to both developed and developing countries (e.g. Tyrral et al., 2007; Welbenberger et al, 2004; Kosonboon, 2004) and the harmonization of accounting practices (e.g. Rawashdeh, 2003; Rahman et al, 2002; Murplby, 2000).

In addition, many studies have addressed the development of accounting and accounting regulation (e.g. Rahman et al, 2002; Saltor and Nuswander, 1995; Mashayekhi and Mashayekh, 2008; Al-Akra et al, 2009; HassabElnaby et al, 2003; Kayed, 1990; Daniel and Suranova, 2001; Fakhra, 1992; Al-Qahtani, 2005; Day, 2000; Fearnley, 2006) and the accounting standard setting process (e.g. Georgiou, 2010; Hassan, 2008; Durocher et al, 2007; Tandy and Wilburn, 1992; Weetman et al, 1996; Mcleay et al, 2000; Ang et al, 1999; Hill et al, 2002; Georgiou, 2000).

Therefore, a general review of the previous studies reveal that the majority of prior studies have paid more attention to accounting regulation and the accounting standard setting process in developed countries but only paid little attention to developing countries. However, in the case of Libya, there is very little significant research undertaken. It is reform of paramount importance in today's complex world and economic turmoil for Libya to learn and benefit from the accounting regulation development and accounting standard setting as practiced in other modern countries.

This chapter has reviewed the accounting regulation and development, adoption of International Accounting Standards (IASs) and the accounting standard setting process within developed and developing countries. It has also revealed that the research concerning the issue of the corporate accounting regulation and accounting profession development. In addition, it has focused on the factors that may have an impact on the adoption of IASs and the influencing groups on the accounting standard setting process. This chapter also has highlighted a gap in the literature about the accounting regulation in developing countries. Based on the literature review in this chapter and the Libyan background in the previous chapter, the next chapter discusses the methodology of this research.

Chapter Four

Research

Methodology

Chapter Four

Research Methodology

4.1. Introduction

The methodology of this research is shaped by the literature which is related to the topic under consideration. The research focuses on accounting regulations related to the adoption of IASs in Libya.

This chapter discusses the research strategies in order to address the main research objectives. It also emphasizes the researcher's rationality for adopting the research methodology. In addition, it discusses and identifies the methods used for data collection.

Therefore, this chapter is divided into the following sections. Section 4.2 identifies the objectives and questions of the study. Section 4.3 discusses the research philosophy. While the research strategy is dealt with in section 4.4, followed by the research approaches in section 4.5. Section 4.6 presents the population and sample groups. Section 4.7 provides the discussion on the research methods including questionnaire and interview techniques. Finally, the pilot testing is presented in section 4.8.

4.2. Research objectives and questions

Many less developed and developing countries do not have their own accounting standards, and this led to the adoption of IASs, UK or US standards without any modifications. Have (1986) cited in Ashraf and Ghani (2005) believes that the adoption of the IASs without any modifications or without any attention towards the country's environmental needs is fairly common among less developed countries. Choi et al (1999) argue that many countries accept the IASs using them as the basis for national accounting requirements, and stock markets in many countries and regulators accept financial reports of companies that are prepared according to the IASs. Also this adoption is the result of either political or international agreements. For example, Bahrain has adopted IASs in 1994 due to the absence of domestic standards (Ramadhan et al, 2002), while Pakistan has adopted these standards in 1984 as national accounting standards (Ashraf and Ghani, 2005). Both countries adopted IASs without any amendments.

Libya has adopted IASs followings a Banking Law No: 1/2005 and by initiative No: 134/2006. By these legislations all banks and listed companies in Libya are required to prepare their financial reports according to IASs. Therefore the purposes of this study are:

The main aim of this research is to understand the nature and development of corporate accounting regulation in Libya and analyes influential factors on the decision of Libya towards adopting IASs. To achieve this aim, this research has the following objectives:

1. To explore the relevant literature about accounting regulation in order to understand the nature and development of corporate accounting regulation and development in relation to the adoption of IASs and the factors that drive to adopting these standards as well as the accounting standard setting process;
2. To investigate the corporate accounting regulation in Libya and the role of the accounting profession in developing corporate accounting practice.
3. To assess the factors influencing the decision by Libya towards adopting IASs in its accounting regulations;
4. To analyse the views of participant groups (e.g. Company's managers, External Auditors, Academics and Government) involved in accounting standards process setting; and
5. To investigate the differences of the subject groups' perceptions of the role of accounting profession in corporate accounting regulation and the factors may that have an impact on the adoption of IASs in Libya.

To achieve these objectives the study will address the following questions:

1. What accounting sources are Libyan companies using to prepare their financial reports?
2. What are the accounting sources that auditors consider important when they audit company financial reports?

3. To what extent the accounting regulation approaches (self-regulation and legal regulation) are appropriate in developing accounting profession in Libya?
4. To what extent has the Libyan Accountants and Auditors' Association (LAAA) achieved its role in developing the corporate accounting profession, and what the level of professionalism?
5. What are the requirements of entrancing the accounting profession in Libya?
6. What are the factors that may contribute to the development of the corporate accounting profession in Libya?
7. What are the factors that may influence the decision towards Libya adopting IASs as national accounting standards?
8. Do the interest groups (company's managers, external auditors, academics and government) in Libya participate in the accounting standard setting process?
9. Do the perceptions of the role of accounting profession in development of corporate accounting regulation and the factors which have an impact on the adoption of IASs differ between the sampled groups? (Financial managers, statutory auditors, state auditors, and academics)?

4.3. Research philosophy

The research philosophy concerns the progress of scientific practice based on people's views and assumptions regarding the nature of knowledge, (Collis and Hussey, 2003). According to Saunders et al (2007: 102) "*Epistemology concerns what constitutes acceptable knowledge in a field of study*". Knowledge has been defined as

"By definition public, and 'research' requires you to follow rules by which other people can agree/disagree that your beliefs make sense"
(Jankowicz, 2000: 111).

Different schools in the social sciences distinguished between two main views on the nature of knowledge: the positivistic or the deductive approach and

phenomenological or the inductive approach, (Collis and Hussey, 2003). According to the former, it is assumed that:

“When you do research, the best way of arriving at the truth is to use the scientific method, which is otherwise known as the hypothetic-deductive method”, (Jankowicz, 2000: 112).

Jankowicz (2000) suggests that truth can be recognized by seeing that an assertion is consistent with deductions made from the fact or by supported by empirical evidence.

Some researchers (e.g. Saunders et al, 2007; Collis and Hussey, 2003; Cassell and Symon, 1994) point out that the assumptions behind the positivist approach is viewed as objective and external to social constructs which can be revealed through the scientific method where the focus is on measuring relationships among variables systematically and statistically. In this context, Saunders et al, (2007) indicate that the emphasis of the positivist researcher will be on quantifiable observations that lend themselves to statistical analysis. Therefore, this paradigm is described as a quantitative method, (Saunders et al, 2007; Jankowicz, 2000; Collis and Hussey, 2003).

In contrast to deductive, the assumption behind the phenomenological or the inductive approach is socially constructed and subject to alterations depending on time and the environment concerned, (Collis and Hussey, 2003). Saunders et al (2007: 107) believe that *“The phenomenology refers to the way in which we as humans make sense of the world around us”*. Furthermore, the phenomenology needs an individual to engage with phenomena in his/her world and make sense of them directly and immediately, (Crotty, 1998). According to Collis and Hussey (2003) the phenomenological approach considers that social reality is dependent on the researchers' inner mind and feelings. In other words, a researcher will not be independent of what is being researched. The researcher, therefore, will be part of the research. In addition, the phenomenology does not see the world as consisting of an objective reality as the same as positivist. The emphasis will be on the primacy of subjective consciousness, (Remenyi et al, 1998). This paradigm is described as a descriptive and interpretive method. On the other hand, it is described as a qualitative method focusing on the subjective

aspects of human activity by concentrating on the meaning rather than the measurement of social phenomena. Table (4.1) shows the differences between the two methodologies. According to Collis and Hussey (2003) positivism paradigm is quantitative, objectivism, scientific and experimentalist, and phenomenological paradigm is qualitative, subjectivist, humanistic and interpretive.

Table (4.1): Characteristics of the two main paradigms

Source: Hussey and Hussey (1997)

4.4. Research strategy

There is no research strategy (design) which is inherently superior or inferior to any other, (Saunders et al, 2007). Yin (2003: 20) defines a research design as:

"A logical plan for getting from here to there, where here may be defined as the initial set of questions to be answered, and there is some set of conclusions (answers) about these questions".

According to Saunders et al, (2007) the choice of research strategy relies on research questions and objectives, the extent of existing knowledge, the available time, and other available resources. In this respect, Robson (2002: 80) also states that:

"The general principle is that the research strategy or strategies, and the methods or techniques employed, must be appropriate for the questions you want to answer".

There are seven types of research designs or strategies which are: experiment; survey; case study; action (history); grounded theory; analysis of archival

records; and ethnography, (Yin, 2003; and Saunders et al, 2007). Each design can be used for the three research purposes are: exploratory, descriptive, or explanatory, (Yin, 2003). The first one refers to *"to find out what is happening, to seek new insights, to ask questions, and to assess phenomena in a new light"*, (Robson, 2003: 59). The descriptive research is *"to portray an accurate profile of persons, events, or situations"*, (Robson, 2003: 59). In contrast, the explanatory research is *"studying a situation or a problem in order to explain the relationships between variables"*, (Saunders et al. 2007: 134).

As this study is exploratory research which seeks to investigate the corporate accounting regulation development and factors influencing the adoption of IASs in Libya, and the explanatory research which seeks to assess and understand the role of LAAA in development of accounting regulation and profession as well as the participation in EDLASs, following Saunders et al (2007); and Robson (2002) the survey is appropriate for both exploratory and explanatory researchers. Surveys are popular and a common strategy in business and management studies. In addition, Sarantakos (1998: 223) states that:

"Surveys are the most commonly used method of data collection in the social sciences, especially in sociology; so common, that they quite often are often are taken to be the research method of social sciences".

Surveys are often used to measure the frequency of attitudes, beliefs, and behavior of people. This is relevant to most of this study's objectives, which aim to measure the opinions and beliefs of respondents on some points that are explained by the study's objectives and questions (see section 4.2). Furthermore, as the study's questions are in the form of 'What', the use of survey is most appropriate (Yin, 2003).

In general, surveys are popular as they allow gathering a large amount of data from a sizeable population in a highly economical way through interview (oral) and/or questionnaire (written) techniques. The main advantage of using combined methods is commonly named as triangulation, (Robson, 2002). According to Sarantakos, (1998) triangulation allows the researcher to get a variety of information on the same issue, to achieve a higher degree of validity

and reliability, and to overcome the deficiencies of employing a single method. Triangulation uses two or more independent sources of data or data collection methods to support research findings within a study, Saunders et al (2009). Using multiple methods can help a researcher to address different questions but are complementary within his/her study. This is relevant to the four different and complementary questions, which are to gain varied data to be answered, (Robson, 2002). According to Saunders et al (2009) multiple methods are divided into multi-method and mixed methods. Multi-method includes multiple method quantitative studies and multiple method qualitative studies. Both methods use more than one data collection techniques or research strategies. Mixed methods use quantitative and qualitative data collection methods and analysis techniques but do not combine them. Due to the nature of the required data, the research objectives and the research questions, multiple methods are used in this research.

4.5. Research approaches

There are two main types of research approaches used by researchers for determining data. These are qualitative and quantitative approaches (Jankowicz, 2000; Patton, 1990). Qualitative data means all non-numeric data or data that have not been quantified and can support research strategies, while quantitative data means all numerical data or data that could usefully be quantified and can be used in all research strategies, (Saunders et al, 2007). Denzin and Lincoln (2003: 13) state that:

"The word qualitative implies an emphasis on the qualities of entities and on processes and meaning that are not experimentally examined or measured in terms of quantity, amount, intensity, or frequency."

According to Patton (1990) qualitative approach is used to inductively understand human experience in context-specific setting. By contrast the data that results from the quantitative approach is used to test hypothetical-deductive generalizations. Saunders et al (2007: 472) believe that distinctions between qualitative and quantitative research are:

1. Quantitative data is based on meanings derived from number, however, qualitative data is based on meanings expressed through words.

2. Quantitative data collection results in numerical and standardised data, while qualitative data collection results in non-standardised approach requiring classification into categories.
3. Quantitative data analysis is conducted through the use of diagrams and statistics, by contrast qualitative data analysis is conducted through the use of conceptualisation.

Quantitative and qualitative approaches have different strengths and weaknesses, they constitute alternative but not mutually exclusive methods for research. Thus, both approaches are suitable or can be used to collect data in the same study, (Patton, 1990). Patton (1990: 39) states that:

"Rather than believing that one must choose to align with one paradigm or the other, I advocate a paradigm of choices ... the issue then becomes not whether one has uniformly adhered to prescribed canons of either logical-positivism or phenomenology but whether one has made sensible methods decisions given the purpose of the inquiry, the questions being investigated, and the resources available".

Many authors such as (Jankowicz, 2000; Robson, 2002) emphasize that no straight forward decision rule which obliges the researcher to choose one method for one investigation, and another for another investigation. Patton (1990) mentions that employing several research methods or data triangulation including using both quantitative and qualitative approaches, in the same study enhances the accuracy of data of the study and/or strengthens a research design. A Study that uses only one method is more vulnerable to errors linked to that particular method than a study that uses mixed methods in which different types of data provide cross data validity checks. On the other hand, a study can employ more than one data collection method producing quantitative data and qualitative data (Robson, 2002).

Qualitative data can be gained from several sources. According to Patton (1990) data from qualitative methods usually is collected from the following sources: interview; observation; and documents. Data from interviews consists of information about the people's experiences, opinions, feelings, and knowledge.

According to Sarantakos, (1998) the semi-structured interview is commonly used in qualitative research. However, the structured interview is mostly used in quantitative research, (Saunders et al, 2009). The data from observation consists of detailed descriptions of activities, actions, and behavior of people, as well as their interactions and organizational processes that they have seen as observable human experience. The data from documents consists of organizational related records; notes; official publications and reports; personal diaries; and open-ended-written responses to questionnaires (Sarantakos, 1998).

Quantitative research makes use of mathematical and statistical tools, together with a whole arrangement of tables, graphs, statistical tests, while with qualitative research no statistical methods are needed to analysis data. Due to the nature of the required data and the research objectives, qualitative and quantitative approaches are used in this research.

4.6. The Population and sample group

"Sampling is the process of selecting a few (a sample) from a bigger group (the sampling population) to become the basis for estimating or predicting a fact, situation or outcome regarding the bigger group. A sample is a sub-group of the population you are interested in", (Kumar, 1999: 148).

According to Robson (2002: 260) *"A sample is a selection from the population."*

Saunders et al (2000: 150) state that:

"Sampling techniques provide a range of methods that enable you to reduce the amount of data you need to collect by considering only data from a sub-group rather than all possible cases or elements."

As can be seen the population refers to all the cases (Robson, 2002), while a sample refers to a subset of the population, and it consists of some members selected from the population (Sekaran, 2000). It is possible to collect data from an entire population for some research working. However, it should not be assumed that this data provide more useful results than collecting data from a

sample which represents the research population (Saunders et al, 2007). In this context, Bartlett et al, (2001: 43) state that:

“A common goal of survey research is to collect data representative of a population. The researcher uses information gathered from the survey to generalize findings from a drawn sample back to a population, within the limits of random error”.

Therefore, this leads us to explain the reason of using a sample. According to Saunders et al, (2007) a researcher needs to use a sample and it provides accurate data for all research questions when:

- (i) It would be impracticable for the researcher to collect data from the entire population, for instance, a researcher might be able to get permission to gather data from a smaller cases sample;
- (ii) It might be possible for a researcher to be able to collect data from the whole population but the cost of collecting data would prevent it;
- (iii) Time restrictions would prevent the researcher from collecting data from the whole population (e.g. when a researcher has a tight deadline for submission of research). In other words, collecting data from a smaller number of cases possibly will save more time and can spend it for designing and piloting the data collection techniques: and
- (iv) The researcher may need the results quickly.

A sample generally has advantages and disadvantages. The main advantages are that it saves time, and it has low cost and human resources. On the other hand, the disadvantage is that the researcher does not find out the facts about the population's characteristics of interest to the researcher but only estimates or predicts them. Therefore, the possibility of an error in the researcher's estimation exists (Kumar, 1999). In addition, using sampling allows a researcher to use higher quality staff, particularly when he/she uses interviews as well as gaining more detailed information.

It has been argued that there are two types of samples which are commonly used by researchers: random (probability) sampling and non-random (non-probability) sampling. According to the random sampling the probability of the selection of

every case of the population is known, and equal for all cases (Saunders et al 2007; Robson, 2002; Sarantakos, 1998). In this context, Finn et al (2000); Leedy (1993) stress that with this type each element or segment of the population has an equal chance of being selected in the sample. According to Saunders et al (2007) more appropriate with survey and experimental research strategies. Saunders et al (2007: 208) claim that:

“Probability sampling is most commonly associated with survey-based research strategies where you need to make inferences from your sample about a population to answer your research question(s) or to meet your objectives”.

The random sampling is expensive, time consuming, and relatively complicated. However, it offers a high degree of representativeness (it is referred to as representative sampling) (Saunders et al 2007; Robson, 2002; Sarantakos, 1998).

Figure 4.1: The common sampling techniques and types

Source: Saunders, et al., (2007:207).

By contrast, with the non-random sampling the probability of selection of every case of the population is not known, and generally selecting the sample is left up to the researcher (Saunders et al, 2007; Sarantakos, 1998; Robson, 2002). This type is most commonly used with a case study strategy (Sarantakos, 1998).

Alternatively, this technique is preferred to use when the sampling cases of population are difficult to specify (Saunders et al, 2007). Figure 4.1 shows the common types of sampling. Bartlett et al (2001) determined the appropriate sample size in survey research based on three alpha levels and a set error rate (see appendix, E, Table, 3).

As mentioned earlier in chapter two (section, 2.4.3) the banking sector and listed/registered companies in the Libyan Stock Market (LSM) have been required to comply with IASs when preparing their financial reports since 2005. Furthermore, companies that have capital a million Libyan Dinars (LY.D) are required to register in the LSM. Therefore, the criteria were a million LYD or more of all listed/registered and unlisted publicly traded companies and banks capital that operate in the Libyan environment, statutory auditors, state auditors and accounting academics were required to reach a representative sample for this study. Thus the questionnaires were self administered delivered to the following different groups:

The first group was financial managers who work in those listed companies and unlisted public trading companies and banks. These included financial and administrative affairs managers and accounting managers. The main reason for selection of this group is managers were involved in preparing their organisation's financial reports. They deal with complex accounting practices and therefore, they could present their responses on the questions that were about accounting regulations and development as well as the influential factors on the adoption of IASs in Libya.

The second group were state auditors who work in the Libyan Institute of Financial Auditing (LIFA), and are employed by the Libyan government to audit the financial reports of its companies and other companies that where it owns at least 25% the capital.

The third group were statutory auditors, are legally allowed to practise accounting in their firms/offices and to audit the public trading companies and banks. The main reason for selection of the last two groups is they have been auditing some of those companies and banks or providing some consultation on accounting treatments accounts. In addition, they have to perform audit work

under the frame work of newly adopted IASs. Therefore, they could be expected to address questions that related to preparing the corporate financial reports and present their views on the accounting profession development and the influential factors on adoption of IASs in Libya.

The fourth group was accounting academics who work in Libyan universities, because as could be expected all or most of them have carried out some research in accounting and auditing in Libya. In addition, they would have knowledge about accounting in general and the accounting profession in Libya in particular, and may thus be viewed as being able to provide their perspective on accounting development and the influential factors on the adoption of IASs in the country.

Regarding to the sample size, Bartlett et al (2001) determined the appropriate sample size in survey research based on three alpha levels and set error rate (see Appendix, E, Table, 3). In this study the simple random sampling technique (probability sampling) was employed to selecting respondents from all the targeted groups. By using this method, each element in the targeted population had an equal chance of being chosen for the sample. In addition, in this method of sampling, non-replacement sampling is used in order to avoid the possibility of choosing a particular element more than once. Therefore, the selection of one particular element had no effect on the selection of the others. The rationale for using this technique is to minimise bias and to offer the most representative sample (Sekaran, 2003).

Considering the above notes about selecting the right size of the sample to whom the questionnaires would be distributed, and the current study requires significant work experience and a higher qualification in accounting. Therefore, they should be able to provide accurate information on all objectives of the study. The sample size of each targeted group population in the current study was selected as follows;

The companies sample

There is no up to date published list of Libyan companies available in Libya to help the researcher to determine the total population (and sample) of this group. However, the LIFC's companies department showed a list of various enterprises. It was found that this list includes ceased companies. Consequently, the

researcher had to discuss and work with the above department to remove these companies and oil companies (which are regulated by special law), with criteria a million or more of a company's capital was required to reach a representative sample. This produces a total number of 130 public trading companies, which operate in the country.

This study is mainly focused on the Tripoli region² as the capital city of Libya to collect data. The rationale for this, is that most business activities in Libya operate in this region and it was difficult to survey the whole country because of cost constraints. Therefore, the study focused on 82 companies which are located in Tripoli. In addition, 10 state-owned banks which are also located in Tripoli are included, making a total sample of 92 companies and banks. The target group of these companies is financial managers. Therefore, the sample of financial managers should be at least two managers from each company and bank. This produces a total 184 managers as a population of this group. According to Bartlett's et al (2001) formula for determining sample size and the simple random sampling technique process the minimum sample size for this group should be about 130 managers (see appendix one, E, Table, 3).

The statutory auditors sample

Statutory auditors are those who work with accounting firms/offices. There is no up to date list to give the exact number and full details of the members of the LAAA as a whole population. The total registered numbers of the LAAA in 2008 were 2181 (for more details see Appendix one, E, Table 1). This figure included members who are still actually working as external auditors and others who not work as auditors. However, according to the information obtained from the Tripoli Association of Accountants and Auditors, there were approximately 140 professional accountants working as statutory auditors in Tripoli. Therefore, according to Bartlett's et al (2001) formula for determining sample size and the simple random sampling technique process, the sample size for this group should be at least 100 auditors.

² Tripoli region includes Tripoli, Jfara, Zawia and Ghariayn cities.

The state auditors sample

It can be noted that the researcher made several visits to the headquarters of the Libyan Institute of Financial Auditing (LIFA) to obtain the total number of external auditors. 125 auditors were identified as a sample population of this group. This group was working in the headquarters of the LIFA and its four branches which are: Tripoli, Jfara, Zawiah and Ghariayn. According to Bartlett's et al (2001) formula for determining sample size and the simple random sampling technique process about 90 auditors were used as the sample size for this group.

The accounting academics sample

This group includes all accounting academics that are teaching accounting. 115 accounting academics in all four universities which are located in the Tripoli region were as a sample population of this group. These universities are Alfateh University, 7 April University, Gariayn University and the Academy of Graduate Study (AGS) in Tripoli. According to Bartlett's et al (2001) formula for determining sample size and the simple random sampling technique process, the minimum sample size for this group should be about 80 accounting academics for this group.

4.7. Research methods

This section discusses the data collection methods adopted by this study. As mentioned in section (4.5) the study will be using quantitative and qualitative approaches.

Jankowicz, (2000: 209) defines a research method as:

"A systematic and orderly approach taken towards the collection and analysis of data so that information can be obtained from this data".

There are many different methods for collecting data that can be used by researchers. It is suggested that the common methods of data collection are questionnaires, interviews, and observation (Denzin and Lincoln, 2003; Saunders, et al, 2007; Jankowicz, 2000; Kumar, 1999). Kumar, (1999: 105) states that:

"Observation is a purposeful, systematic, and selective way of watching and listening to an interaction or phenomenon as it takes place."

The main advantages of the Observation technique is data can be directly collected without asking people about their views, feelings or attitudes, and can usefully complement information obtained by other techniques, for example, intensive interviewing, documentary study or case study; it provides information when other techniques are not effective and when respondents are unable or unwilling to offer information; it is relatively less complicated and less time is involved in subject selection; and it is inexpensive.

While the disadvantages are: it is difficult with large group studies, it cannot provide information about past, future or unpredictable events, it cannot address opinions or attitudes directly, it is inadequate when studying certain phenomena, it tends to be time consuming; resulting in observer's bias and no control measures regarding bias, attitudes and opinions of the observer, and it can not provide quantitative results (Sarantakos, 1998).

The advantages and disadvantages of both questionnaires and interviews are discussed below in sections (4.7.1 and 4.7.2). In order to achieve the objectives of this study which they mentioned in section (2) and to answer its questions, the mixed methods were used for collecting data. These methods are questionnaire and interview.

4.7.1. Questionnaire survey

"Surveys are particularly useful when you want to contact relatively large numbers of people to obtain data on the same issue or issues, often by posing the same questions to all" (Jankowicz, 2000: 222).

The techniques that are more associated with the survey are questionnaire or structured interview (Jankowicz, 2000). Sekaran (2000: 233) defines questionnaire as *"A pre-formulated written set of questions in which respondents record their answers."* A questionnaire is not appropriate to exploratory or other research that requires large numbers of open-ended questions, (Saunders et al 2007), it works best with standardised questions that the researcher can be confident will be interpreted the same way by all respondents, (Robson, 2002). It

is an efficient data collection technique when the researcher knows exactly what data is required to answer the research question(s) and achieve its objectives, as well as how to measure the research variables (Saunders et al, 2003).

The main advantages of the questionnaire are highlighted through the following: it is inexpensive (in terms of time and effort) compared with other methods, it produces quick results, it can be completed at the respondent's convenience, it offers less opportunity for bias or errors caused by the attendance or attitudes of the interviewer, it promises a wider coverage, since the researcher can approach respondents more easily than other methods, it offers greater assurance of anonymity, it offers objective views on the issue, due to many respondent preferring to write rather than talk about certain issues (Sarantakos, 1998). Ability to use smaller groups of people to make inferences about larger groups that would be prohibitively expensive to study, (Bartlett et al, 2001).

On the other hand, the disadvantages of the questionnaire are: it relies on the honesty and accuracy of the respondents, it does not offer opportunities for clarification of the questionnaire, the researcher is not sure whether the right respondent has answered the questions in the questionnaire, it does not provide an opportunity to collect additional information; with using questionnaire, it is possible respondents provide incomplete responses, because of a lack of supervision (Sarantakos, 1998). The questionnaire can be conducted by self-administration or by interviewer-administration. Figure 4.2 shows the types of questionnaire.

As shown in figure 4.2 each type can be conducted by different ways. Self-administration technique is usually completed by the respondents, and can be administered either by post delivery (questionnaires be sent on email address of respondents) or delivered by hand to each respondent. By contrast, interviewer-administration technique is completed by interviewer, and can be administered whether by telephone or structured interview (Saunders et al, 2007). For this study the questionnaires will be conducted by self-administration. Questionnaires will be delivered by hand. (For more details see section, 4.7.1.4).

Figure 4.2: The types of questionnaire

Sources: Saunders et al (2007: 357)

4.7.1.1. Questionnaire design

This section presents the design of the questionnaire of the study, and its format structure. A questionnaire design refers to the model which provides requirement for how the questions should be prepared in the context of the questionnaire. All models require the questions should be listed in logical order, allowing for transition and flow, and avoiding distortions and problems (Sarantakos, 1998). According to Robson (2003); and Sarantakos (1998) it is important that the survey questions should be designed to help accomplish the purpose of study and to answer its questions, but not to achieve the personal preference of the researcher. A good and adequate design of questionnaire ensures avoiding the frictions in the completion of the questionnaire and encourages cooperation; and allows the respondent to feel a part of the study process.

Furthermore, if the questions are designed according to the logic of respondents then they are adequately linked together; and the respondents feel they do not need a long time and intellectual effort to answer them. The respondents are more likely to complete the questionnaire and return it (Sarantakos, 1998). Jankowicz (2000: 225) emphasized that:

"..... If you are to be successful, then, regardless of the method you will be using, you should think through every question you are planning to ask your respondents."

For the purpose of this study the questionnaire was designed for the selected groups are: financial managers who work with Libyan public trading companies and banks, state auditors who are members of the Libyan Institutes of Financial Auditing (LIFA), statutory auditors who work with accounting offices/firms and academics who teach in accounting. All auditors groups were asked to answer all the questions except statutory auditors who were asked additional questions regarding the means of getting a licence for accounting practice. The financial managers were not required to answer these questions and the questions concerning the importance of accounting sources for auditing company financial reports because they are not related to their work. While the academics group were not required to answer these questions and the question about preparing a company's financial reports because the researcher assumed that not all of them to have experience in accounting practice. Therefore, the researcher designed one questionnaire for each group with some amended words that were more appropriate for each group, (see appendixes, one, B, C and D).

These groups should provide suitable and useful information by asking them about corporate accounting regulations and development in Libya, their views on the factors influencing Libya towards adopting IASs; and the participants in accounting standard/policy process. Due to the topic of this study respondents require a higher level of experience and great knowledge in accounting to answer the research questions are needed. Therefore, the researcher has chosen those groups because they have knowledge and experience in accounting in both areas. In addition, they were used by previous studies (e.g Mir and Rahaman 2005; and Aljifri and Khasharmeh, 2006).

Closed questions were used to design the questionnaire. This type of question gives a number of alternative answers to respondents to make choices among these alternatives, (Saunders et al, 2007; Sekran, 2003; Oppenheim, 1992). Closed questions are also usually quicker and easier to answer as required. In addition, the responses to such questions can be easily compared to what have already been predetermined (Saunders et al, 2007; Oppenheim, 1992). Moreover, they are easy to process and analyze (Sekran, 2003). However, the disadvantages of closed questions were recognized which included loss of spontaneity and expressions and bias in answer categories because of forcing

respondents to choose between provided alternatives and making them focus on those that might not have occurred to them (Oppenheim, 1992). In addition, they can create false opinions, either by providing limited options from which to choose, or by prompting the respondents with acceptable answers (Vaus, 2007).

In contrast, open questions are not followed by any type of choice (Oppenheim, 1992); they are easy to ask; they require participants to give opinions as precisely as possible in their own words replying to the questionnaire (Sekran, 2003; Hussey and Hussey, 1997; Oppenheim, 1992). Furthermore, they can give rich sources of varied data (Ticehurst and Veal, 2000). The disadvantages of open questions can be summarized as: they can be difficult to answer and analyze (Hussey and Hussey, 1997; Oppenheim, 1992). In addition, although, such questions provide respondents with an opportunity to express themselves freely, however, the information may be lost if respondents are not able to express themselves adequately (Kumar, 1999).

The questionnaire also allows the respondents to give any comments that they had on the research subject. Moreover, the questionnaires also included the introductory section about the respondents' background details. According to Oppenheim (1992) the reason to provide personal information questions is to help a researcher to classify respondents' answers and to make statistical analysis.

4.7.1.2. Questionnaire structure

As mentioned in section (4.7.1.1) three questionnaires were developed for the target groups, the first for managers group, the second for external auditors groups (statutory and state auditors) and the third one for academics group. The covering letter was attached to the questionnaires. This letter introduces the respondents to the topic and the main objectives of the study; the importance of participation of respondents in this study; the assurance that anonymity and confidentiality guaranteed using his/her views only for this study (see appendix one, A). Sarantakos (1998: 225) states that:

"Regardless of whether the questionnaire is administered personally or by mail it has to be constructed according to certain standards and

principlesit has to include three main elementsthe covering letter, the instructions, and the main body."

The main purposes of the covering letter are introducing the following points: the topic and objectives of research; the research sponsors; the reason for the importance of completing the questionnaire by the respondent; assurance of anonymity and confidentiality; the maximum time for completion; and issues related to ethics. The aim of instructions is to give details of how to give the respondents' answer. The researcher should allow respondents to stop if a respondent does not like to continue to answer the questions; there is no right or wrong answer; and what to do after completing the questionnaire. Whereas, the main body of a questionnaire consists of the questions which are to be answered by respondents (Sarantakos, 1998). The questionnaire of each group was divided into the following sections:

For external auditors (state auditors and statutory auditors) the questionnaire was divided into four sections:

Section one: information about respondent. This section provides information about the respondent's age, highest qualifications, subject of qualification, work experience, position, and place of study, place of work and the ownership of organisation.

Section two: information about the accounting regulations and development. This section presents questions about the preparation of company's financial reports, and the important accounting sources for auditing these reports as well as the accounting regulations approaches and respondents' awareness about the LASs. In addition, it raises questions about respondents' opinions concerning to what extent the LAAA has achieved its role in developing accounting in Libya, the procedures of getting an accounting practice licence (this question to be answered by statutory auditors only) and factors that may have contributed to the development of accounting in the country.

Section three: information about influences that led to adopting the IASs in Libya. This section asks questions on factors influencing the IASs, which were based on prior literature.

Section four: information about the accounting standard setting process. This section provides questions about the participation of respondents in the preparation of LASs if so, how they have taken part? In addition, the questionnaires include questions about the respondent's comments on the questionnaire and the research subjects.

For financial managers: the questionnaire was divided into four sections. The questions in sections one, three and four are the same as those of auditors groups. The additional question for section three includes the registration of their organizations in the LSM. This group was not asked the questions concerning the important accounting sources of auditing company's financial reports and the means of getting an accounting practice license in section two.

Concerning accounting academics, the questionnaire was divided into four sections. The questions are the same as those for the managers group except that accounting group as were not asked the questions dealing with the preparation of the company's financial reports and the registration of their organisations in the LSM.

The form of questions used in the questionnaires incorporates a Likert scale for responses. This form asked respondents to indicate their opinion by a degree of agreement/disagreement with a series of statements related to the subject of the study. Five-answer response categories were assigned to each statement, and ranged for example, from *strongly agree*, *agree*, *neutral*, *disagree*, and *strongly disagree* (see appendices one, B, C and D). Like all the scales, a Likert scale has many advantages such as: it is very popular among social scientists, being relatively easy to construct and is believed to be more reliable than other scales (Sarantakos, 1998), and is less laborious (Oppenheim, 2003).

4.7.1.3. Questionnaire administration

As mentioned earlier the questionnaires completed by the respondents, can either be administered personally; by post or by internet, or can be completed by the interviewer, or are administered either by telephone or structured interviews (Saunders et al, 2007; Sekaran, 2000). The personal questionnaire means the questionnaire is delivered directly to the respondents and the researcher collects it after being completed by the respondent. The postal questionnaire can be

conducted by the researcher who sends the questionnaire to the respondent and then the respondent completes it and returns it to the researcher. Some researchers argued that the process of these approaches is very similar (Saunders et al 2007).

The internet mediated questionnaires are usually administered in one of two ways: via email or via a website. The mail questionnaire involves mailing the questionnaire to respondents, who complete it and mail it back to the researcher, while via a website the questionnaires can be advertised by email on the internet and respondents invited to access a website to fill in an online questionnaire.

By contrast, the personal interview questionnaire implies a direct face-to-face conversation between the interviewer and the respondent. The interviewer asks the questions and records the respondent's responses. On the other hand, the telephone interview means the conversation between the researcher and the respondent occurs over the phone (Saunders et al, 2007; Jankowicz, 2003).

The main advantages of mail questionnaires are the ability to reach respondents in widely dispersed locations; they are reasonably inexpensive; and easy to administer (Oppenheim, 2003). However, Saunders et al (2007) argue that the emailed questionnaire is appropriate when questionnaires are emailed within organizations providing that all of the sample have access to it and use it. The disadvantages are low response rates and resulting non-response bias (Saunders et al, 2007; Oppenheim, 2003); no opportunity to explain questions and correct misunderstandings or to check out; no control over the respondent who actually answers the questions; and no opportunity to check on incomplete questionnaires (Oppenheim, 2003). Therefore, some researchers (for example Saunders et al, 2007; Vaus, 2001) argue that the low response rates may cause serious problems such as creating unacceptable reduction of sample size which may also cause problems of bias.

For this study the process of administering questionnaires were by personal delivery and collection. Before administering the questionnaires, they were translated by the researcher into Arabic, and after the translation it was tested by other Arabic speakers who have experience in this area, such as PhD students, to ensure the correctness of the translation and all comments were taken into

consideration. In addition, the questionnaire was amended according to the results of the pilot study (see section 4.8).

4.7.1.4. The pilot study

The pilot study was used as an initial step to develop the draft of the questionnaire to the most appropriate for the inquiry. The early draft of the questionnaire after discussing with the supervisors was translated into Arabic. This draft was piloted by some PhD students in LJMU and some PhD students in Liverpool University who speak Arabic and whose subject is accountancy. Some modifications were made based on their feedback. In addition, the questionnaire was pre-tested to check its reliability by using a sample of 52. The researcher firstly contacted respondents who work as heads of department in the sample companies, Faculty of Economics at Al-Fathah University, and LIFC by telephone to explain the purpose and content of the questionnaire and to get permission to hand out the questionnaires to their employees or their colleagues. The researcher then personally delivered the questionnaire to respondents. The completed questionnaires were collected by hand.

Seventy five pilot questionnaires were distributed to selected groups (External auditors, accountants and academics). Table (4.2) shows the number of distributed and returned questionnaires of each group. The questionnaires were hand delivered in May and June 2008. The returned questionnaires were collected by hand at the end of June. The researcher analyzed the responses of participants in this pilot study using the SPSS program. Consequently, the English version of questionnaire was developed to the final version and translated to the Arabic. The Arabic questionnaires then were distributed in the final survey to the target groups and collected during the period from February 2009 to June 2009.

Table (4.2): The number of distributed and returned questionnaires

	Group	Distributed questionnaires	Returned questionnaires	%
1	Accountants	20	16	80
2	State auditors	20	14	70
3	Statutory auditors	15	10	67
4	Academics	20	12	60
	Total	75	52	69

In addition 5 phone semi-structured interviews were conducted to collect data for the pilot study. The semi-structured interviews consisted of the same questions as the questionnaire plus some questions about Law(s) and Regulation(s) or other statute(s) that are required to apply to companies because those questions need answers from persons who are responsible for preparing and auditing the corporate financial statements. Table (4.3) presents a list of interviewees, their general background details and date of interviews. The summary of the research process are shown in Figure 4.3.

Table (4.3): A list of interviewees, background details and date of interviews

N	Interviewees	General background			Date of interviews
		Position	Highest Qualification	Subject	
A	One Accounting Academic	A head of department	Masters	Accountancy	05/2008
B	One External Auditor	A head of Department	Masters	Accountancy	05/2008
C	Three financial Managers	Finacial manager	Undergraduate degree & masters	Accountancy	05/2008 & 06/2008

4.7.1.5. Questionnaire delivery and response

As mentioned earlier in section (4.7.1.3), administering the questionnaire by post and internet media either via email or via website has disadvantages. These included producing low response rates and resulting bias (Saunders et al, 2007; Oppenheim, 2003). It is difficult to send the questionnaires to the target groups by post or internet because both are weak services in Libya. Therefore, the questionnaires were personally distributed to four main categories of respondents: financial managers, statutory auditors, state auditors and accounting academics. The researcher conducted and met with the respondents willing to answer the questionnaire, to explain its main purpose and to clarify any difficulties that they may have had. The meetings were held with participants at their organizations within the period from February 2009 to June 2009. According to Saunders et al (2007: 393) delivery and collection of questionnaires needs to undergo the following stages:

- Ensure that all questionnaires and covering letters are printed and a collection box is ready.
- Contact respondents by internal post or telephone advising them to attend a meeting or one of a series of meetings to be held (preferably) in the organisation's time.
- At the meeting or meetings to hand out the questionnaire with a covering letter to each respondent.
- Introduce the questionnaire and stress its anonymous and confidential nature.
- Ensure that respondents place their completed questionnaires in a collection box before they leave the meeting.

Moreover, to make the respondents feel more confident in answering the questionnaires, the permission letter from the Libyan People's Bureau in London was shown in the meetings with them the data will be used only for educational purpose and for the research.

The distribution and collection process of the questionnaires was conducted with the assistance of the public companies and banks, the Libyan Institute of Financial Auditing (LIFA) and its branches, the accounting and audit offices/firms and the Faculties of Accounting and Economics at Universities³. The distribution and collection process was conducted in Libya over a period of five months from end of February to the end of June 2009. The process of the questionnaires was achieved as follows:

- a) **First visit distributing the questionnaires:** the questionnaires with the attached covering letters were personally delivered directly to the selected subjects from the four targeted groups or to the managers of administrative affairs departments as coordinators to distribute the questionnaire;
- b) **Second visit collecting:** several follow-up visits were made to collect the completed questionnaires from participants or from coordinators and thank them and to remind and to ask the non-respondents to complete the questionnaires as soon as possible. Other visits were also made in order to

³ Alfateh University, 7 April University, Gariayn University and the Academy of Graduate Study (AGS).

collect other completed questionnaires and to ask them to inform non-respondents that few days later would be the final days for collecting the completed questionnaire;

c) **The final visit:** a final visit was made to collect the remaining completed questionnaires.

Based on the above procedures, 235 usable questionnaires out of the 420 personally distributed questionnaires were collected making a response rate of 56%. Table (4.4) shows the number of distributed and returned questionnaires and respondents rates of each the four target groups.

Table (4.4): The distributed and returned questionnaires and response rates

Group	Population	No of distributed questionnaires	No of returned questionnaires	Response rates (%)
Financial managers	184	130	80	62
Statutory auditors	140	100	46	46
State auditors	125	100	58	58
Accounting academics	115	90	51	57
Total		420	235	56

4.7.1.6. Data analysis from the questionnaire

“Data refers to known facts or things used as a basis for inference or reckoning”, (Hussey and Hussey, 1997: 149). Data before have been analyzed, convey very little meaning to most people. To be useful and meaningfully understand these data need to be processed, analyzed and interpreted, (Saunders et al, 2007). They also argued that collected data probably need to be grouped into categories prior to the process of analysis. In this respect, Hussey and Hussey (1997) pointed out that data should be organized into a useful form.

Some researchers (e.g. Pallant, 2007; Hussey and Hussey, 1997) argue that two types of statistical techniques are used to analyse data collection: parametric and non-parametric. They also believed that the former techniques are more powerful. They compare sample statistics with population, but can only be used on data which have a normal distribution, with a large sample sizes greater than 30. Moreover, the dependent variable is measured at the interval or ratio level, which uses a continuous scale and using random samples. While the latter techniques are more general and can be used on data which are not normally distributed.

Data collected from the 235 questionnaires for this study were coded using SPSS program. The five-point scales were used in the majority of the questions in questionnaires. Therefore, to achieve the objectives of this research and answer its questions, four data analysis techniques were adopted by this research to analyze data collected: the descriptive statistics method, mean scores, t-tests and One Way ANOVA (analysis of variance) techniques. Descriptive analysis of the result contacted to obtain the frequency (count and percentages). Sekaran (2003: 206) states that:

“the mean, the range, the standard deviation, and the variance in the data will give the researcher a good idea of how the respondents have reacted to the items in the questionnaire and how good the items and measures are. ... and these will indicate whether the responses range satisfactorily over the scale”.

He also argues that the frequency distributions, means and standard deviations help the researcher to know how the dependent and independent variables under investigation are related to each other. This correlation will indicate how closely related or unrelated these variables are.

For this study the ‘mean’ was used to obtain the respondents’ perceptions with respect to this study’s questions. Data obtained from the questionnaires were also tested for differences in responses based on four groups of respondents. The One-Way ANOVA includes a Post Hoc Test and *t*-tests techniques were also employed to test whether differences between the groups were statistically significant with a level of significance when $P = 0.05$. In this respect, Pallant (2007) and Field (2009) suggested that One-Way ANOVA could be used to analyze conditions in differences between three or more groups with one independent variable rather than *t*-test technique. T-test is used to compare the mean score for two groups. The ANOVA is used to analyze situations in which there are several independent variables. It shows how these variables interact with each other. It was used for example by Aljifri and Khasharmeh (2006); Georgiou (2004).

4.7.1.7. Reliability statistics test

“Reliability refers to the purity and consistency of a measure, to repeatability, to the probability of obtaining the same results again if the measures were to be duplicated”, (Oppenheim, 1992: 144).

According to Sekaran (2003: 207) *“Reliability is established by testing for both consistency and stability”*. He argued that consistency indicates how well the items measuring a concept hang together as a set, and stability indicates the ability of a measure to remain the same over time. The consistency can be tested by Cronbach’s alpha and split-half reliability tests. However, Sekran (2003) also argues that the Cronbach’s alpha is an adequate test of reliability and it should range to over 0.6. In general, reliability less than 0.6 is considered to be poor, 0.7 is acceptable, and over 0.8 is good.

For this study, the Cronbach’s alpha test was employed to measure the reliability coefficient for all variables in scales of the final survey. The result of this test was over 0.704. Thus the reliability of the test used in this study can be considered to be acceptable. Table (4.5) shows the reliability analysis of the questionnaire.

Table (4.5): Reliability analysis

Cronbach's Alpha	Number of Items
0.704	27

4.7.2. The interview

Kumar (1999: 109) defines an interview as *“Any person to person interaction between two or more individuals with a specific purpose in mind.”* According to Saunders et al (2003), an interview means a purposeful discussion between two or more people. The purpose of the interview is providing valid and reliable data which are relevant to the objectives of the research. In this respect Marchall and Rossman (1989: 82) state that:

“An interview is a method of data collection that may be described

as an interaction involving the interviewer and the interviewee, the purpose of which is to obtain valid and reliable information."

The interview is the most widely employed method for data collection in qualitative research (Bryman, 2004). There are three main types of interviews: structured, semi-structured, and unstructured interviews (Bryman, 2004; Sarantakos, 1998). The structured or formal interview is called a standardised interview. It is based on a schedule, and strict adherence to the questions. It is really a questionnaire read by the researcher. This means a set of predetermined questions is asked and the responses of the respondent are recorded on a standardised schedule. Thus each respondent receives exactly the same interview motivation as any other (Bryman, 2004; Sarantakos, 1998). Structured interviews are mostly employed in quantitative research (Sarantakos, 1998).

Unstructured interviews are some times called in-depth interviews. With this type of interview, the interviewer has no predetermined list of questions, but has only a list of themes as an interview guide or aide memoire, additionally, the questions are informal (Bryman, 2004). The structure of this interview is flexible and it also mostly used in qualitative research (Sarantakos, 1998). Unlike the structured interview, the semi-structured interview is a non-standardised interview. The interviewer has a list of questions that are in the interview schedule, but the questions may vary from one interview to another depending on the organisational context and the interview condition. Thus the researcher has the flexibility to omit or add questions to explore the research question(s) and aim(s) (Bryman, 2004). This type of interview may be employed in both qualitative and quantitative researches (Sarantakos, 1998).

Like any research techniques, the interview has many advantages and disadvantages. According to Oppenheim (1992); and Sarantakos (1998), the advantages and disadvantages of interviews can be summarized as follows. The advantages are:

- i. It is associated with a high response rate, compared to the postal questionnaire which has a response rate usually below 40 per cent.
- ii. It gives the researcher a good opportunity to explain the purpose of research more convincingly than a covering letter, and helps the

respondents who have reading difficulties, offering standardised explanations to certain problems, and clarifying misunderstandings.

- iii. It offers an opportunity to control the conditions under which the questions are answered, at the same time does not give an opportunity to respondents to know the next question(s).
- iv. It is possible for that the researcher to be able to identify the respondent with more details which are not available when using the questionnaire.
- v. It is possible all questions will be attempted and more complex questions can be used because the researcher is able to assist in explaining the questions.
- vi. It offers a guarantee that data or information will be collected according to the specific conditions.
- vii. It allows the researcher to clarify complexity, contradictions, and ambiguity which might be encountered by the interviewees.

However, the main disadvantages are:

- i. It is more expensive and time consuming than other methods such as questionnaires, especially if there are a large number of respondents to be interviewed. In addition, it is more inconvenient than questionnaires.
- ii. It offers less anonymity as to the researcher can know more details about the respondents such as their identities, residence, etc.
- iii. It is less effective than the questionnaire, particularly in sensitive issues, because many people prefer not to talk about these issues, but they are prepared to write about them.
- iv. It may be affected by the researcher's mood which itself will influence the interview process and, hence impact on the validity and reliability of the questions. There is the possibility of bias associated with it.

4.7.2.1. Conducting interview

Interviews can be conducted either face-to-face, telephone or computer-assisted. The choice of conduct of interview relies on some factors, for example, structured interviews may be conducted either face-to face or using the

telephone, depending on the level of complexity of the themes involved, the duration of interview, the convenience of both interviewee and interviewer, and the geographical area (Sekaran, 2003).

Face-to-face interviews have many advantages and disadvantages. The main advantages are: the researcher can amend the questions as necessary, clarify doubts, gives an assurance that the responses are understood by repeating questions, and provides nonverbal explanations from the respondent. In addition, the researcher can detect things which could be impossible to detect in a telephone interview such as stress or problems that the respondent experience could be detected from his/her discomfort, nervousness, and other body language. On the other hand, the main disadvantages are: it is expensive (in terms of training cost and conduct) particularly with a large number of respondents in a large area, the respondents feel less anonymity for their responses (Sekaran, 2003).

The advantages of telephone interviews are: it allows the researcher to reach a number of different people in a short period of time, it reduces any discomfort that some respondents may feel in face-to-face interview. The respondent might feel less uncomfortable disclosing personal information over the phone than facing an interview (Sekaran, 2003). It also makes quick results, it is inexpensive, and reduces bias (Sarantakos, 1998).

However, the disadvantages are: the respondent may finish the interview without warning or explanation, by hanging up the telephone. It is impossible for the researcher to understand some points that can be explained by the nonverbal communication. It is associated with a high rejection rate, the researcher can not determine whether the interviewee was part of the sample, and it is limited in covering the target population when some of them may not have a telephone (Sekaran, 2003).

In order to achieve the research objectives, a standard interview guide was developed and used with all interviewees (see Appendix two, A). Semi-structured interviews were used as a second method for collecting data. These interviews were complementary to the statistical analysis of questionnaire responses. They were conducted with key individuals of the selected groups in

order to get further understanding and more insights about the same themes which were covered by the questionnaire survey. It should be noted that four main themes were used in the interview guide, which are the same as those in the questionnaire survey.

In addition, some amendments were provided by the supervisory team and some of the PhD accounting students at LJMU and Liverpool University (Appendix two, A). The researcher first step called or met the interviewee in order to explain the purpose and content of the interview guide and make an appointment with the interviewee willing to participate in this study.

This type of interview was chosen to be adopted because it provides valid and reliable data which are relevant to the objectives of the research (Saunders et al, 2003) and the researcher has the flexibility to omit or add questions to explore the research question(s) and aim(s) (Bryman, 2004).

20 face-to-face semi-structured interviews were conducted (Appendix four, A, Table, 1). 14 interviewees of the FM and SRA groups were randomly selected. By using the simple random technique, each subject being the questionnaire samples of these groups (see section 4.2) had an equal probability of being chosen for the interview samples. The interview sample of the STA group comprised all managers who are in charge of corporate accounting auditing departments of the LIFA which included: a) the headquarters department; b) Tripoli branch department; c) Jfarah branch department and d) Al-Zawia branch department. However, two managers were unwilling to participate.

Considering the accounting academics group, all directors of the four accounting departments of selected universities (see section 4.6) were represented the sample of this group's interviewees. Only one director did not attend although previous arrangements were made confirmed with him. The sample of the RG group comprised the three regulators of the LAAA, the LSM and the banking sector. However, only one regulator was willing to participate.

20 interviews were conducted in the Arabic language, and a separate interview guide was used with each interview group. All of them have been tape recorded and transcribed and notes taken and were organised in such a way that would simplify the analysis process. Each interview took between 40 – 55 minutes and

the interviews were conducted in the period from February 2009 to April 2009. Table (4.6) shows a list of the planned and actual interviews.

Table (4.6), The list of planned and conducted interviews

N	Group	No of Planned interviews	No of conducted interviews
1	Financial Managers	8	8
2	Statutory Auditors	8	6
3	State Auditors	4	2
4	Accounting Academics	4	3
5	Regulators	2	1
	Total	26	20

4.7.2.2. Data analysis from the interviews

Content analysis has been defined as “*Any technique for making inference by systematic and objectivity identifying special characteristics of messages*”, (Berg, 2007: 306). The content analysis technique was used to analyse the interview data. In this context, Jankowicz (2000) points out that data gathered from interviews are well suited to content analysis in which the categories reflect the major perspectives arising in the interviews. Berg (2007: 306) states that:

“In content analysis, researchers examine artifacts of social communication. Typically, these are written documents or transcriptions of recorded verbal communications”.

By using this technique researchers can make detailed and systematic examination and interpretation of a particular body of material in an effort to identify themes, patterns and meanings (Berg, 2007). Patton (2002) points out that interpretation is about making inference, developing insights, refining understandings and drawing conclusions. In these perspectives, photographs, videotape, or any item that can be made into text are amenable to content analysis. Content analysis can be achieved by seven elements in written messages are: words, themes, paragraphs, items, concepts, characters, and semantics (Berg, 2007).

The main advantage of content analysis technique is that it is useful when analyzing data collected by interview, its uses materials are easily and is inexpensively accessible (Berg, 2001), and the main technique associated with semi-structured interviews (Jankowicz, 2000). However, the major weakness of

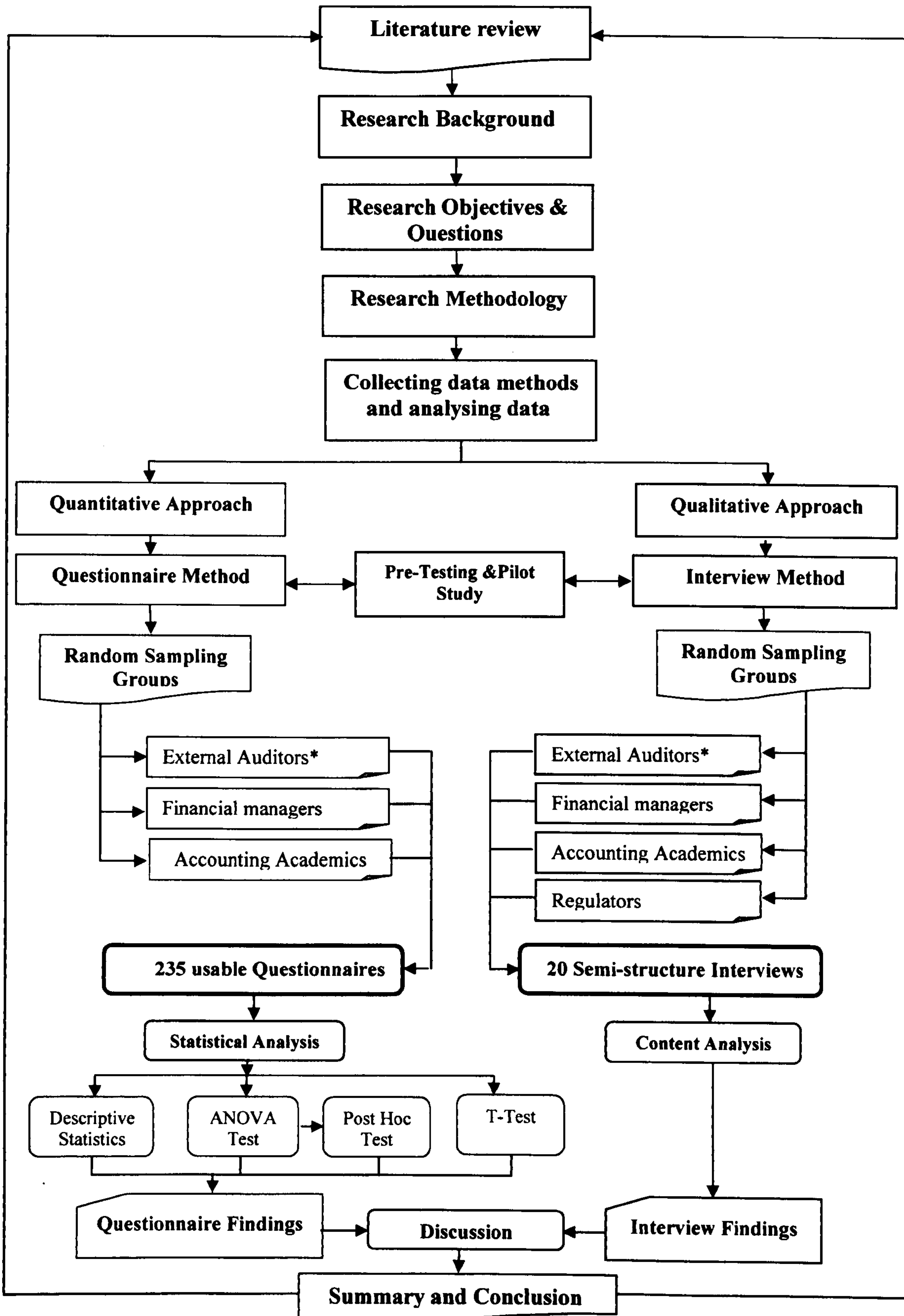
content analysis may be in locating unremarkable messages relevant to the particular research questions (Sekaran and Bougie, 2009), and it is limited to examining already recorded or written messages (Berg, 2007).

Data that is collected by the semi-structured interview for this study were analysed by content analysis technique. Data were recorded and written in texts then translated to English. Data analysed by paragraphs and themes emerged.

4.8. Summary

This chapter has discussed the research methods adopted by this study. It has also covered the quantitative and qualitative approaches to research and a comparison between these two approaches. It also highlighted the research philosophy. Different schools in the social sciences distinguished between two main views on the nature of knowledge: the positivistic or the deductive approach and phenomenological or the inductive approach. The first approach uses quantitative methods that involve gathering and analysis of quantitative data using questionnaires and surveys. The second approach uses qualitative methods that entail interviews that provide rich descriptive data. Since the use of one approach in isolation seems to make this approach vulnerable to weakness, therefore the use of both methods, questionnaire survey and semi-structured interviews, is justified. This study includes the participation of the following different populations; auditors (statutory auditors and state auditors), financial managers and accounting academics. This chapter discussed the advantages and disadvantages of the two methods and the development of a questionnaire survey which is complemented by semi-structured interviews and their administrations. It has also examined the statistical techniques utilised in this study to analyse the data collected by questionnaires surveys and semi-structured interviews. Data gathered from the questionnaire survey is analysed in the next chapter.

Figure 4.3: The research process



*External auditors refer to statutory auditors and state auditors

Chapter Five
Analysis of the
Questionnaire
Results

Chapter Five

Analysis of the Questionnaire Results

5.1. Introduction

This chapter analyses the findings of the questionnaire survey. The questionnaire survey is divided into four sections. Section 5.2 gives the results of the background of respondents. Section 5.3 analyses the collected data about company accounting regulations, and is followed by the results of the development of the accounting profession in Libya in section 5.4. Section 5.5 includes the analysis of collected data about the influential factors on the adoption of IASs in Libya. The results of the enforcement of accounting standards in Libya are presented in section 5.6. Finally, the analysis of the data collected about participation in the Libyan accounting standard setting process is provided in section 5.7.

This chapter also focuses on the perceptions of four groups: (1) financial managers (FM) who work in Libyan publicly traded companies and banks being responsible for preparing their companies/banks financial reports, (2) statutory auditors (SRA) who work in accounting and auditing firms in Libya and (3) state auditors (STA) who work in the Libyan Institute of Financial Auditing (LIFA) who audit those companies' financial reports (4) accounting academics (AC) who work in universities in Libya as information users for academic research.

5.2. Background of respondents

This part of study is concerned with some general information about the participants in this study. A total of 420 questionnaires were distributed to the above groups. 235 returned questionnaires were analysed, providing a response rate of 56 per cent. The questionnaire asked the selected sample groups about their age, education levels, the place of study, the subject area, work experience and the place of work. The following analysis outlines the background information of the participants of this study as follows:

5.2.1. Respondents' ages

The findings in (Table, 5.1) show that about 88 per cent of respondents' ages range between 31 to 50 years. The highest percentages of the STA, SRA and AC

(56.9 per cent, 45.7 per cent and 51 per cent respectively) were aged 31 to 40 years while 40 per cent of the FM was aged 41 to 50 years. In general, it can be seen that the majority (88 per cent) of the participants were aged 31 years and over.

Table (5.1): Age of respondents

Age group	*TS		*FM		*STA		*SRA		*AC	
	No	%	No	%	No	%	No	%	No	%
20 years or less	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
21 - 30 years	27	11.5	10	12.5	8	13.8	6	13.0	3	5.9
31 - 40 years	106	45.1	26	32.5	33	56.9	21	45.7	26	51.0
41 - 50 years	79	33.6	32	40.0	16	27.6	12	26.1	19	37.2
over 50 years	23	9.8	12	15.0	1	1.7	7	15.2	3	5.9
Total	235	100	80	100	58	100	46	100	51	100

*TS = Total sample, *FM = Financial managers, *STA = State auditors, *SRA = Statutory auditors and *AC = Accounting Academics.

5.2.2. Respondents highest qualifications

The results in Table (5.2) indicate that the majority (98 per cent) of respondents hold higher qualifications. About 55 per cent of them hold undergraduate degree only and nearly 43 per cent of them hold postgraduate degrees. The Table also shows that more than three quarters of FM group hold an undergraduate degree (Bachelor 55% and Higher Education Diploma 26%), but only 13% of them hold a Masters Degree. While all of the AC group hold a postgraduate degree (PhD 53% and Masters 47%).

Table (5.2): The highest qualifications of respondents

Education level	TS		FM		STA		SRA		AC	
	No	%	No	%	No	%	No	%	No	%
Higher Diploma	30	12.8	21	26.3	7	12.0	2	4.3	0	0.0
Bachelor	99	42.1	44	55.0	32	55.2	23	50.0	0	0.0
Masters	67	28.5	10	12.5	19	32.8	14	30.5	24	47.1
Ph.D	34	14.5	0	0.0	0	0.0	7	15.2	27	52.9
Intermediate Diploma	5	2.1	5	6.2	0	0.0	0	0.0	0	0.0
Total	235	100	80	100	58	100	46	100	51	100

About two thirds of STA group hold undergraduate degrees and a third of them hold a Masters Degree, whereas the SRA group who hold an undergraduate degree and a postgraduate degree represented 54 per cent and 46 per cent

respectively. From the results, it can be suggested that the participants have high qualifications who can understand and consider the importance of the subject of the study.

5.2.3. Subject area of respondents' qualifications

Table (5.3) shows that more than 88 per cent of the respondents' degrees were gained in an accounting subject, but only 5.1 per cent, 3.9 per cent, 1.3 per cent and 0.9 per cent specialised in administration, financial administration, finance and banking and economics respectively. These results illustrate that the subject of study for the majority of participants was in accounting which suggests that they have the required knowledge about the subject of the study.

Table (5.3): The subject area of respondent's qualification

Subject	TS		FM		STA		SRA		AC	
	No	%	No	%	No	%	No	%	No	%
Accounting	209	88.9	58	72.5	55	94.9	45	97.8	51	100
Administration	12	5.1	10	12.5	2	3.4	0	0.0	0	0.0
Financial administration	9	3.9	6	7.5	0	0.0	0	0.0	0	0.0
Finance and banking	3	1.3	4	5.0	1	1.7	1	2.2	0	0.0
Economics	2	.9	2	2.5	0	0.0	0	0.0	0	0.0
Total	235	100	80	100	58	100	46	100	51	100

5.2.4. Place of study

The results in Table (5.4) show that 54 per cent of respondents obtained their highest degree from Libya and 13.6 per cent from other Arab countries, whereas, about 23 per cent got their highest degree from the UK and other European countries, but only 2.6 per cent, 6 per cent and 1.2 per cent obtained their degree from the USA, Canada and Asian countries respectively. The results demonstrate that nearly half of participants obtained their highest degrees from abroad which, once again, suggest that they have the required knowledge to understand the importance of the subject of the study.

Table (5.4): The place of study of the highest level of respondent's qualification

Education level	TS		FM		STA		SRA		AC	
	No	%	No	%	No	%	No	%	No	%
Libya	127	54.0	57	71.3	36	62.1	22	47.8	12	23.5
Other Arab countries	32	13.6	6	7.5	7	12.1	8	17.4	11	21.6
The UK	47	20.0	12	15.0	13	22.4	9	19.6	13	25.5
The USA	6	2.6	3	3.7	0	0.0	3	6.5	8	15.7
Canada	14	6.0	0	0.0	2	3.4	4	8.7	0.0	7.8
Other European countries	6	2.6	2	2.5	0	0.0	0	0.0	0.0	5.9
Asian countries	3	1.2	0	0.0	0	0.0	0	0.0	0	0.0
Total	235	100	80	100	58	100	46	100	51	100

5.2.5. Length of working experience of respondents

The findings in Table (5.5) demonstrate that nearly a third of the respondents have more than 20 years experience (49 per cent of the FM group having this experience). In addition, more than a third have more than 10 and less than 20 years work experience (a quarter of the FM, nearly two thirds of the STA, over a third of the AC and more than a third of the SRA groups have this level of experience). While over a third of respondents have less than 10 years experience. In general, these results show that most participants have more than 6 years work experience which suggests that they hold a reasonable length of working experience.

Table (5.5): Experience of accounting and finance

Education level	TS		FM		STA		SRA		AC	
	No	%	No	%	No	%	No	%	No	%
Less than a year	2	0.9	1	1.3	0	0.0	0	0.0	1	2.0
1 to 5 years	26	11.1	8	10.0	5	8.6	5	10.9	8	15.6
6 to 10 years	48	20.4	12	15.0	12	20.7	6	13.0	18	35.3
11 to 15 years	56	23.8	12	15.0	25	43.1	11	23.9	8	15.7
16 to 20 years	36	15.3	8	10.0	10	17.3	8	17.4	10	19.6
More than 20 years	67	28.5	39	48.7	6	10.3	16	34.8	6	11.8
Total	235	100	80	100	58	100	46	100	51	100

The results in Table (5.6) indicate that about 78 per cent of the FM group worked in Libyan publicly traded companies and 22 per cent of them work in banks. The whole of SRA group works in accounting and auditing firms in Libya. All of the STA group works in the LIFA and all of the AC group work in Libyan universities.

Table (5.6): Place of respondent's work

Education level	TS		FM		STA		SRA		AC	
	No	%	No	%	No	%	No	%	No	%
Accounting & auditing firms	46	19.6	0	0.0	0	0.0	46	100	0	0.0
LIFA Company	58	24.7	0	0.0	58	100	0	0.0	0	0.0
Bank	62	26.4	62	77.5	0	0.0	0	0.0	0	0.0
University	18	7.6	18	22.5	0	0.0	0	0.0	0	0.0
	51	21.7	0	0.0	0	0.0	0	0.0	51	100
Total	235	100	80	100	58	100	46	100	51	100

The FM group was asked about the registration of their companies on the LSM. Table (5.7) illustrates that 45 per cent of respondents stressed that their companies are registered in the LSM and 55 per cent of them stressed they are not.

Table (5.7): The registration of companies and banks on the LSM

Q	*TS	
	N	%
Yes	36	45.0
No	44	55.0
Total	80	100

*TS 235 -155 (STA, SRA and AC groups) to whom this question is not applicable (NA)

5.3. Corporate accounting regulation

This section of the study aims to investigate the second objective with respect to accounting regulation in Libya. The purpose is to answer the questions number one, two, three and eight of this research. To achieve this objective and answer these questions, the four selected sample groups (FM, STA and SRA) were asked about the preparation of the corporate financial reports and the two sample groups (STA and SRA) were asked about the importance of accounting sources for them when they audit the corporate financial reports and express professional opinions about these corporate financial reports.

5.3.1. The preparation of the corporate financial reports

This section of the research is to achieve the second objective mentioned in the above section and answer the first and the ninth questions of this research. In order to achieve this objective and answer these questions the selected sample

groups (FM, STA and SRA) were provided with a list including some of the possible criteria (see Tables, 5.8, 5.9, 5.10 and 5.11) that are used by preparers of corporations' financial reports and by external auditors of these corporations. They were asked to indicate their assessment of the level of their agreement/disagreement about the preparation of company's financial reports when preparing them utilizing a standard Likert scale [from strongly disagree to strongly agree].

The results in Table (5.8) show that a relatively high concern was paid by respondents as the most (99 per cent) of them agreed that the preparation of company's financial reports (either registered/listed or not registered/unlisted companies) have been influenced by the Libyan laws and regulations, with an average score of 4.40.

Table (5.8): Corporate financial reports are prepared according to Libyan laws and regulations

	*TS		FM		STA		SRA		*FMR		*FMNR	
	No	%	No	%	No	%	No	%	No	%	No	%
Strongly Disagree	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Disagree	1	1.0	0	0.0	1	1.7	0	0.0	0	0.0	0	0.0
Neutral	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Agree	104	56.0	45	56.2	41	70.7	18	39.1	19	52.8	26	59.1
Strongly agree	79	43.0	35	43.8	16	27.6	28	60.9	17	47.2	18	40.9
Total	*184	100	80	100	58	100	46	100	36	100	44	100
Mean		4.40										
ONE-WAY ANOVA		.002										

*FMR = Financial managers who work in registered companies on LSM. This registration means the transition step towards companies listed on the LSM.

*FMNR = Financial managers who work in unregistered companies or unlisted companies.

*TS 235 -51 (Academic group) to whom this question is not applicable (NA).

The findings in Table (5.9) reveal that about three quarters of the respondents disagreed and strongly disagreed that they 'prepare financial reports of companies in accordance with IASs', with an average score of 2.5, whereas a quarter of them agreed and strongly agreed. The results in Table (5.9) also

indicate that about 58 per cent of FM of registered/listed companies and banks (see Table, 5.7) believed that their companies comply with IASs, and only 42 per cent of them disagreed. However, 85 per cent of unregistered companies' financial managers stressed that their companies do not comply with IASs when preparing their financial reports, whereas 15 per cent agreed and strongly agreed.

Table (5.9): Company's financial reports are prepared according to IASs

	TS		FM		STA		SRA		FMR		FMNR	
	No	%	No	%	No	%	No	%	No	%	No	%
Strongly Disagree	20	10.9	11	13.7	6	10.3	3	6.5	3	8.3	8	18.1
Disagree	118	64.1	46	57.5	41	70.7	31	67.4	12	33.4	34	77.3
Neutral	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Agree	33	17.9	14	17.5	8	13.8	11	23.9	13	36.1	1	2.3
Strongly agree	13	7.1	9	11.3	3	5.2	1	2.2	8	22.2	1	2.3
Total	184*	100	80	100	58	100	46	100	36	100	44	100
Mean		2.5										
ONE-WAY ANOVA		0.515										

*FMR = Financial managers who work in registered companies on LSM. This registration means the transition step towards companies listed on the LSM.

*FMNR = Financial managers who work in unregistered companies or unlisted companies.

*TS 235 -51 (Academic group) to whom this question is not applicable (NA).

The Table (5.10) demonstrate that more than 86 per cent of respondents disagreed and strongly disagreed that companies do not follow 'the accounting standards issued by the LAAA when preparing their financial reports', which scored an average of 2.0, whilst about 11 per cent of them agreed and strongly agreed that they follow and more than 2 per cent of them could neither agree nor disagree.

Table (5.10): Company's Financial Reports are prepared according to EDLASs

	TS		FM		STA		SRA		FMR		FMNR	
	No	%	No	%	No	%	No	%	No	%	No	%
Strongly Disagree	49	26.0	26	32.5	7	12.1	15	32.6	10	27.8	16	35.2
Disagree	110	59.8	48	60.0	35	60.3	27	58.7	21	58.3	27	61.1
Neutral	6	3.3	0	0.0	4	6.9	2	4.3	0	0.0	0	0.0
Agree	11	6.0	3	3.8	6	10.3	2	4.3	3	8.3	0	0.0
Strongly agree	9	4.9	3	3.8	6	10.3	0	0.0	2	5.6	1	2.3
Total	184*	100	80	100	58	100	46	100	36	100	44	100
Mean		2.0										
ONE-WAY ANOVA		0.000										

FMR = Financial managers who work in registered companies on LSM. This registration means the transition step towards companies listed on the LSM.

FMNR = Financial managers who work in unregistered companies or unlisted companies.

*TS 235 -51 (Academic group) to whom this question is not applicable (NA).

In addition, as the results in Table (5.11) show that over 95 per cent of respondents gave a high score to 'preparing financial statements of companies in accordance with US GAAP, with an average score of 4.3, but more than 5 per cent of them disagreed.

Table (5.11): Company's financial reports are prepared according to US GAAP

	TS		FM		STA		SRA		FMR		FMNR	
	No	%	No	%	No	%	No	%	No	%	No	%
Strongly Disagree	3	1.6	2	2.5	1	1.7	0	0.0	0	0.0	2	4.5
Disagree	4	2.1	4	5.0	0	0.0	0	0.0	4	11.1	0	0.0
Neutral	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Agree	104	56.5	49	61.3	34	58.6	21	45.7	25	69.5	24	54.6
Strongly agree	73	39.7	25	31.3	23	39.7	25	54.3	7	19.4	18	40.9
Total	184*	100	80	100	58	100	46	100	36	100	44	100
Mean		4.3										
ONE-WAY ANOVA		0.01										

FMR = Financial managers who work in registered companies on LSM. This registration means the transition step towards companies listed on the LSM.

FMNR = Financial managers who work in unregistered companies or unlisted companies.

*TS 235 -51 (Academic group) to whom this question is not applicable (NA).

By using One-Way ANOVA Test which is shown in Tables (5.8; 5.9; 5.10 and 5.11) and summarized in Appendix (A, Tables, 1, 2 and 3). The One-Way ANOVA results indicate that there was a statistically significant difference between the mean of the three groups' assessments (FM; STA and SRA) of the four criteria of the preparation of the corporate financial reports except that their answers about the corporate financial reports are prepared in accordance with IASs as shown in Table (5.9). There is no statistically significant difference between the three groups, which is supported by the One-Way ANOVA test. The results are not significant at the .05 level suggesting that there is no difference between the mean of the three participant groups ($p = 0.515$). From this result, it can be suggested that there was a general agreement amongst the responses of these groups' assessment of this question.

The results of One-Way ANOVA in Table (5.8) reveal that there was a significant difference among the mean of the three groups of respondents in answering the question regarding the "preparation of the company's financial reports in accordance with Libyan laws and regulations" ($P = 0.002$ which is less than .05). In order to obtain more insights into which groups differ from which, a Post Hoc Test using Duncan was used. This result indicates that the answers of all groups were strongly agreed but the STA group (mean = 4.2) were less agreed about the "preparation of the corporate financial reports in accordance with Libyan laws and regulations" than the FM and SRA (means = 4.4 and 4.6 respectively) (Appendix, A, Table, 1). From this result it be suggested that there was a general agreement between the responses of target groups on the above statement.

Regarding the "preparation of the company's financial reports compliance with Accounting Standards issued by the LAAA," the One-Way ANOVA results show that there was statistically a significant difference between the mean of the three groups' assessments of this question ($p = 0.001$ which is less than .05) (see Table, 5.10). In order to obtain more insights into which groups differ from which, a Post Hoc Test using Duncan was performed. The result of this test shows that the answers of all groups were disagreement but the FM and SRA groups (means = 1.9 and 1.8 respectively) disagreed more about the "preparation of the company's financial reports in compliance with Accounting Standards

issued by the LAAA" than the STA group (mean = 2.5) (Appendix, A, Table, 2). From this result, it can be argued that there was a common consensus among the responses of participants from the three groups on the accounting standards issued by the LAAA have no influence on the corporate financial statements.

The One-Way ANOVA results in Table (5.11) reveal that there were statistically significant differences among the mean of the three groups' assessments of the "preparation of the company's financial reports in accordance with the US GAAP" ($p = 0.01$ which is less than $.05$). In order to gain more insights into which groups differ from which, a Post Hoc Test using Duncan was conducted. The result indicates that the groups' answers were either neutral or in strong agreement but STA and SRA groups agreed more strongly about the "preparation of the corporate financial reports according to the US GAAP" (means = 4.3 and 4.5 respectively) than FM group (means = 4.1) (Appendix, A, Table, 3). From these result, it can be said that there was consensus among the responses of the three participant groups on the preparation of corporate accounting reports have influenced by the US GAAP.

Table. 5.12: The Significance Level between Mean preparation of the corporate financial reports when factored by respondents' highest education level, experience year and age (ANOVA Test)						
Statement	Qualification		Experience		Age	
	0.05	P. Value	0.05	P. Value	0.05	P. Value
Corporate financial reports are prepared according to Libyan Laws and Regulations	NS	0.153	NS	0.654	NS	0.509
Company's Financial Reports are prepared according to EDLASs	NS	0.143	NS	0.723	NS	0.606
Company's financial reports are prepared according to US GAAP	NS	0.479	NS	0.358	NS	0.908

S = Significant, NS = Not significant

The results of One-way ANOVA presented in table (5.12) show that statistically there are no significant differences at level 0.05 between the respondents groups (within their education level, experience year and Ages) with three above statements (P values of all statements are more than 0.05).

5.3.2. The importance of accounting sources for auditors

This section also aims to examine the second objective and to answer the second and ninth questions of the research. To achieve this objective (see section, 5.2.2)

and answer these questions, the two sample groups (SRA and STA) were provided with a list of some of the accounting sources (see Tables, 5.13, 5.14, 5.15 and 5.16) which auditors use when they audit corporate financial reports and make their professional opinion about those financial reports. They were asked to indicate their assessment of the level of their agreement/disagreement of the importance of accounting sources for external auditors when they audit company's financial reports utilizing a standard Likert scale ['from not important at all, to very important'].

The findings in Table (5.13) reveal that more than half of the respondents thought that IASs are important and very important (36 per cent and 17 per cent respectively) as accounting sources when auditors audit company's financial reports, with an average score of 3.1, whereas 40 per cent believed that they are not important and only about 7 per cent thought not important at all. The results also indicate that about two thirds of SRA group considered that IASs were important and very important, while more than a half of STA thought they are not important and not important at all.

The *t*-test results show that there was a statistically significant difference between the mean of the two groups' perceptions of the importance of IASs as accounting sources when auditors audit company's financial reports ($p = 0.035$ which is more than .05) (Appendix three, B, Table, 1). Based on this result, it can be seen that there was no consensus among the responses of the two targeted groups on the above statement.

Table (5.13): Importance of IASs for auditors

	TS		STA		SRA	
	No	%	No	%	No	%
Not important at all	7	6.7	5	8.6	2	4.3
Not important	42	40.4	29	50.0	14	30.4
Neutral	0	0.0	0	0.0	0	0.0
Important	37	35.6	15	25.9	21	45.7
Very important	18	17.3	9	15.5	9	19.6
Total	104*	100.0	58	100.0	46	100.0
Mean		3.1				
Sig. (t. tailed)		.035				

*TS 235 -(51+80) [Academic and Financial managers groups] to whom this question is not applicable (NA)

The findings in Table (5.14) reveal that the respondents are highly concerned as more than 95 per cent of respondents believe that US GAAP are important and very important as accounting sources when auditors audit the company's financial reports, with an average score of 4.3. While nearly 5 per cent of them perceived that the US GAAP are not important.

Statistical analysis of t-test also show that there was no significant difference among the mean of the two groups' perceptions of this question ($p = 0.479$ which is larger than .05) (see Table, 5.14).

Table (5.14): Importance of US GAAP for auditors

	TS		STA		SRA	
	No	%	No	%	No	%
Not important at all	0	0.0	0	0.0	0	0.0
Not important	5	4.8	3	5.2	2	4.3
Neutral	0	0.0	0	0.0	0	0.0
Important	63	60.6	32	55.2	31	67.4
Very important	36	34.6	23	39.7	13	28.3
Total	104*	100.0	58	100.0	46	100.0
Mean		4.3				
Sig. (t. tailed)		.479				

*TS 235 -(51+80) [Academic and Financial managers groups] to whom this question is not applicable (NA)

The results in Table (5.15) show that over 59 per cent of respondents believe that the EDLASs are not important for auditing and more than 31 per cent of them thought they are not important at all with an average score (1.8), while nearly 9 per cent considered that they are important.

Table (5.15): Importance of the EDLASs for auditors

	TS		STA		SRA	
	No	%	No	%	No	%
Not important at all	33	31.7	20	34.5	13	28.3
Not important	62	59.6	32	55.2	30	65.2
Neutral	0	0.0	0	0.0	0	0.0
Important	9	8.7	6	10.3	3	6.5
Very important	0	0.0	0	0.0	0	0.0
Total	104*	100.0	58	100.0	46	100.0
Mean		1.8				
Sig. (t. tailed)		.929				

*235 -(51+80) = 131 this question is non applicable from FN (80) and AC (51)

The results in Table (5.15) also indicate that there was no significant difference between the mean of the two groups which is supported by the results of the t-test ($p = 0.929$ which is larger than .05).

Table (5.16) shows that about 61 per cent of respondents thought that Libyan laws and regulations as sources for auditors of companies when they audit these companies' financial reports are very important and over 37 per cent considered that they are important, with an average mean of (4.6).

Table (5.16): Importance of Libyan laws/regulations for auditors

	TS		STA		SRA	
	No	%	NO	%	No	%
Not important at all	0	0.0	0	0.0	0	0.0
Not important	0	0.0	0	0.0	0	0.0
Neutral	2	1.9	1	1.7	1	2.2
Important	39	37.5	20	34.5	19	41.3
Very important	63	60.6	37	63.8	26	56.5
Total	104 *	100.0	58	100.0	46	100.0
Mean		4.6				
Sig. (t. tailed)		.466				

*TS 235 -(51+80) [Academic (51) and financial managers (80) groups to whom this question is not applicable (NA).

The results of the *t*-test in Table (5.16) indicate that there was no statistically significant difference between the mean of the two targeted groups' perceptions of the importance of Libyan laws and regulations when auditors audit corporate financial reports ($p = 0.466$ which is more than .05) (see Table, 5.16). From the results in Tables (5.14, 5.15 and 5.16), it can be suggested that there was a general agreement between the responses of participants from the two groups on the two above statements.

Table. 5.17: The Significance Level between Mean importance of the accounting sources for external auditors when factored by respondents' highest education level, experience year and age (ANOVA Test)

Statement	Qualification		Experience		Age	
	0.05	P. Value	0.05	P. Value	0.05	P. Value
The importance of the IASs	S	0.001	NS	0.380	NS	0.685

The results in Table 5.17 show that there is a statistically significant difference among respondents groups (with their qualification level) about the importance of IASs for external auditors when they audit corporate financial reports ($P=$

0.001 which is less than 0.05). the results of Post Hoc Test using Duncan reveal that the respondents who hold Higher Diploma and bachelor degrees considered IASs as more important for auditing (by means 3.11 and 3.62 respectively) than the respondents who hold PhD and Masters degrees (by means 2.57 and 2.52 respectively) (Appendix three, C, Table, 1. However, the results indicate that, statistically, there are no significant differences between the respondents groups attributing their experience years and ages about the above statement (Ps = 0.380 and 0.685).

To answer the question number three of this research, the four target groups were asked to rank the extent to which they think self regulation and legal regulation approaches are appropriate in developing the accounting profession in Libya utilizing the Likert scale [from not important at all to very important].

The results in Table (5.18) show that 68 per cent of respondents considered that self regulation is an appropriate approach in the development of the accounting profession in Libya, with an average score of 3.5, whereas more than a quarter of them thought that it is inappropriate and only 3 per cent of them could not decide how appropriate self-regulation is in the development of accounting in Libya. In addition, the results indicate that the majority of all groups believed that the self regulation is appropriate in the development accounting profession except more than 43 per cent of the AC group considered it is not.

Table (5.18): The appropriateness of Self regulation in developing accounting profession

	TS		FM		STA		SRA		AC	
	No	%	No	%	No	%	No	%	No	%
Very inappropriate	23	9.9	6	7.5	0	0.0	5	10.9	12	23.5
Inappropriate	45	19.4	16	20.0	12	21.8	7	15.2	10	19.6
Neutral	6	2.6	4	5.0	2	3.6	0	0.0	0	0.0
Appropriate	117	50.4	39	48.8	32	58.2	26	56.5	20	39.2
Very appropriate	41	17.7	15	18.8	9	16.4	8	17.4	9	17.6
Total	232	100	80	100	55	100	46	100	51	100
Mean		3.5								
ONE-WAY ANOVA		.076								

AC = Accounting academics

The results indicate that there was statistically no significant difference between the four participant groups, which is supported by the results of One-Way ANOVA ($p = 0.076$).

The findings in Table (5.19) show that the majority (94 per cent) of respondents believe that the legal regulation is very appropriate in developing the accounting profession, with an average score of 4.5. While only 4 per cent thought it is inappropriate. Regarding the difference between the groups, the One-Way ANOVA results show that there was no significant difference among them, ($p = 0.662$). According to the results above in Tables (5.18 and 5.19), it can be seen that there was a general agreement amongst the four groups' assessments of these statements.

Table (5.19): The appropriateness of Legal regulation in developing the accounting profession

	TS		FM		STA		SRA		AC	
	No	%	No	%	No	%	No	%	No	%
Very Inappropriate	2	.7	1	1.3	0	0.0	0	0.0	0	0.0
Inappropriate	9	3.8	2	2.5	1	1.8	5	10.9	1	2.0
Neutral	5	2.1	2	2.5	1	1.8	1	2.2	1	2.0
Appropriate	79	35.4	30	37.5	22	38.6	11	23.9	16	31.3
Very Appropriate	140	58.0	45	56.2	33	57.8	29	63.0	33	64.7
Total	235	100	80	100	57	100	46	100	51	100
Mean	4.5									
ONE-WAY ANOVA	.662									

5.4. The development of the accounting profession

This section of the study is to investigate the second objective regarding accounting development in Libya. It also aims to answer the questions number four and number eight of the research. To achieve this objective and answer these questions the selected target groups were asked about the role of the LAAA in developing companies accounting practices, the requirements of entering the accounting profession and the factors that have contributed to the development of accounting in Libya.

5.4.1. The role of the LAAA in developing the accounting profession

This purpose of the section is to measure the above objective with respect to the role of the LAAA in developing the accounting profession to overcome the

inconsistency in companies accounting practices in Libya by developing or implementing accounting standards as well as regulating and controlling the accounting profession in the country. It also aims to answer the questions number four and number nine of the research. To achieve this objective and answer these questions the four sample groups (FM, STA, SRA and AC) were provided with a list of some of the LAAA's objectives and other accounting matters as shown in Tables (5.20, 5.21, 5.22, 5.23 and 5.24) and asked to rank the extent to which they think the LAAA succeeded in achieving them utilizing the Likert scale [from extremely limited extent to very substantial].

The results in Table (5.20) show that over half of respondents had the same opinion of the LAAA. It has a substantial role in developing accounting standards, with an average score of 3.1, while nearly 43 per cent viewed its role as limited and only about 5 per cent of them were unaware of the LAAA role. The results in the Table (5.20) also indicate that 52 and 55 per cents of FM and AC groups respectively believed that the LAAA role is substantial but 43 per cent of the STA group considered that it is limited and only 12 per cent of them could not decide. In addition, the results indicate that the highest percentages at 60 per cent and 55 per cent of the SRA and AC groups respectively and 52 per cent of FM group believe that the LAAA has played a role in developing accounting standards, whereas, the highest percentage at 45 per cent of the STA believe that it has not.

Table (5.20): The role of LAAA in Developing Accounting Standards

	TS		FM		STA		SRA		AC	
	NO	%	NO	%	No	%	No	%	No	%
Extremely limited extent	18	7.7	5	6.3	6	10.3	3	6.5	4	7.9
Limited extent	82	34.9	30	37.5	20	34.5	15	32.6	17	33.3
Neutral	12	5.1	3	3.7	7	12.1	0	0.0	2	3.9
Substantial	111	47.2	39	48.7	19	32.8	27	58.7	26	51.0
Very substantial	12	5.1	3	3.8	6	10.3	1	2.2	2	3.9
Total	235	100	80	100	58	100	46	100	51	100
Mean		3.1								
ONE-WAY ANOVA		.866								

In addition, the results reveal that there were no statistically significant differences among the four groups' perceptions of the role of the LAAA in achieving this objective which is supported by the results of One-Way ANOVA ($p = 0.866$ which is more than $.05$). From this result, it can be argued that there was common consensus among the responses of the four targeted groups regarding the above objective.

The findings in Table (5.21) demonstrate that more than three quarters of respondents thought the role of LAAA in drafting laws which were related to the accounting profession is limited, with an average score of 2.2, while only 15 per cent of them thought its role is substantial and about 9 per cent of them were unaware of the LAAA role. Regarding the differences between the four sample groups the results indicate that there were statistically significant differences among these groups' perceptions of the role of LAAA in this objective ($p = 0.001$ which less than $.05$). To achieve a deep understanding about which groups differ from which, a Post Hoc Test using Duncan was conducted. The finding of this test indicates that all groups believed that the LAAA had a limited role of involvement in accounting law drafting. However, the AC, SRA and FM groups believed that the LAAA had a very limited role (means = 1.8, 2.0 and 2.2 respectively) than the STA group (mean = 2.6) (Appendix, A, Table, 4). According to the result above, it can be said that there was consensus among the responses of the four participant groups regarding the above objective.

Table (5.21): The role of LAAA in involvement in accounting Law drafting

	TS		FM		STA		SRA		AC	
	NO	%	NO	%	No	%	No	%	No	%
Extremely limited extent	60	25.5	20	25.0	9	15.5	12	26.1	19	37.3
Limited extent	118	50.3	40	50.0	25	43.1	28	60.9	25	49.0
Neutral	21	8.9	5	6.2	11	19.0	2	4.3	3	5.9
Substantial	28	11.9	13	16.3	7	12.1	4	8.7	4	7.8
Very substantial	8	3.4	2	2.5	6	10.3	0	0.0	0	0.0
Total	235	100	80	100	58	100	46	100	51	100
Mean		2.2								
ONE-WAY ANOVA		.001								

In addition, the findings in Table (5.22) indicate that the majority (92 per cent) of respondents perceived the role of the LAAA in providing recommendations on matters where accounting regulation is lacking has little impact and is limited in scope, with an average score of 1.8. On the other hand, the highest percentage was 7 per cent of the STA groups believed that the LAAA had a role in providing recommendations on accounting law and regulations. The One-Way ANOVA results show that there was a statistically significant difference among the means of the four groups ($p = 0.000$ which is less than .05). In order to obtain more insights into which groups differ from which, a Post Hoc Test using Duncan was performed. The results of this test shows that all groups thought that the LAAA role in this objective was limited but FM, AC and SRA groups believed that it is extremely limited (means = 1.7, 1.7 and 1.8 respectively) than the STA group (mean = 2.2) (Appendix, A, Table, 5).

Table (5.22): The role of the LAAA in providing recommendations on accounting laws/regulations

	TS		FM		STA		SRA		AC	
	NO	%	NO	%	No	%	No	%	No	%
Extremely limited extent	66	28.0	27	34.1	8	13.8	13	28.3	17	33.3
Limited extent	151	64.3	50	63.3	38	65.5	31	67.4	32	62.8
Neutral	11	4.7	1	1.3	8	13.8	0	0.0	2	3.9
Substantial	4	1.7	1	1.3	1	1.7	2	4.3	0	0.0
Very substantial	3	1.3	0	.0	3	5.2	0	0.0	0	0.0
Total	235	100	79	100	58	100	46	100	51	100
Mean	1.8									
ONE-WAY ANOVA	.000									

As the results in Table (5.23) demonstrate over two-thirds (70 per cent) of respondents perceived that the LAAA has a limited role in providing accounting education/training programmes which focus on national environmental needs, with average scores of 2.3. While 22 per cent considered its role is substantial and 8 per cent of them were unaware of the role that LAAA might play. The result also demonstrates that more than three quarters of the FM and SRA groups believed that the LAAA has played no role in providing education or training programmes in accounting, whereas two-thirds or less of the STA and AC groups considered that it has played no role. Statistical analysis also revealed that there

was a significant difference between the mean of four groups' perceptions of this objective ($p = 0.041$ which is less than $.05$). A Post Hoc Test using Duncan shows that the all four groups thought that the LAAA has no role in providing accounting education or training focuses on the environment's needs. However, the SRA and FM groups believed that its role is more limited (mean = 2.1 for each group) than STA and AC groups indicating their means 2.4 and 2.6 respectively (Appendix, A, Table, 6).

Table (5.23): The role of LAAA in providing accounting education/training relating to Libyan environment needs

	TS		FM		STA		SRA		AC	
	NO	%	NO	%	No	%	No	%	No	%
Extremely limited extent	57	24.2	22	27.5	14	24.2	11	23.9	10	19.6
Limited extent	108	46.0	40	50.0	22	37.9	26	56.5	20	39.2
Neutral	19	8.1	4	5.0	10	17.2	2	4.4	3	5.9
Substantial	45	19.1	14	17.5	9	15.5	7	15.2	15	29.4
Very substantial	6	2.7	0	0.0	3	5.2	0	0.0	3	5.9
Total	235	100	80	100	58	100	46	100	51	100
Mean	2.3									
ONE-WAY ANOVA	.041									

Additionally, Table (5.24) indicates that the majority of respondents (94 per cent) believed that the LAAA's role in organizing and monitoring accounting education/training programmes is limited with average scores of 1.7. Only 3 per cent of them thought it has a role and 3 per cent of them were unaware of the LAAA role in this objective. The One-Way ANOVA results indicate that there were statistically significant differences among the mean of the four groups ($p = 0.000$). A Post Hoc Test reveals that the AC, FM and SRA groups thought the role of the LAAA in organizing and monitoring accounting education/training programmes is limited (mean = 1.5, 1.6 and 1.7 respectively) than the STA group (mean = 2.2) (Appendix, A Table, 7). From the results in Tables (5.21, 5.22, 5.23 and 5.24) it can be explained that there were common consensus among the responses of participants from the four groups on the LAAA had a limited role in the three above objectives.

Table (5.24): The role of LAAA in organizing and monitoring accounting education/ training programmes

	TS		FM		STA		SRA		AC	
	NO	%	NO	%	No	%	No	%	No	%
Extremely limited extent	96	40.8	37	46.2	15	25.9	18	39.1	26	51.0
Limited extent	124	52.8	42	52.5	29	50.0	28	60.9	25	49.0
Neutral	8	3.4	1	1.3	7	12.0	0	0.0	0	0.0
Substantial	3	1.3	0	0.0	3	5.2	0	0.0	0	0.0
Very substantial	4	1.7	0	0.0	4	6.9	0	0.0	0	0.0
Total	235	100	80	100	58	100	46	100	51	100
Mean	1.7									
ONE-WAY ANOVA	.000									

Table. 5.25: The Significance Level between Mean the role of the LAAA in developing the accounting profession in Libya when factored by respondents' highest education level, experience year and age (ANOVA Test)

Statement	Qualification		Experience		Age	
	0.05	P. Value	0.05	P. Value	0.05	P. Value
The LAAA involvement in Laws drafting	S	0.003	NS	0.341	NS	0.317
The LAAA Providing recommendations related to accounting laws/regulations	NS	0.484	S	0.028	NS	0.691
The LAAA providing accounting education relating to Libyan environment needs	NS	0.132	NS	0.204	NS	0.488
The LAAA Organizing accounting education monitoring programmes	S	0.026	NS	0.259	NS	0.2

S = Significant, NS = Not significant

The results of ANOVA Test that are shown in Table (5.25) reveal that there are statistically significant differences between respondents groups (with their qualification) with the two above statements which are the LAAA involvement in Law drafting and the LAAA Organizing accounting education monitoring programmes (Ps = 0.003 and 0.026 respectively), whereas there are not with the LAAA providing recommendations related to accounting laws/regulations and the LAAA providing accounting education relating to Libyan environment needs (Ps = 0.484 and 0.132 respectively). The Post Hoc Test's results indicate the respondents who have PhD degree thought the role of the LAAA in involvement in Libyan laws draft is Extremely limited extent (mean = 1.62) (Appendix, three (C), Table, 2) than others who have Higher Diploma and Masters degrees (means = 2.4 for both groups). However, the respondents who have Medium Diploma thought the role of the LAAA in organizing accounting education monitoring programmes is extremely limited (mean = 1.2) than others who have held

Masters and Bachelor degrees (means = 1.87 and 1.75 respectively) (Appendix three, C, Table, 3).

In addition, the results in the Table (5.25) show that there is a statistically significant difference between respondents groups (with their experience years) with the role of the LAAA in providing recommendations related to accounting laws/regulations, which is supported by the ANOVA test ($P = 0.028$ which less than 0.05), whereas there are not with the other statements. The post Hoc test's results indicate the respondents who have Less than a year thought the role of the LAAA is extremely limited (mean = 1.00) than others (Appendix three, D, Table 1).

Furthermore, the results in the Table (5.25) show that statistically there are no significant differences between respondents groups (with their ages) with the role of the LAAA in the four above statements ($P_s = 0.317, 0.691, 0.488$ and 0.200).

5.4.2. Attitude of respondents on the adoption of IAS

The four target groups FM, STA, SRA and AC were asked to rate the extent to which they think Libya should adopt IASs to develop the accounting profession in Libya particularly corporate accounting using the Likert scale [from strongly disagree to strongly agree].

The results in Table (5.26) illustrate that the majority (89 per cent) of respondents agreed and strongly agreed that Libya should adopt IASs in its accounting regulation, with an average score of 4.1.

Table (5.26): Libya should adopt IASs

	TS		FM		STA		SRA		AC	
	No	%	No	%	No	%	No	%	No	%
Strongly disagree	1	0.4	0	0	0	0	0	0	1	2
Disagree	14	6.0	5	6.3	2	3.5	3	6.7	4	7.8
Neutral	10	4.3	2	2.5	6	10.5	1	2.2	1	2
Agree	130	55.8	42	52.5	25	43.9	32	71.1	31	60.8
Strongly agree	78	33.5	31	38.7	24	42.1	9	20	14	27.4
Total	233	100	80	100	57	100	45	100	51	100
Mean		4.1								
ONE-WAY ANOVA		0.304								

Only 7 per cent of them disagreed and 4 per cent of them could not decide whether or not to adopt IASs in Libya. In addition, the result reveals that there was no statistically significant difference among the four groups' perceptions of the adoption of IASs in Libya. From this result, it can be seen that there was consensus among the responses of these groups on this statement.

5.4.3. Entering the accounting profession

This part of the study aims to examine the second objective regarding the role of the LAAA in developing the accounting profession in Libya and aims to answer the questions number five and number nine of this research. To achieve this objective and answer these questions the SRA group was provided with a list of some of the requirements of entering the accounting profession in Libya as shown in Table (5.27) and asked to choose the appropriate answer(s) for which they were required to obtain their licence to practice as professional accountants in the country.

The results in Table (5.27) show that the majority (84 per cent) of respondents have obtained their licence to practice in the accounting profession in Libya if they hold a BA degree with 5 years work experience in accounting and auditing. The results also indicate that about 15 per cent applied using a Master's degree without any experience to get their licence.

Table (5.27): The requirements of entering the accounting profession

Requirement	N* = 46	
	F	%
Taking an examination.	0	0.0
Applying with PhD only	0	0.0
Applying with PhD with 5 Years experience	0	0.0
Applying with Masters degree only	7	15.2
Applying with Masters degree with 5 years experience	0	0.0
Applying with BA degree only	0	0.0
Applying with BA degree with 5 years experience	39	84.8

N* = Total number of statutory auditors group

From these results, it can be seen that entering the accounting profession in Libya requires a first university degree with working experience or a postgraduate degree with no experience. The results reveal that the accounting profession does

not require an examination for obtaining a licence to practice as a professional accountant.

5.4.4. The contribution to the development of accounting profession

This part of the study is to investigate the second objective with respect to the development of the accounting profession in Libya and to answer the questions number six and number nine of the research. To achieve this objective and answer these questions, the four target groups (FM, SRA, STA and AC) were provided with a list of some factors that could contribute to the accounting development in Libya. These factors included the improvement of laws and regulations relating to accounting reforms, improvement of accounting education, the LAAA and foreign corporations. The groups were asked to rate the extent to which they think those listed factors have contributed to the development of the accounting profession in Libya using a standard Likert scale [from extremely limited extent to very substantial].

The results in Table (5.28) show that over 79 per cent of respondents believe that laws and regulations have substantially and very substantially contributed to the development of accounting in Libya, with an average score of 3.9, whereas nearly 15 per cent of them thought that laws and regulations have a limited contribution and only 6 per cent of them could not decide the contributions of laws and regulations in the development of the accounting profession. The results also indicate that the highest percentage at 20 per cent of the FM groups believed laws and regulations have inadequate contribution in improving the accounting profession, followed by 17 per cent of the SEA group.

Table (5.28): The contribution of Laws and regulations to developing accounting in Libya

	TS		FM		STA		SRA		AC	
	NO	%	NO	%	No	%	No	%	No	%
Extremely limited extent	6	2.6	3	3.7	2	3.4	8	17.4	1	2.0
To limited extent	30	12.7	13	16.3	3	5.2	0	0.0	6	11.8
Neutral	14	6.0	4	5.0	5	8.6	4	8.7	1	2.0
Substantial	112	47.6	37	46.3	23	39.7	24	52.2	28	54.9
Very substantial	73	31.1	23	28.7	25	43.1	10	21.7	15	29.4
Total	235	100	80	100	58	100	46	100	51	100
Mean		3.9								
ONE-WAY ANOVA		.215								

The result shows that there was no statistically significant difference among the four groups, which is supported by the results of One-Way ANOVA ($p = 0.215$ which over $.05$). Based on this result, it can be suggested that there was general consensus among responses of the participant groups regarding the role of laws and regulation in developing accounting in Libya.

As can be seen from the Table (5.29) 88 per cent of respondents considered that accounting education in Libya has substantially contributed to accounting development, with an average score of 4.1. While, about 9 per cent of them thought that it has limited impact. Regarding the differences between participant groups, the results of One-Way ANOVA show that there was a significant difference among the mean of the four groups ($p = 0.027$ which is less $.05$).

Table (5.29): The contribution of accounting education to developing accounting in Libya

	TS		FM		STA		SRA		AC	
	NO	%	NO	%	No	%	No	%	No	%
Extremely limited extent	1	.4	0	0.0	0	0.0	0	0.0	1	2.0
To limited extent	20	8.5	8	10.0	3	5.2	2	4.3	7	13.7
Neutral	7	3.0	1	1.3	4	6.9	1	2.2	1	2.0
Substantial	131	55.7	42	52.5	22	37.9	35	76.1	32	62.7
Very substantial	76	32.4	29	36.2	29	50.0	8	17.4	10	19.6
Total	291	100	80	100	58	100	46	100	51	100
Mean	4.1									
ONE-WAY ANOVA	.027									

The result of a post Hoc Test shows that all groups thought the accounting education had contributed to the accounting development but the SRA, FM and STA groups believed that accounting education had more contribution (means = 4.1, 4.2 and 4.3 respectively) than the AC group (mean = 3.8) (Appendix, A, Table, 8).

The findings in Table (5.30) indicate that about three quarters of respondents believe that the LAAA has a limited influence in contributing to the development of accounting in Libya, with an average score 2.2. Whereas 16 per cent of them feel that it has and 8 per cent of them could not decide the contributions of the LAAA in the development of the accounting profession. The One-Way ANOVA results reveal that there was a significant difference between the means of the

four groups ($p = 0.001$ which is less than .05). A Post Hoc Test using Duncan indicates that there is a general consensus among the groups that the LAAA has played no role in the development of the accounting profession in general. This is supported by all respondents as they disagreed.

Table (5.30): The contribution of the LAAA in developing accounting in Libya

	TS		FM		STA		SRA		AC	
	NO	%	NO	%	No	%	No	%	No	%
Extremely limited extent	51	21.7	13	16.3	11	19.0	7	15.2	20	39.2
To limited extent	128	54.5	44	55.0	27	46.6	31	67.4	26	51.0
Neutral	18	7.7	8	10.0	4	6.9	4	8.7	2	3.9
Substantial	33	14.0	12	15.0	14	24.1	4	8.7	3	5.9
Very substantial	5	2.1	3	3.7	2	3.4	0	0.0	0	0.0
Total	235	100	80	100	58	100	46	100	51	100
Mean	2.2									
ONE-WAY ANOVA	.001									

However, the difference is highlighted by the AC group who thought that the LAAA has made less contribution to accounting development (mean = 1.8) than the other participating groups (means from 2.2 to 2.5) (Appendix, A, Table, 9). From this result, it can be assumed that there was a general agreement among the targeted four groups on the LAAA had no contribution to the development of accounting.

Furthermore, the findings in Table (5.31) also show that more than half of respondents believe that foreign companies operating in Libya have substantially contributed to the development of accounting practices, with an average score 3.2. While about 36 per cent of them thought that they have not and 13 per cent of them could not decide the contribution of the foreign companies in the development of the accounting profession. In addition, the results indicate that the highest percentages of the AC and SRA groups (67 per cent and 65 per cent respectively) followed by the STA group (49 per cent agreed that foreign companies have a substantial role in developing the accounting profession. While the highest percentage of the FM group (50 per cent) disagreed.

Table (5.31): The contribution of foreign companies in developing accounting in Libya

	TS		FM		STA		SRA		AC	
	NO	%	NO	%	No	%	No	%	No	%
Extremely limited extent	17	7.3	10	12.7	5	8.8	2	4.3	0	0.0
To limited extent	67	28.7	29	36.7	16	28.1	12	26.1	10	19.6
Neutral	31	13.3	14	17.7	8	14.0	2	4.3	7	13.7
Substantial	99	42.5	23	29.1	26	45.6	22	47.8	28	54.9
Very substantial	19	8.2	3	3.8	2	3.5	8	17.4	6	11.8
Total	233	100	79	100	57	100	46	100	51	100
Mean	3.2									
ONE-WAY ANOVA	.000									

The results of One-Way ANOVA as shown in Table (5.31) indicate that there was a significant difference among the sample groups ($p = 0.000$ which is less than .05). By using a Post Hoc Test illustrates that all groups agreed that foreign companies have made a contribution to the development of accounting except the FM disagreed. However, the SRA and AC groups thought that foreign companies have contributed more to accounting development (means = 3.5 and 3.6 respectively) than the FM and STA groups (means = 2.7 and 3.0 respectively) (appendix, A Table 10). This result suggested that participants from the four target groups achieved a general agreement on this statement.

Table. 5.32: The Significance Level between Mean the contribution in developing accounting in Libya when factored by respondents' highest education level, experience years and age (ANOVA Test)

Statement	Qualification		Experience		Age	
	0.05	P. Value	0.05	P. Value	0.05	P. Value
The contribution of the LAAA	S	0.001	NS	0.287	NS	0.501
The contribution of foreign companies	S	0.005	NS	0.115	S	0.030

S = Significant, NS = Not significant

The results of ANOVA Test that are presented in Table (5.32) reveal that statistically there are significant differences between the respondents groups (with their qualification) with the two above statements ($P_s = 0.001$ and 0.005 respectively which are less than 0.05), whereas there are not significant differences between them (with their experience years) with the two above statements ($P_s = 0.287$ and 0.115 respectively which are more than 0.05). The

results of Post Hoc Test using Duncan indicate that the groups who hold Medium Diploma degree believed the contribution of the LAAA and foreign companies in developing accounting profession were extremely limited extent (mean = 1.4) than others (Appendix three (C), Table, 4). However, the results also show that there is statistically significant difference between respondent groups (with their ages) with the contribution of foreign companies in developing accounting, whereas there is not with the contribution of the LAAA in developing accounting. The results of Post Hoc Test using Duncan show that the groups who over 50 years old thought the contribution of foreign companies is limited (mean = 2.61) than others (Appendix three (E), Table, 1).

5.5. The influential factors on the adoption of IASs in Libya

This section of the study is to examine the third objective with respect to factors which may have an impact on Libya moving towards adopting IASs in its accounting regulations and to answer the questions number seven and number nine of this research. To achieve this objective and answer these questions, the selected sample of FM, STA, SRA and AC groups, were provided with a list of some of the factors that are found to have influence on the adoption of IASs (see Tables, 5.33, 5.34, 5.35, 5.36, 5.37, 5.38 and 5.39) and asked to rate the extent to which they think those factors influenced Libya towards the adoption of IASs utilizing a standard Likert scale [from strongly disagree to strongly agree].

The findings in Table (5.33) show that the highest percentage at 81 per cent of respondents considered that the investment of foreign companies in Libya has influenced and strongly influenced the adoption of IASs, and the rest of them disagreed and neutral (undecided) 10 per cent and 6 per cent respectively, with an average score of 4.0. The One-Way ANOVA results indicate that there was a statistically significant difference between the groups ($p = 0.000$ which is less than .05). A Post Hoc Test using Duncan⁴ shows that the SRA and AC groups believe that the investment of foreign companies in Libya has influenced more the adoption of IASs (means = 4.2 and 4.4 respectively) than the FM and STA groups (means = 3.6 and 3.9 respectively) (Appendix, A, Table, 11). From the findings of this test, it can be concluded that there was a general agreement

⁴ A Post Hoc Test using Duncan is one of the ONE WAY ANOVA statistical techniques using to find the difference between responses of target groups.

among the four targeted groups on the investment of foreign companies in Libya and these had a positive influence on the adopting of IASs.

Table (5.33): The impact of the entrance of foreign corporations on adopting IASs in Libya

	TS		FM		STA		SRA		AC	
	No	%	No	%	No	%	No	%	No	%
Strongly disagree	4	1.7	3	3.8	1	1.7	0	0.0	0	0.0
Disagree	25	10.6	18	22.5	5	8.6	0	0.0	2	3.9
Neutral	15	6.4	2	2.5	7	12.1	5	10.9	1	2.0
Agree	123	52.4	44	55.0	32	55.2	25	54.3	22	43.1
Strongly agree	68	28.9	13	16.2	13	22.4	16	34.8	26	51.0
Total	235	100	80	100	58	100	46	100	51	100
Mean		4.0								
ONE-WAY-ANOVA		.000								

Table (5.34) reveals that nearly three quarters of respondents believe that the entering of the international accounting firms in Libya also has a positive impact on adopting the IASs in Libya, with an average score of 3.8. While about 17 per cent of them disagreed and only 8 per cent of them could not agree nor disagree. Furthermore, the findings illustrate that the majority (over 84 per cent) of the SRA, and AC groups viewed that the entrance of international accounting firms in Libya as having a positive influence on the adoption of IASs but the FM and STA groups had a lower level of agreement (63 per cent and 67 per cent respectively).

Table (5.34): The impact of the entrance of international accounting firms on adopting IASs

	TS		FM		STA		SRA		AC	
	No	%	No	%	No	%	No	%	No	%
Strongly disagree	2	0.9	1	1.3	1	1.7	0	0.0	0	0.0
Disagree	40	17.0	22	27.5	8	13.8	4	8.7	6	11.8
Neutral	20	8.5	7	8.7	10	17.3	3	6.5	0	0.0
Agree	125	53.2	43	53.7	26	44.8	26	56.5	30	58.8
Strongly agree	48	20.4	7	8.8	13	22.4	13	28.3	15	29.4
Total	235	100	80	100	58	100	46	100	51	100
Mean		3.8								
ONE-WAY ANOVA		.000								

The results of One-Way ANOVA in Table (5.34) show that there was statistically a significant difference among the mean of four groups ($p = 0.000$ which is less than .05). The result of a Post Hoc Test using Duncan explains that the difference was between FM and STA groups (mean = 3.4 and 3.7 respectively) and SRA and AC groups (means = 4.0 and 4.1 respectively). The result shows that the four groups believed this factor has a great impact on the adoption of IASs. However, the first two groups thought that the presence of the international accounting firms in Libya has less influence on the adoption of IASs than the last groups (Appendix, A, Table, 12). From this result, it can be seen that there was a common consensus among the responses of the participant groups regarding the entering of the Big 4 firms is influential factor on adopting IASs in Libya.

In addition, the findings in Table (5.35) indicate that 82 per cent of respondents agreed that the international financial institutions regulations is a major factor that led to the decision to adopt IASs in Libya, with an average score of 3.9, whereas only 5 per cent disagreed and 13 per cent of them could not agree nor disagree.

Table (5.35): The impact of international financial institutions regulations on IASs adoption in Libya

	TS		FM		STA		SRA		AC	
	No	%	No	%	No	%	No	%	No	%
Strongly disagree	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Disagree	13	5.6	5	6.3	3	5.3	1	2.2	4	7.8
Neutral	30	12.8	10	12.5	12	21.1	5	10.9	3	5.9
Agree	160	68.4	54	67.5	33	57.9	34	73.9	39	76.5
Strongly agree	31	13.2	11	13.8	9	15.8	6	13.0	5	9.8
Total	234	100	80	100	57	100	46	100	51	100
Mean		3.9								
ONE-WAY ANOVA		.574								

Regarding the differences between the sample groups, the results of One-Way ANOVA show that there was no statistically significant difference among the four groups' perceptions of the impact of this factor on the adoption of IASs ($p = 0.574$ which is over .05). From this result, it can be said that there is a common

consensus among the responses of the participant groups regarding to the above statement.

From the Table (5.36) it can be said that the highest percentage at 75 per cent of respondents viewed that the role of IASs in the improvement of the quality of financial reporting of companies in Libya was a good reason for encouraging Libya to adopt IAS, with an average ranked score of 3.8. While about 10 per cent of them disagreed and 15 per cent of them could neither agree nor disagree. In addition, the results indicate that there is general agreement amongst groups of participants (FM, STA, SRA and AC) which is supported by the results of One-Way ANOVA test ($p = 0.145$ which over $.05$). This result suggests that participants from the four targeted groups achieved a general agreement on this statement.

Table (5.36): The impact of the role of IASs in the improvement of the quality of financial reporting to adopt IASs

	TS		FM		STA		SRA		AC	
	No	%	No	%	No	%	No	%	No	%
Strongly disagree	2	0.9	1	1.2	0	0.0	0	0.0	1	2.0
Disagree	22	9.3	7	8.8	4	6.9	9	19.6	2	3.9
Neutral	34	14.5	13	16.2	11	19.0	7	15.2	3	5.9
Agree	137	58.3	47	58.8	32	55.1	23	50.0	35	68.6
Strongly agree	40	17.0	12	15.0	11	19.0	7	15.2	10	19.6
Total	235	100	80	100	58	100	46	100	51	100
Mean	3.8									
ONE-WAY ANOVA	.145									

However, the results in Table (5.37) demonstrate that over 70 per cent of respondents believe the growth of the Libyan economy is an influential factor on the adoption of IASs, with an average score of 3.6, while 22 per cent of them agreed it is not an influential factor and only 7 per cent of them could neither agree nor disagree. In other words, the results show that a quarter or less of each group thought that economic growth in Libya has not influenced the adoption of IASs. The One-Way ANOVA test in Table (5.37) shows that there was no significant difference between the means of the four groups ($p = 0.344$ which over than $.05$). Therefore, there was a general agreement between the sample groups on the economic growth in Libya has a great impact on the adoption of IASs.

Table (5.37): The impact of economic growth in Libya on adoption of IASs

	TS		FM		STA		SRA		AC	
	No	%	No	%	No	%	No	%	No	%
Strongly disagree	17	7.2	10	12.5	2	3.4	4	8.7	1	2.0
Disagree	35	14.9	10	12.5	7	12.1	7	15.3	11	21.5
Neutral	18	7.7	6	7.5	5	8.6	3	6.5	4	7.8
Agree	114	48.5	40	50.0	28	48.3	22	47.8	24	47.1
Strongly agree	51	21.7	14	17.5	16	27.6	10	21.7	11	21.6
Total	235	100	80	100	58	100	46	100	51	100
Mean	3.6									
ONE-WAY ANOVA	0.344									

The results in Table (5.38) show that 78 per cent of respondents agreed and strongly agreed that the increasing level of accounting education in Libya led to the adoption of IASs, while only 9 per cent of them could neither agree nor disagree, with an average score of 3.9, but 11 per cent of them believed it is not. On the other hand, less than quarter of the FM, STA and AC groups and a third of SRA disagreed or could neither agree nor disagree about whether the increasing level of accounting regulation has a greater impact on the adoption of IASs in Libya. The One-Way ANOVA result shows that there was statistically a significant difference among the mean of the four groups ($p = 0.020$ which is less than .05). A Post Hoc Test using Duncan illustrates that all sampled groups agreed that the increasing accounting education level in Libya had a great impact on the adoption of IASs. However, the AC group thought that this factor is more influential (mean = 4.1) than the SRA, FM and STA groups (means = 3.6, 3.9 and 3.9 respectively) (appendix, A, Table, 13).

Table (5.38): The impact of increasing accounting education on adoption of IASs

	TS		FM		STA		SRA		AC	
	No	%	No	%	No	%	No	%	No	%
Strongly disagree	2	0.9	1	1.3	0	0.0	0	0.0	1	2.0
Disagree	27	11.5	9	11.3	5	8.6	11	23.9	2	3.9
Neutral	22	9.4	6	7.5	8	13.8	5	10.9	3	5.9
Agree	130	55.2	49	61.2	30	51.7	23	50.0	28	54.9
Strongly agree	54	23.0	15	18.7	15	25.9	7	15.2	17	33.3
Total	235	100	80	100	58	100	46	100	51	100
Mean	3.9									
ONE-WAY ANOVA	.020									

From this result, it can be suggested that there was a general consensus among the responses of the four participant groups regarding the increase in the accounting education levels in Libya as an influential factor in the adoption of IASs.

However, Table (5.39) demonstrate that 49 per cent of respondents consider that local external auditors have no positive influence on adopting IASs, with an average score of 2.9, but 44 per cent were considered they have and about 7 per cent of them could neither agree nor disagree. The findings also reveal that 62 per cent of STA group and 76 per cent of SRA agreed and strongly agreed that the external auditors have a positive influence and all other groups disagreed and strongly disagreed.

Table (5.39): The impact of local external auditors on adopting IASs

	TS		FM		STA		SRA		AC	
	No	%	No	%	No	%	No	%	No	%
Strongly disagree	26	11.2	10	12.5	3	5.2	5	10.9	8	15.7
Disagree	88	37.4	43	53.7	14	24.1	6	13.0	25	49.0
Neutral	16	6.8	4	5.0	5	8.6	0	0.0	7	13.7
Agree	80	34.0	21	26.3	25	43.1	24	52.2	10	19.6
Strongly agree	25	10.6	2	2.5	11	19.0	11	23.9	1	2.0
Total	235	100	80	100	58	100	46	100	51	100
Mean		2.9								
ONE-WAY ANOVA		.000								

The One-Way ANOVA results show that there was a significant difference among the target groups ($p = 0.000$). A Post Hoc Test indicates that STA and SRA auditors groups (mean = 3.5 and 3.7 respectively) believed that external auditors have an impact on the adoption of IASs in Libya, while the other two groups believed they have not (means around 2.3 to 2.5) (Appendix, A, Table, 14). According to the result, it can be assumed that there was no consensus among the responses from the four participant groups regarding Libyan external auditors having an impact on the adoption of IASs in Libya.

Table. 5.40: The Significance Level between Mean the influential factors on adopting IASs in Libya when factored by respondents' highest education level, experience year and age (ANOVA Test)

Statement	Qualification		Experience		Age	
	0.05	P. Value	0.05	P. Value	0.05	P. Value
The entrance of foreign corporations	S	0.000	NS	0.354	NS	0.975
International financial institutions regulations	NS	0.377	NS	0.363	NS	0.731
Increasing accounting education	NS	0.639	S	0.024	S	0.010
National external auditors	NS	0.587	NS	0.507	S	0.003

S = Significant, NS = Not significant

The results in Table (5.40) reveal that there is significant difference between the respondents groups attributed to their qualification level dealing with the entrance of foreign companies is a great factors influenced on the adopting IASs in Libya (P = 0.000 which less than 0.05), while there are no statistically significant differences between them attributed to their qualification level about the others above statements (Ps. 0.377, 0.639 and 0.587 which are more than 0.05). The results of Post Hoc Test using Duncan as shown in Appendix three (C), Table (5) indicated that the respondents who hold PhD and Masters degrees (means = 4.28 and 4.29 respectively) considered the entrance of foreign corporations has strongly influence on the adopting IASs than the respondents who hold Medium Diploma degree (mean = 3.2).

In addition, the results indicate that there is significant difference between the respondents groups (with their experience years) with respect to increasing accounting education level is the most influential factors on the adopting IASs in Libya (p = 0.024), whereas there are no significant differences between them attributed to their experience years about the three others statements. The results of Post Hoc Test reveal that the respondents who have more than 5 years of experience more believed the increasing accounting education level has great influence on the adopting IASs (means from 3.76 tom 4.10) than respondents who has less than 5 years of experience (mean = 3.38) (Appendix three (D), Table, 2).

The results of ANOVA Test in Table (5.40) also show that statistically there are significant differences among sample groups with their ages regarding increasing accounting education level and national external auditors are great factors that influenced the adopting of IASs in Libya (Ps = 0.010 and 0.003 respectively which less than 0.05), while there are not about other two statements (Ps = 0.975 and 0.731 which

more than 0.05). The results of Post Hoc Test indicated that the respondents who are more than 31 years old thought the increasing accounting education level has great influence on the adopting of IASs (means from 3.87 to 3.97) than the respondents who 21 to 30 years old (mean = 3.30) (Appendix three E, Table, 2). In addition, the results of Post Hoc Test showed that the respondents who are 21 to 40 years and over 50 years old more believed the national external auditors is an influential factor on the adopting of IASs (means from 3.08 to 3.40) than respondents who are 41 - 50 years old (mean = 2.57) (Appendix three E, Table, 3).

5.6. The participants in the process of the LAS setting process

The purpose of this section is to assess the fourth objective of the research regarding the participants in the accounting standard setting process in Libya. It was also to answer questions number eight and number nine of this research. To meet this purpose and to answer these questions, the selected sample of groups (FM, STA, SRA and AC) were asked about their participation in the accounting standard setting process in Libya. In addition, the participants in the process of the EDLASs were asked if they participated and were provided with some means of participation.

The findings of Table (5.41) reveal that the majority (94 per cent) of respondents did not participate in the setting process of the EDLASs and only 6 per cent participated. In addition, the results show that the majority (over 90 per cent) of all groups did not participate, but the highest percentage of the participation in the EDLAS setting process was at 9 per cent of each STA and SRA groups.

Table (5.41): Involvement in the EDLASs setting process

Q	TS		FM		STA		SRA		AC	
	No	%	No	%	No	%	No	%	No	%
Yes	14	5.9	2	2.5	5	8.6	4	8.7	2	3.9
No	221	94.1	78	97.5	53	91.4	42	91.3	49	96.1
Total	235	100	80	100	58	100	46	100	51	100

The participation of the other groups in the EDLASs process were only 4 per cent of AC and over 2 per cent of FM groups. This suggests that the

participation and lobbying in the accounting standard-setting process in Libya is inadequate.

Furthermore, the results in Table (5.42) reveal that the highest percentage at 71 per cent of TP participated in the setting process of the EDLASs by attending public meeting. The second highest percentage at 43 per cent of TP participated as they are members of the LAAA. In addition, the findings show that only 14 per cent of TS participated as members of the working group on the EDLASs. Furthermore, the results indicate that there is neither any participation in the process of the EDLASs nor by providing a comment letter.

Table (5.42): The means used in participation in LAS setting process

Mean	*TP = 14				
	Yes	%	No	%	%
A member of the working group on the ED of the LASs has taken part in the Libyan accounting standard setting process	2	14.3	12	85.7	100
A member of the LAAA has taken part in the Libyan accounting standard setting process	6	42.9	8	57.1	100
Attending public meetings taken as part in the Libyan accounting standard setting process	10	71.4	4	28.6	100
Providing a comment letter taken as part in the Libyan accounting standard setting process	0	.0	14	100	100

TP refers to the total of participants in the EDLASs

5.7. Summary

This chapter has provided a descriptive analysis of the data gathered by the questionnaire survey. Data was about the corporate accounting regulation, the role of the Libya Accountants and Auditors Association (LAAA) in development of the accounting profession, assessing the factors that influenced Libya to adopt IASs in its regulation and the participation of interesting groups in accounting standard setting process. It presents the ONE-WAY ANOVA analysis to determine the significant differences between the sample groups.

With regard to the main results of section one, the majority of the participants were aged from less than 30 to over 50 years, hold high level qualifications (about 55 per cent of them hold undergraduate degree and nearly 43 per cent of them hold postgraduate degrees in accounting. About a half of them had received their degree from Libya and others from abroad and had good work experience

(the majority of respondents had experience around from 10 years to more than 20 years). Therefore, participants' responses from the four groups appeared to be authoritative.

With respect to the main results of section two, most (99 per cent) respondents agreed that the preparation of financial reports of companies and banks (either registered/listed or not registered/unlisted companies) have been influenced by the Libyan laws and regulations, US GAAP and IASs. In addition, although registered companies and banking sector in Libya are required to comply with IASs, the majority of them still comply with US GAAP.

The results show that the respondents were dissatisfied with the LAAA having no impact in developing the accounting profession including the corporate accounting practices. Furthermore, the results reveal that there was general agreement that the legal regulation is very appropriate in developing the accounting profession and the majority (89 per cent) of respondents agreed and strongly agreed that Libya should adopt IASs in its accounting regulation. The results also indicate that holding a BA degree with 5 years work experience in accounting and auditing are the main requirements for entry to the accounting profession in Libya. The results show that the majority of respondents believe that laws and regulations, accounting education and foreign companies have substantially and very substantially contributed to the development of accounting in Libya,

Regarding the main results of section three, the results indicate that all the influential factors in this study regarding the adoption of IASs have an impact on Libya decision to adopt IASs. However, there is no evidence that local external auditors had an impact on the adoption of IASs in Libya. The results of this method indicate that the level of participation in the process of accounting standard setting including the EDLASs issued by the LAAA was low. The following chapter is devoted to data analysis collected by the semi-structured interviews.

Chapter Six

The Interview

Results

Chapter Six

The Interview Results

6.1. Introduction

The previous chapter examined the statistical significance of the results obtained by the questionnaire survey. This chapter aims to present the results of the qualitative data from the semi-structured interviews which 20 interviews were conducted. The sample of this part of the current research comprises of eight financial managers (FM), six statutory auditors (SRA), two state auditors (STA), three accounting academics (AC) and one regular member from the LAAA (RG). The chapter is organised into seven main sections. Section 6.2 explains the background information of the interviewees. Section 6.3 presents the results of the corporate accounting regulation. The role of the LAAA in developing corporate accounting is analysed in section 6.4. Section 6.5 analyses the influential factors on the adoption of IASs in Libya, followed by the results of the enforcement of accounting standards in Libya in section 6.6. Section 6.7 shows the results of the participation in the accounting standard setting process.

6.2. Interviewees' background information

Twenty face-to-face semi-structured interviews were carried out during the period from February 2009 to April 2009 and conducted in Arabic language. All of them have been tape recorded. These interviews took from 40 to 55 minutes on average. Table (6.1) shows that 45 per cent of the interviewees hold a BA degree and about a quarter of them hold PhD degree and 20 per cent of them hold a Masters degree while only 10 per cent of them hold below degree level which is Higher Diploma (HD). The table also shows that the highest percentage of interviewees, which forms at least 50 per cent, have work experience of between 21 to 30 years, and over 25 per cent have work experience of 30 years and over. About 15 per cent of interviewees have work experience of between 11 to 20 years, whereas only 10 per cent of them have work experience of 10 years or less. Therefore, the majority (90 per cent) of them have work experience of 20 years and more. This indicates that the responses of interviewees seem to be reliable. Regarding the subject area most interviewees (over 95 per cent) hold degrees in accounting while only 5 per

cent hold a degree in administration. Therefore, the interviewees' knowledge appears to be relatively broad in this subject.

Table (6.1): The Interviewees' background

	Highest Qualification											
	FM		SRA		STA		AC		RG		Total	
	No	%	No	%	No	%	No	%	No	%	No	%
PhD	---	---	2	33.3	---	---	2	66.7	1	100.0	5	25.0
Masters	1	12.5	1	16.7	1	50.0	1	33.3	---	---	4	20.0
BAC	5	62.5	3	50.0	1	50.0	---	---	---	---	9	45.0
Other	2	25.0	---	---	---	---	---	---	---	---	2	10.0
Total	8	100	6	100	2	100	3	100	1	100	20	100
	Experience											
	No	%	No	%	No	%	No	%	No	%	No	%
	1 – 10 yrs	---	---	1	16.7	---	---	1	33.3	---	---	2
11 -20 yrs	1	12.5	---	---	1	50.0	1	33.3	---	---	3	15.0
21 -30 yrs	7	77.5	1	16.7	1	50.0	1	33.4	---	---	10	50.0
Over 30 yrs	---	---	4	66.6	---	---	---	---	1	100.0	5	25.0
Total	8	100	6	100	2	100	3	100	1	100	20	100
	Subject area											
	No	%	No	%	No	%	No	%	No	%	No	%
	Accounting	7	77.5	5	83.3	2	100	3	100	1	100	19
Administration	1	12.5	1	16.7	---	---	---	---	---	---	1	05.0
Total	8	100	6	100	2	100	3	100	1	100	20	100

EM = Financial manager, SRA = Statutory auditor, STA = State auditor, AC = Accounting academic, RG = Regulator.

6.3. The interviewees' views about the corporate accounting regulation

This part of the interview aims to gain a general understanding according to which accounting standards/principles financial statements of public companies and banks are prepared and examine the professionalization level of the Libyan accounting profession.

6.3.1. Preparing the financial statements

6.3.1.1. Related financial laws and regulations to corporate accounting regulation

The preparation of financial statements of public companies and banks are influenced by laws and regulations. This result was consistent with the

questionnaire's result. More specifically, when the SRA, STA and FM groups were asked to explain laws and regulations that influence the company's accounting practices. All the interviewees (Appendix four, B, Matrix 1) indicated that there is no specific company law regulates corporate accounting practice in Libya. Generally interviewees believed that the main laws and regulations that regulate the accounting practice and have great influence on preparing the financial statements of corporations are the Libyan Commercial Law (LCL), the Income Tax Law (ITL), bylaws and internal financial regulations of these corporations. In addition, all interviewees pointed out that public companies also are controlled by the General Financial Regulation (GFR) which is issued by the General People's Committee (1980), while banking sector is controlled or regulated by the Banking Law No. 1 of 2005.

Further, interviewees were asked to determine the items that are included in these laws and regulations and followed by companies/banks. All interviewees (Appendix four, B, Matrix 1) believed that companies and banks prepare their financial reports which are required by these laws and regulations (e.g. balance sheet, profit and loss account, the Taxable profit) and the majority of them (69 per cent) considered that planning budgets are also prepared by companies and banks according to these laws and regulations. The laws and regulations that are related to the company's accounting regulation can be observed in the following:

"Although, the LCL was issued in 1950's it mentions many accounting treatments of assets and liabilities. Therefore, It can be said that the LCL is considered as a main accounting source for auditors and financial statements' preparers. For example, all companies prepare financial statements that are required by this law are balance sheet and profit and loss account. Companies also keep the key journals that determine the law such as the general daily journal. So this law seems to be the key accounting reference for all companies in Libya. In fact, although the depreciation percentages of fixed assets that is included in the Income Tax Law are for preparing the tax profits, they are used for preparing non-taxable annual profits. Therefore, these depreciation percentages

have become as an accounting policy for the majority of Libyan companies" (SRA 1).

"I believe the accounting practice of public companies in Libya actually is influenced by the key legislation which regulates public companies. They are the LCL, the Income Tax Law and the GFR of 1980. However, the GFR is more detailed than the LCL. Companies consider these laws as a general framework for preparing their accounts. These legislations focus on preparing financial statements and planning budgets, accounting treatments for some items like expenditures, revenues, provisions and the requirements of internal control systems. The accounting practices of companies are also regulated directly by their internal regulations and bylaws. The internal regulations focus on accounting treatments and accounting procedures for matters that are more specifically related to a company's activities. Moreover the internal regulations have the priority of implementation" (STA 1).

"Practically, the accounting system of our company is regulated by the general laws and regulations. These laws and regulations including the LCL and the Income Tax Law and the GFR of 1980. In addition, there are internal financial regulations and bylaws that are established by a company. These regulations determine accounting treatments of many matters such as required by the FIFO method for inventory, and the historical costs method for the valuation of fixed assets, the straight line method for the depreciation of fixed assets, non fixed assets such as building, office furniture and welfare and capital expenditure such as establishments expenses " (FM 3).

"Our bank follows the requirements of the Banking Law No. 1 of 2005. I think this Law is considered as the main accounting source of all banks in Libya. Also any financial regulations and announcements of the Central Bank (CB) are applied by the bank. Furthermore, the LCL and the Income Tax Law considered as

accounting reference for treatment of items that are not mentioned in the Banking Law such as asset' depreciation" (FM 8).

6.3.1.2 . The used accounting standards in preparing the financial reports of companies and banks

Further, external auditors (SRA and STA) and FM groups were asked according to which accounting standards/principles financial statements of companies/banks are prepared. They have been given a list of criteria that are used by preparers of financial statements. These criteria include laws and regulations, the US GAAP, IASs and the EDLASs. As mentioned in the above section, all of interviewees believed that preparing financial statements of public companies and banks are strongly influenced by financial laws and regulations. In addition, the majority (70 per cent) of the interviewees of the FM, SRA and STA groups (Appendix four, B, Matrix 1) thought that companies and banks comply with the Libyan common laws and regulations such as the LCL, the Income Tax Law, the GFR, specific laws and regulations like the banking Law and company's internal regulations and US GAAP when preparing their financial statements. While the rest of them believed that only a few companies comply with laws and regulations, the US GAAP and IASs. This result was consistent with the questionnaire's result. The use of US GAAP in preparing financial statements appears to be consistent across the groups of interviewees. The preparation of companies' financial statements can be viewed in the following quotation:

"Actually, we follow the US GAAP and some IASs such as financial disclosure and presentation of items of financial statements when preparing the financial statements of the company. Furthermore, I emphasized that the company's management has started to prepare a new accounting regulatory framework with reference to IASs. This work is supported by an International Accounting Firm, because of the limitations of skills of company's accountants in implementing all IASs that are related to the company activities" (FM 1).

"Although the company is registered on the LSM last year 2008, the

financial statements of the company are prepared according to the US GAAP until 2008. However, due to the requirements of the LSM for complying with IASs and difficulties in practice of IASs by accountants, the company has engaged with an accounting and auditing firm to prepare the company's financial statements according to IASs from the beginning of 2009" (FM 2).

"Since 2006 we prepare the financial statements of our bank in accordance with the requirements of the Banking Law No. 1 of 2005 and IASs as they are required by this Law. Furthermore, the bank decided to apply IFRS" (FM 8).

"The majority of Libyan companies' financial statements that have been audited by our accounting firm are prepared in accordance with the US GAAP. I believe that there are some companies and banks that have complied with IASs that have made partnership with foreign companies. I think this could be seen as a result of different aspects such as there are no approved local accounting standards, and limitation of staff experience in implementation of IASs" (SRA1).

"From my work experience in public companies' accounts auditing, I believe most companies have paid more attention to apply the US GAAP when preparing their financial statements because most practitioners had learned and understood these principles whether theoretically or practically. However, companies and banks who are related to/or have made a partnership with foreign companies like the Libyan Company of Foreign Investments, Sahara Bank, foreign bank and Wahda Bank and prepare their financial statements according to IASs" (STA 1).

6.3.2. The interviewees' attitude to the adoption of IASs

When the interviewees were asked about whether Libya should adopt IASs, most of the interviewees (85 per cent) preferred to adopt all IASs, while one statutory auditor and regulator believed that Libya should not adopt all IASs (Appendix four, B, Matrix 2). Some interviewees provided reasons for agreeing or disagreeing with adopting all IASs. The reasons for agreement included

improving the quality of financial statements, in particular increase comparability both inside the country and across countries, producing accounting information that are characterized by accuracy and transparency and harmonisation of accounting standards. However, the reasons for disagreement included difficult to apply IASs due to the limitation of knowledge of Libyan accountants. The following comments illustrate the views of some of the interviewees from the sample groups on the adoption of IASs.

"Yes, I agree that Libya should be adopting IASs with some amendments in line with companies' activities and environmental needs. This is because Libya is changing its policy from closed market to open market, and creating the new stock market in 2006 and attracting foreign investments. I think of financial statements are characterised by high quality and need to be comparable" (MF 6).

"I strongly agree that Libya should adopt IASs, for many reasons such as IASs would improve the quality of financial statements of companies and producing accurate and transparent information and harmonising the accounting standards" (STA 1).

"I do not agree that Libya should adopt IASs, because limited knowledge and skills of Libyan accountants and auditors and difficulties in practice" (RG).

6.3.3. The appropriate accounting approach in the development of accounting profession

The interviewees were asked to explain the most appropriate accounting approach in the development of the accounting profession in Libya. Accounting regulation approaches included self-regulation and legal regulation. All interviewees believe that the legal accounting approach is the most appropriate accounting approach in development of the Libyan accounting profession than self regulation approach. However, the majority (70 per cent) of the interviewees think that both legal regulation and self regulation are appropriate (Appendix four, B, Matrix 2). These results are consistent with the questionnaire's results. The following comments demonstrate the views of some of the interviewees

from the five sample groups on the appropriate accounting regulation in development of accounting profession:

"We cannot deny that Libya has changed its economic policy to integrate in the global economy. So it is necessary that the accounting profession is developed. I believe this can be achieved by accounting self-regulation. However, as the Libyan government still dominates the economy and the Libyan culture is influenced by laws and regulations (Libyan people in general and particularly employees consider that if any thing is not approved or endorsed by governmental laws or regulation it should not be applied), the use of the legal regulation (strong governmental intervention) is appropriate to develop the accounting profession in Libya" (FM 2).

"In my view, both self-regulation and legal regulation approaches should be followed to develop the accounting profession. I think self-regulation focuses on real requirements of accounting profession like setting up accounting standards or providing recommendations on matters where accounting systems are lacking, then the government should approve these recommendations and accounting standards for implementing them" (STA 2).

"I believe that the legal regulation is the most appropriate approach in developing the accounting profession, for the following reasons: the weakness of the Libyan accounting profession and the national economy still relies on public sector organisations" (AC 3).

"From my experience and my knowledge about the status of the accounting profession in Libya, the self-regulation with out intervention from the Libyan government may be unsuccessful in development of the accounting profession. A good example, the EDLASs, have been prepared since 2006, but are still inactive because they have not endorsed or approved by the government" (SRA 1).

"Currently, Libya is still in the transitory stage from a public sector to a private sector economy, creating a new stock market and the

accounting profession is still weak, so I believe the legal regulation is the most appropriate approach in developing accounting profession than the self-regulation." (MF 8).

6.3.4. The importance of accounting sources for auditors

Auditors (SRA and STA) were asked about the accounting sources that they use to assess financial statements of public companies. Accounting sources included Libyan laws and regulations, IASs, the US GAAP and the EDLASs. All interviewees considered that Libyan laws and regulations as very important sources for assessing the accounting statements of companies and to express their professional opinion on them. Moreover, they considered that laws and regulations are the main accounting sources for auditing of financial statements of all Libyan companies. In addition, all of them believed that the US GAAP and IASs are used as second accounting sources for assessing the financial statements of companies. These results were consistent with the questionnaire's results. All interviewees also considered that the US GAAP is very important for auditing, whereas the minority of them (25 per cent) believed that IASs are important (Appendix four, B, Matrix 3). The important accounting sources for external auditors can be observed in the following quotation:

"In fact, the accounting sources that should be followed in auditing financial statements of companies are considered as a big problem for us. Practically, we investigate accounting items of financial statements of Libyan companies according to the requirements of laws and regulations (which are considered as the key accounting references), the US GAAP and IASs (which are considered as a second accounting sources). Moreover, if these laws and regulations do not include accounting treatments for some financial statements' items then we use the US GAAP or IASs. This depends on the accounting standards that a company is required to be used by the company" (SRA 2).

"I think the majority of national companies prepare their financial statements according to laws and regulations and the US GAAP. So these accounting sources are used as a guide for us when we audit

these financial statements. However laws and regulations are considered as the main sources for auditing financial statements of any economic unity. In addition, IASs also are used when companies and banks are required to prepare their financial statements in accordance with these standards" (SRA 5).

6.4. The interviewees' views on the role of the LAAA in developing corporate accounting

6.4.1. The role of the LAAA in achieving its objectives required by the Law

Interviewees were asked to give their views on the role of the LAAA in achieving its objectives, which are required by the Law 116 of 1973, and which are related to the development of the corporate accounting profession. The main objectives include the development of accounting standards, involving in drafting laws and regulations related to the corporate accounting practices, providing the recommendations on matters where accounting regulation is lacking and relating to specific controversial accounting issues, providing accounting training programmes related to Libyan environmental needs and monitoring or participating in planning the accounting education programmes.

Interviewees have given their opinions on the development of accounting standards in Libya. There was general consistency across the interviewees (more than 90 per cent) of the five sample groups, that the LAAA has played no role in the following objectives: involvement in drafting laws and regulations related to the corporate accounting practices, providing recommendations on matters where accounting regulation is lacking and relating to specific controversial accounting issues and monitoring or participating in planning the accounting education programmes (Appendix four, B, Matrix 4). About 55 per cent of the interviewees considered that the LAAA played a reasonable role in developing the Libyan Accounting Standards, while the rest of them believed that it has played no role. In addition, the majority (65 per cent) of the interviewees thought that the LAAA has played no role in providing training courses in accounting to improve skills of its members (Appendix four, B, Matrix 4). These results were consistent with the results of the questionnaire survey. The following comments illustrate the

views of some of the interviewees from the five sample groups on the role of the LAAA in the development of corporate accounting practices in Libya:

"In fact, the LAAA is absent from any significant contribution to developing the accounting profession particularly in the corporate accounting practices. It has played no role in providing training courses in accounting and auditing. For example, we train and develop our staff by ourselves. Moreover, the LAAA also has played no role in providing proposals or recommendations on specific controversial accounting issues. It has played no role in participating in/or monitoring the accounting education programmes to make sure that they are related to the environmental needs. However, lately the LAAA has paid some attention to developing accounting standards. It has announced the proposal for the Libyan Accounting Standards but they are still inactive" (SAR 3).

"Actually, from my experience as an accountant and auditor over long time, I think the LAAA has played no role in any required objectives from the issued law No. 116 of 1973, except lately it has provided a proposal for Libyan Accounting Standards and training courses for this proposal and IASs. Two of our firm staff attended one training course that was provided by the LAAA and the LSM together last year (2008) about IASs" (SAR 1).

"According to my knowledge, the LAAA's role focuses only on the registration of its members and providing licences to them to practice accounting and auditing professions. However, in 2006 it translated about 29 IASs from English to Arabic and they were named as the Libyan Accounting Standards" (FM 1).

"From my experience as a financial manager in a bank, I believe that the LAAA has not provided recommendations and training programmes in accounting subjects that are related to the banking activities. But I think the LAAA tended to adopt IASs and provided a few training courses to introduce IASs" (FM 8).

"Yes, the LAAA achieved its role in organizing the registration of its members, setting regulations concerning the accounting profession which deals with the subject of its members. It also has announced the first draft of the LASs. In addition, the LAAA provided more than seven training courses in introducing the LASs and IASs" (RG).

6.4.2. The entering the accounting profession

When the SRA group was asked to explain the requirements of obtaining their licence to practice accounting and auditing professions, 5 out of 6 interviewees have obtained their licences to practice accounting and auditing professions because they hold a university degree and have five years work experience in accounting and auditing, whereas one of them has obtained his licence by holding postgraduate degree only (Appendix four, B, Matrix 5). In addition, when the RG was asked the same question, he pointed out that the LAAA gives the accounting and auditing profession licence to its members depending upon the university degree level and five years work experience or postgraduate level only. This result is consistent with the questionnaire's result. The requirements of obtaining a licence of accounting and auditing practices in Libya can be observed in the following scripts:

"I have obtained the licence for accounting and auditing professions practices according to the requirements of the Law No. 116 of 1973. This Law requires the holding of a university degree as a minimum level of qualification and five years experience in auditing or accounting. In addition, although I was working as an auditor in an accounting office for more than five years, but I could not obtain this licence because I did not hold a university degree" (SRA 2).

"Practically, the LAAA gives the accounting and the auditing practices licence according to the conditions which are required by the Law 116 of 1973. The main conditions are holding university degree and five years work experience or postgraduate degree only" (RG).

Further, the SRA group, then, was asked if they have sat an exam to obtain the licence of accounting and auditing practices. All the SRA interviewees

(Appendix four, B, Matrix 5) did not take an exam to enter the accounting and auditing professions. Moreover, this is supported by the RG when he was asked the same question, he explained that taking an examination for entering the accounting and auditing profession was not required. These results are consistent with the questionnaire's results. The following comments of some interviewees of the two sample groups explain the importance of an entrance exam for the accounting profession:

"Actually, I have obtained the professional licence of chartered accountant before the issued LAAA law in 1973 according to education degree (a Diploma) and experience. However, I did not take an exam whether before or after publication of the Law 116 of 1973" (SRA 4).

"The LAAA does not require an examination when giving a practising licence to accounting and auditing profession. This led the accounting profession to face many criticisms about its weakness which could be attributed to that exam is necessary for awarding professional accounting and auditing licence. So I believe that this examination is very important for entering the accounting and auditing profession" (RG).

6.5. The interviewees' views about the influence factors moving towards adopting IASs in Libya

In this part interviewees were asked about the role of international and internal factors that have an impact on the adoption of IASs in Libya, and to give their opinions regarding which of these have played a major role in this adoption. Factors included the entrance of foreign investments, the entrance of international accounting firms (Big 4), the international financial institutions' regulations, the role of IASs in improvement of the quality of financial reporting, increasing accounting education level, external auditors and the growth of the Libyan economy.

The vast majority (85 per cent) of the interviewees (Appendix four, B, Matrix 6) believed that allowing foreign companies to enter the Libyan market has played an important role in the adoption of IASs. This result is consistent with the result of the questionnaire. The following comments show the views of some of the

interviewees from the sample groups of the impact of allowing foreign investments on the adoption of IASs:

"I think allowing foreign investments to enter the Libyan market is the most influential factor on the adoption of IASs. Encouraging foreign investors to invest in Libya sharing practices with Libyan businesses has been a good pressure on Libyan authorities to adopt IASs to ensure their investments with local companies are successful" (SRA 3).

"I believe the entrance of foreign investments is an influential factor on adopting IASs in Libya. As the Libyan government has given permission for foreign investors to invest in the Libyan Market by the Law No. 5 of 1997, requires foreign investments to enter joint ventures or sharing practices with national companies. So I think most foreign investors come from developed countries where they have strong accounting systems which comply with global accounting standards like IASs. To achieve this joint venture for example these foreign companies need adequate information about the financial position of national companies to make their decision. This aim could be achieved by adoption of IASs "(STA 1).

"Encouraging foreign companies to invest in Libyan market in partnership with national companies and as there are no approved local accounting standards leads these companies to apply global accounting standards like IASs to produce accounting in their financial statements" (FM 1).

"Yes, I believe that allowing foreign companies to invest in the Libyan market by sharing practices with national business (companies and banks) has a great impact on the adoption of IASs. I think this requires national business to provide more information. So to achieve this objective financial statements should be produced in accordance with accepted global accounting standards like IASs" (FM 8).

Although, the vast majority of the interviewees considered that allowing foreign investment to enter the Libyan market is the most influential factor on the adoption of IASs in Libya, some of the interviewees had an opposite viewpoint.

They thought that the adoption of IASs could not be achieved when a country has national accounting standards. In this context RG comments that:

"I do not agree that entrance of foreign investment is an influential factor on the adoption of IASs. So I think because Libya has not approved national accounting standards led the Libyan authorities to adopt IASs in its regulations to achieve its national economic plan" (RG).

The majority (80 per cent) of the interviewees believed that entering the international accounting firms (Big 4) has an influence on adopting IASs (Appendix four, B, Matrix 6). This result was consistent with that of the questionnaire. The interviewees considered that the Big 4 firms' staffs are known for their high skills and a good experience in accounting and auditing. They indicated that these firms became as an accounting guide for many Libyan accountants and auditors. The impact of entering the Big 4 firms on the adoption of IASs in Libya can be observed by the following view:

"I believe the entering of the Big 4 firms into Libya was an influencing factor for Libya to adopt IASs. As the Big 4 firms' staffs have high skills for implementation of IASs, wide knowledge and good experience in the development of the accounting profession, and due to the absence of the role of the LAAA in developing the accounting profession, I think this resulted in these firms becoming as an accounting guide for Libyan accountants and auditors. In addition, because there are no national accounting standards imposed on Libyan companies, the Big 4 firms persuaded them to apply IASs" (STA 1).

"Generally, I think the entrance of the Big 4 firms has a great effect on the adoption of IASs. I believe most laws and regulations that regulate companies activities do not determine the accounting standards that should be followed by these companies, so the big 4 firms persuaded companies and governmental agencies that they are responsible for these companies to follow accepted accounting standards like IASs to

judge financial statements of these companies" (AC 1).

While some of the interviewees had an opposite viewpoint. They believed that the entrance of the Big 4 firms has no effect on the adoption of IASs. When financial managers were interviewed, one commented that:

"I believe the entrance of the Big 4 firms into Libya has had no impact on Libya adopting IASs. As we know that the aim of an external auditor is giving his/her opinion on reliability of financial statement of a company. He/she achieves this aim by investigating these financial statements are prepared by Laws, regulations and accounting standards that are imposed on the company as well as the majority of Libyan accountants have not enough experience in implementation of IASs. So I think the external auditors like Big 4 firms do not impose accounting standards that should be followed by a company" (FM 1).

Most interviewees (95 per cent) also indicated that IASs represent globally accepted accounting principles, because they would help to improve the quality of financial reporting from the perspective of investors, in line with governmental policy of developing the LSM and moving towards a global capital market (Appendix four, B, Matrix 6). The interviewees also explained that IASs are widely accepted standards and they have been adopted by many countries including Arab countries. When statutory auditors were interviewed, one stated that:

"It is preferable to adopt IASs, because they are more widely accepted as internationally accepted accounting standards by many countries and they would help to improve the quality of financial statements from the view of investors and facilitate foreign investment. Furthermore, IASs are implemented by many countries in the world. So if Libya has not adopted IASs, the LSM might not be as competitive as other countries" (SRA 6).

"I believe that the global acceptance of IASs was an influential factor on the adoption of IASs. I think that due to the transition the Libyan market to an open market policy for entering to global markets led

Libya to set up a new accounting policy is accepted by other countries and multi-national companies. In addition, because there are no local accounting standards it is necessary to adopt global accepted accounting standards like IASs to achieve this aim" (FM 8).

Most interviewees (90 per cent) also believed that the regulations of foreign institutions have a significant impact on IAS adoption in Libya (Appendix four, B, Matrix 6). This result was consistent with the result of the questionnaire. The interviewees believed that partnership of foreign banks with national banks, such as such as BNP Paribas Group and the Al-Arabi Bank buying about 19 per cent of the share capital of the Sahara Bank and the Wahda Bank respectively, gave them the rights of sharing in the management of the banks. They considered that the foreign banks use these rights in preparing the accounts of national banks according to IASs. The following comments illustrate the views of some of the interviewees from the sample groups on the effect of the foreign financial institutes' regulations on the adoption of IASs.

"Yes, I strongly believe that the foreign institutions' regulations have a huge impact on the adoption of IASs. The relationships with foreign organizations particularly in the banking sector led Libya to adopt IASs in its regulations. I can remember that when the Central Bank (CB) was guided by an international expert to evaluate the Libyan banking and economic sectors, the first and the main recommendation which was included in his report was it is necessary to adopt accounting standards like IASs to regulate accounting systems in these sectors" (SRA 2).

"Actually, Libya tended to attract foreign investments including financial institutions to develop its economy and for entering the global markets. Therefore, some national banks such as Sahara Bank signed contracts with foreign banks to sell about 19 per cent of their shares. As there are no national accounting standards these foreign institutions pressured the Libyan authorities to require banks to follow globally accepted accounting standards like IASs when preparing their financial statements. As a result the Libyan authorities enacted

legislation such as the Banking Law No. 1 of 2005 which requires use of IASs" (STA 2).

(Of course, the legislation of foreign financial institutions has a great influence on the adoption of IASs. For example, our bank is required to prepare its financial statements according to IASs. I think this is because the bank has relationships with foreign financial institutions like IMF and WB. In addition, the BNP Paribas Group and Al-Arabi Bank bought only 19 per cent from national banks' shares in (the Sahara Bank and Wahda Bank) which gives them the right to share in the management of national banks. So I think these foreign banks use this right in preparing the financial statements of national banks in line with their regulations which require following IASs" (FM 8).

However, some of the interviewees disagreed that the regulations of foreign financial institutions have not had an impact on the adoption of IASs, but the main reasons that led Libya to adopt IASs are: IASs help to improve the quality of financial reporting and there are no national accounting standards. One accounting academic interviewee stated that:

"I believe the legislation of foreign financial institutions may have negatively influenced adopting IASs. I think the main reason for foreign financial institutions to impose their legislation on national financial institutions is because Libya has no national accounting standards and there are no accounting standards as determined by Laws and regulations to follow by these institutions such as unlisted companies. In addition, IASs help to improve the quality of financial reporting" (AC 3).

When the interviewees were asked about the impact of the role of IASs in improving the quality of financial statements on the adoption of IASs, the most (90 per cent) of them (Appendix four, B, Matrix 6) believed that the role of IASs in improvement of the quality of financial reporting has a great impact on adopting IASs. The interviewees pointed out that IASs would help to improve the quality and increase the credibility and reliability of financial statements. They also agreed with the application of IASs, because they would help financial

statements become more reliable and comparable. When financial managers were interviewed, one stated that:

Due to the increased links between our bank (CB) and some foreign organizations such as the World Bank (WB) and International Monetary Fund (IMF), IASs have been imposed on the bank in order to improve the quality of its financial statements as well as become more reliability and comparable (FM 8).

The majority (60 per cent) of the interviewees (Appendix four, B, Matrix 6) perceived that the economic growth has a huge impact on the adoption of IASs. This result was consistent with the results of the questionnaire. When accounting academics were interviewed, one commented that:

"I believe the economic growth was an influential factor on adopting of IASs. The development in the Libyan economy is a very good indication of its good regulations. I think this could be seen as a result of different aspects such as encouraging the foreign investments to enter the country, moving to private ownership, using open policy market, etc. So this required enacting laws and regulations to control and regulate this sector. These laws include items related to accounting regulation such as adopting IASs" (AC 2).

However, another accounting academic had an opposite viewpoint, he said that:

"I do not think economic growth was an influence on the adoption of IASs, but I believe using global accepted accounting standards like IASs resulted in the development of the economy in Libya" (AC 3).

Furthermore, the majority (70 per cent) of the interviewees (Appendix four, B, Matrix 6) believed that increasing the level of accounting education, particularly the number of graduates from abroad in Libya has a great impact on IAS adoption than the national accounting education. This result was consistent with the questionnaire results. Interviewees considered that the majority of graduates from abroad have a wide knowledge of IASs and an awareness of the importance of accounting standards and accounting regulation for producing useful

accounting information. The following comments illustrate the views of some of the interviewees of the sample groups on the influence of accounting education on the adoption of IASs:

"In my opinion, the education level has an influence on adopting IASs. I believe that the education level of Libyans from abroad was a more significant influence in the adoption of IASs in Libya than national education level, because the number of graduates from abroad particularly from developed countries like the UK, USA, Canada, etc have more knowledge about accounting standards like IASs. In addition, the majority of those graduates have been appointed in high positions whether in a government agency or in different economic entities. So they have a good chance to use their knowledge and skills in these activities including accounting to persuade people that are responsible for regulating the accounting profession to adopt accepted accounting standards like IASs" (AC 2).

"I believe that the enhancement in education level from abroad graduates has a tremendous impact on the adoption of IASs than local education level. The adopting of IAS by banking sector and big companies in Libya is a good indication of their well-educated staff. I think this could be seen as a result of different aspects such as the increase in the number of accounting graduates and trainees from abroad, the increase in foreign links, creating the open market with global markets, etc" (FM 4).

However, the interviewees of the SRA group believed that generally the accounting education level was not an influential factor on the adoption of IASs. One of them commented that:

"I think the increase of the accounting education level generally has a negative influence on the adoption of IASs. I believe the outputs of the national accounting education do not qualify them to accounting practices. This resulted from the accounting curriculum is inadequate and out of date with the accounting development. Furthermore, the

increase of a number of universities' staff is an indication of the majority of graduates from abroad {more than 90 per cent of them held master's and PhD degrees} work as academics" (SRA 4).

Regarding the impact of national external auditors on the adoption of IASs, the majority (60 per cent) of the interviewees (Appendix four, B, Matrix 6) thought that national external auditors have no influence on the adoption of IASs. This result was consistent with the questionnaire results. They also believed that external auditors focus on requirements of laws and regulations when they audit companies' financial statements. For instance, one of the FM interviewee stated that:

"I do not agree that an external auditor has an impact on adopting IASs. External auditors (local auditors) strongly focus on requirements of laws and regulations that regulate accounts of companies including accounting standards that companies should comply with" (FM 5).

"Actually, I believe a local external auditor has no significant impact on the adoption of IASs. The accounting profession in Libya seems to be very weak. So I think this weakness is considered as a reflection on the weakness of its members such as statutory auditors" (AC 1).

While, when statutory auditors were interviewed, one stated that:

"I believe national external auditors have an influence on the adoption of IASs. I emphasize those external auditors continually seek to persuade companies that they should determine accounting standards. For example, we had recommended that banks and companies should follow globally accepted accounting standards when preparing their financial statements" (SRA 4).

6.6. The participation in accounting standard setting process at Libya

All interviewees disagreed and were dissatisfied with the Libyan standard setting process. When interviewees were asked about participation in the process of accounting standard setting, most (90 per cent) of interviewees (Appendix four,

B, Matrix 6) were not involved in the Exposure Draft of Libyan Accounting Standards (EDLASs) setting process. One of twenty interviewees had been involved as a member of preparing committee of the EDLASs and two of twenty interviewees attended the formal meeting (Appendix four, B, Matrix 6). This result was consistent with the results of the questionnaire. The participation in and lobbying on the accounting standard setting process can be observed by the following quotations:

"I was not involved in the EDLASs process as a member of its preparing committee. Although, I have received the EDLASs, I did not provide any comments on these standards for many reasons such as they are translations in IASs from English to Arabic, there was a huge number of them, they need a long time for addressing them and they are related to all accounting subjects which need special committees to address them" (SRA 1).

"Yes, I was involved in the EDLASs as a member of the work group of the EDLASs. In 2005 this group has prepared the EDLASs based on IASs and in line with Libyan laws and regulations such as the LCL, the Income Tax Law, the Banking Law, etc. The group sent this draft to more than 200 organizations (universities, high colleges, government agencies, etc) but no comments have been sent to the working group. In addition, I attended official meetings⁵ for discussion of the EDLASs. The objectors preferred to adopt IASs and the main comment on the EDLASs was the translation of IASs" (RG).

"I was not involved in the process of the EDLASs. However, I do not agree with the process of setting the EDLASs for many reasons such as it is impossible to prepare 29 accounting standards based on requirements of laws and local environment in less than one year. From my experience with one Big 4 firm, I think preparing one accounting standard takes more than one year before being active. So

⁵ This meeting was formed by the GPC and included 13 members were the manager of the LAAA, 4 academics from different universities, 3 statutory auditors, one from the Central Bank, state auditor, one from the LSM, one from the preparing committee of the EDIASs and one from one the GPC.

I believe this is adoption of other accounting standards. Furthermore, they need a long time and experience in different accounting issues to address. I think this could be seen it is difficult to provide comments on them” (SRA 2).

“Actually, I was involved in the setting process of the EDLASs by attending two formal meetings as a member of the committee that was formed by the GPC for addressing the EDLASs in 2007 and 2008. The main comments included the majority of the attendant members were dissatisfied with the nature of the LAAA’s process because a huge number of the proposed standards which it seems to be difficult to address them and understanding some of them, a lack of time, and these standards are translations in IASs to Arabic. So” (AC 3).

6.7. Summary

This chapter has presented the descriptive analysis of data collected from the semi-structured interviews. The interviews involved 20 individuals from the same group of respondents who took part in the questionnaire survey.

The interviewees were of similar profile, in terms of level of education, length of working experience and hold degrees in accounting to the respondents of the questionnaire survey. The main part of the interview was aimed at getting further insight into the four sections as reported in the questionnaire survey.

Regarding the main findings of the preparing financial statements of companies and banks, there are a general agreement between interviewees there is no specific company law which regulates corporate accounting practice in Libya. All of them indicated that the preparation of financial statements of public companies and banks are influenced by laws and regulations. They believed that the main laws and regulations that regulate the accounting practice and have great influence on preparing the financial statements of corporations and banks are the Libyan Commercial Law (LCL), the Income Tax Law (ITL). In addition, they pointed out that public companies also are controlled by the General Financial Regulation (GFR) which is issued by the General People's Committee (1980), while banking sector is controlled or regulated by the Banking Law No. 1 of 2005. Furthermore, the majority (70 per cent) of the interviewees thought that

laws and regulations and the US GAAP are very important for both preparing and auditing for financial reports of companies and banks.

Libya should adopt all IASs and the most appropriate accounting approach in the development of the accounting profession in Libya, most interviewees perceived that Libya should adopt IASs and the legal regulation approach is most appropriate for developing the accounting profession than the self-regulation approach. The findings of this chapter also showed that the LAAA has played no role drafting laws and regulations related to the corporate accounting practices, providing recommendations on matters where accounting regulation is lacking and relating to specific controversial accounting issues and monitoring or participating in planning the accounting education programmes, while the majority (65 per cent) of them thought that the LAAA has played no role in providing training courses in accounting to improve skills of its members. More than a half of the interviewees believed that the LAAA played a reasonable role in developing the Libyan Accounting Standards. Regarding requirements of the entry to the accounting profession, most interviewees in the SRA and RG groups the LAAA gave the accounting and auditing profession licence to its members depending upon the university degree level and five years work experience or postgraduate level only.

Concerning the factors that may have an impact on Libya adopting IASs, The vast majority of the interviewees believed that allowing foreign companies to enter the Libyan market, the entry of the international accounting firms (Big 4), the global acceptance of IAS and its role in improving the quality of corporate financial reports, the regulations of foreign institutions as the international factors and the Libyan the economic growth and increasing the accounting education level from abroad as national factors have played an important role in the adoption of IASs. The national accounting education level and the national external auditors have no influence.

Regarding the participation in accounting standard setting process, most (90 per cent) of interviewees were not involved in the EDLASs setting process. The involvement of the participants in the process was by attending as a member of preparing committee of the EDLASs and attended the formal meeting.

The results obtained by interviews with respect to the four examined subjects (see Appendix one, B, C and D and Appendix two, A) are consistent with those results reported by the questionnaire survey as they are discussed in next chapter.

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Chapter Seven
Discussion of the
findings

Chapter Seven

Discussion of the findings of the questionnaire survey and semi- structured interviews

7.1. Introduction

This chapter aims to analyse the main findings of data collected from the questionnaire survey and semi- structured interview methods which were used in this study. The chapter is divided into the following sections. Section (7.2) presents a discussion of the main findings of the corporate accounting regulation. Section (7.3) provides an analysis of the main results of the development of the accounting profession in Libya. The main findings of the participants' perceptions relating to the influential factors that led Libya to adopt IASs is discussed in section (7.4), following the discussion of participation in the Libyan accounting standard setting process is examined in section (7.5). Finally, section (7.6) provides a brief summary of the chapter.

7.2. Corporate accounting regulation

This section provides the main findings of the accounting regulation of public companies and banks in Libya. The findings from descriptive statistical analysis used to analyze data from the questionnaires and the semi-structured interviews indicated that there is a general agreement between the sample groups the financial reports of public companies and banks have been strongly influenced by Libyan laws and regulations. More specifically, the results of interviewees showed that the Libyan Commercial Code (LCC) and the Income Tax Laws (ITL) have a great impact on the preparation of financial reports of all companies and banks. Financial reports of banks are also influenced by in particular, Banking Law 1/2005 and statements that announced by the Libyan Central Bank (LCB). Public companies' financial reports are also influenced by the General Financial Regulation (GFR). While financial reports of registered and listed companies are influenced by the General People's Committee's decision 134/2006. Further, the findings of interviews revealed that these laws and regulations are the main accounting sources for auditing of financial reports.

More specifically, the findings of the semi-structured interviews showed that all public companies and banks prepare the main financial reports such as the balance sheet, profit and loss account, annual taxable profit and planning budgets. To achieve these reports, companies keep the mandatory journals and books such as the general daily journal, the subsidiary books for assets and liabilities and the inventory journal. Further, companies and banks follow the historical cost method, the LIFO method, the straight-line method for calculating the depreciation rates which are required by the ITR and creating the reserves according to the LCC for public companies and according to the Banking Law for banks. It appears that companies and banks in Libya incorporated laws and regulations requirements, as are discussed in chapter two (see sections 2.4 and 2.5), in financial reporting. The results indicated that laws and regulations have become as the main guidelines of accounting methods and rules in preparing financial reporting and for auditing.

Therefore, from these results it can be concluded that the corporate accounting profession and practices in Libya have been strongly influenced by laws such as the tax laws and the LCC and regulations such as the GFR and company internal regulations. On the other hand, the LCC and the Tax Law are the basic source of accounting rules in Libya and they are also very important for financial reporting of listed and unlisted companies. In addition, the Banking Law is important for the banking sector and the GFR is important for public companies. These results were associated with the findings of previous studies which indicated that accounting regulations of many countries have been influenced by commercial codes and accounting laws and financial regulations that are enacted by governments (Daniel and Suranova, 2001; 2000; Al-Qahtani, 2005; Mashayekhi and Mashayekh, 2008; Al-Akra, et al, 2009 and Radebaugh and Gray, 1997 and 2002). These results are also similar with previous results in the Libyan context such as Bait-El-Mal et al (1973) and Buzied (1998) which concluded that the LCC and the tax laws have had an influence on the accounting practices.

The influence of laws and regulations on the accounting practice in Libya also is evident when most (79 per cent) of the sample questionnaire groups agreed (see table 5.25) that laws and regulations are considered one of the important factors which have a great impact on the development of accounting in Libya.

Furthermore, the majority (51 per cent) of them agreed that foreign companies are also another influential factor. This is because as discussed in chapter two Libya relied heavily on advisors from Britain, the US and the UN to establish the country's different systems, including laws. These findings reinforce the above results that laws and regulations have played a significant role in development of accounting regulation and practice.

Furthermore, the findings of the questionnaire also showed that most (96 per cent) respondents agreed that their companies/banks comply only with the US GAAP when preparing their financial reports. The findings also showed that about a quarter of them followed the US GAAP and IASs. According to interviews the US GAAP and IASs are considered as the second accounting sources for preparing and auditing corporate financial reporting.

These results were associated with some previous studies such as Daniel and Suranova (2001) and Glaum and Street (2003), however, these results in contrast with results of the previous study in Libyan context which indicated that the US GAAP were only used in preparing external accounting reporting (Buzied, 1998; Kilani, 1988). This could be attributed to the many changes in the Libyan economy during the last decade and moving Libya towards the global market which led the Libyan government to impose the accepted international standards on listed and those who are in the process of registration in the LSM as well as the banking sector.

Therefore, although, the structure of financial reporting of public companies and banks in Libya stems from a variety of sources such as laws (the LCC, the Income Tax Law), regulations (external and internal regulations), US GAAP and IASs. However, the Laws and regulations seem to be the main sources for these financial reports.

These findings are also reinforced by the selected sample groups who were asked to indicate, from their experience, the approach (self regulation and legal regulation) they thought to be more suitable for developing the accounting profession, in particular, the corporate accounting practice in Libya. The findings of questionnaires and interviews showed (see the Tables, 5.16 and 5.17) that the legal regulation approach is preferred over a self regulatory approach for

developing the accounting profession. More specifically, the results of interviews clarified that accounting standards should be prepared within a legal framework (with strong government intervention). A regulatory framework based on a legal regulatory approach (which looks similar to France and Germany) seems to be achieved (see chapter two, section, 2.5.1.2). These results are also similar to the findings of some previous studies such as Al-Akra et al (2009) which indicated that a final draft of accounting standards in Jordan should be approved by the top Jordan authority. From above argument, the Libyan Commercial Code (LCC) and the Income Tax Law (ITL) are the basic source of accounting rules and they are also important for corporate financial reporting in Libya (whether listed/registered and unlisted companies and banks).

7.3. The development of accounting profession

This section presents the main results of the role of the LAAA in development of the accounting profession. It also provides the level of professionalization in Libya. As discussed in chapter two the Libyan government established the Libyan Accountants and Auditors Association (LAAA) by the Law No. 116 of 1973 to develop accounting profession in Libya. It was the first attempt to organize the Libyan accounting profession. The LAAA set some objectives which should be achieved to develop the accounting profession. One of the main objectives is to develop corporate accounting practice that is relevant to the Libyan context.

Empirical results from descriptive statistical analysis is used to analyze data from the questionnaire (see the findings of Tables 5.21 to 5.22) and the semi-structured interviews indicated that there is a general agreement between the sample groups that the LAAA has played no role in the involvement of drafting governmental laws and regulations (the GPC, the Secretary of Finance and other related government agencies), providing recommendations on accounting matters where accounting regulation and system are lacking and inadequate monitoring accounting education and training. However, the findings of the questionnaire (see Table, 5.18) showed that only a half of respondents thought that the LAAA has to some extent a role in developing accounting standards with reference to IASs, while about 43 per cent of them believed that it has a limited extent of role in this objective and has provided no accounting training courses.

These results are supported by the interviews' findings which indicated that the LAAA has introduced the first proposal of the Libyan accounting standards since 2006 but is still not applied. So it can be argued that this result clearly reveals two different viewpoints. The first one shows that the LAAA has played a role in preparing the EDLASs, which is considered as an achievement for the LAAA's objectives. However, the second opinion indicates that the LAAA has played no role, this may be due to the fact that the EDLASs, has not yet legally been approved and implemented. This indicates the LAAA has inadequate enforcement role. Furthermore, the findings of the interviews showed that the LAAA has also played a great role in setting regulations concerning the accounting profession which deals with the subject of its members. From these results it can be seen that the accounting profession has a reasonable role only in the development of national accounting standards based on IASs and in introducing IASs as well as setting legislation concerning the requirements for the professional membership. These results are in line with previous findings such as Mashayeki and Mashayekh (2008); Al-Akra et al (2009); Daniel and Suranova (2001) and Al-Qahtani (2005) who indicated that the accounting profession have played a role in development of national accounting standards following official translation of new publications of IASs. In addition, the results are similar to Buzied's (1998) findings in Libya which showed that the profession has played a limited role in almost the objectives listed except setting legislation requirements for the professional membership was achieved.

However, these results are not similar to the findings of Daniel and Suranova (2001) which showed that the Slovak accounting profession has an important role in developing accounting education and involvement with Ministry of Finance in preparing the legal acts concerning the accounting profession and with Buzied (1998) findings in the Libyan context which suggests that the accounting profession in Libya has had no role in developing accounting standards, which emphasized that there were no definite accounting rules, accepted principles or standards developed by the profession. Once again this could be attributed to the remarkable changes in the country's economy and moving to the open market to integrate the global market. This may drive the LAAA to pay more attention to enhancing the accounting profession in Libya.

Furthermore, the results indicated that the profession has not had an impact on development of accounting practices. This result is evident that the findings from questionnaires (see the Table, 5.11) and interviews illustrated that a relatively high concern is paid by sample groups to preparing financial reports according to US GAAP and by auditors (see Table, 5.13) in writing their auditing reports. The other evidence is that sample groups were asked about the contribution of the LAAA (see Table, 5.27) to the development of accounting profession. The findings indicated that the LAAA has limited influence on the development of accounting practice in Libya. This indicates that the accounting practice is still influenced by external factors like the US and the UK influences (see chapter two). This can be related to the limited role played by the profession in developing accounting and the lack of enforcement of the LAAA on implementing the LASs.

Therefore, it can be clearly concluded that the accounting profession in Libya has played a very limited role in achieving its objectives that are related to developing corporate accounting practice. It has only tried to set up the national accounting standards following and translating IASs, however, these are still inactive as a result of the weakness of the LAAA's enforcement activity. There are no accounting recommendations, announcements on where accounting regulation or practice is lacking and relating to specific controversial accounting issues. Thus, the LAAA has no influence on the development of the accounting practice and it still appears in its early development stage in respect to developing the corporate accounting practice as well as it seems to play an important role in retaining external influences on the accounting profession as discussed in chapter two. Therefore, according to these findings the level of professionalism in Libya seems to be below the required standard.

The other part of the empirical study of this research was to investigate the level of professionalism in Libya. The LAAA was established in 1973 as the first professional body which was delegated to organize and develop the Libyan accounting profession, in comparison to other accounting professions such as the UK and the US which were established in 1854 and 1887 respectively. The LAAA is considered as a relatively new organization and has a limited experience. According to Buzied (2005 and 1998) "Longevity alone may be not

an adequate measure of professionalism because is not always correlated with progress". To conclude, the role of the LAAA is inadequate and according to Salter and Niswander (1995) criteria, the level of professionalism in Libya seems to be below the required standards as well.

In Libya, theoretically, the LAAA does not require professional exams for entering into the profession in order to become a member. Holding a university degree in accounting with five years experience is enough to obtain a professional accounting licence for accounting and auditing practice. Empirically, the statutory auditors sample group was asked about taking exams when they entered the profession as members. The findings of both the questionnaire (see the findings of Table, 5.24) and the semi-structured interviews indicated that there is no exam taken by these participants group when they have held their professional licence and became members in the profession. This is also reinforced empirically that there was no exam taken by members who hold a licence before establishment of the LAAA, although its law required that members who have not graduated with a bachelor's degree in accounting should sit an examination (see chapter two, section 2.7.3). In this context, one statutory auditor interviewed and who hold a professional accounting licence before the LAAA was established stressed that:

"Actually, I have obtained the professional licence of chartered accountant before the issued LAAA law in 1973 according to education degree (a Diploma) and experience. However, I did not take an exam whether before or after publication of the Law 116 of 1973"

According to Salter and Niswander's (1995) it can therefore be assumed that the level of professionalism in Libya is inadequate and the accounting profession in Libya does not meet the expertise requirements.

The Auditors' opinion on companies' financial reports was used also by Salter and Niswander (1995) as a measure of professionalism's level. To use this measure in this study, 12 auditing reports for some Libyan companies and banks dated from 2003 to 2008 were investigated. The result of the investigations indicated that the statement of "a true and fair view" was not used clearly by Libyan auditors. However, they used the statement of "fair view". In addition,

the result also showed that there are no specific accounting standards referred to by auditors as well as auditing standards. This could give rise to an argument with accounting and auditing standards to which the auditors refer. Therefore, based on these results, it can be clearly concluded that the level of professionalism in Libya is inadequate. Furthermore, this is reinforced by the findings of questionnaire and interviews (see the Table, 5.16 and 5.17) which indicated that the legal regulatory approach is preferred over the self regulation approach for developing accounting profession. This is indicated that there was no tendency from the Libyan accountants towards professionalism. These results were consistent with the previous findings in Libyan context such as Buzied (1998).

The findings of both the questionnaire and the interviews indicated that most (about 90 per cent) of the respondents agreed that Libya should adopt IASs. The interviews' respondents who agreed with adopting all IASs believed that IASs would help improve the quality of financial reports, in particular increase comparability of financial reports whether inside the country or across countries and producing accurate and transparent information would help companies that invest in other countries or foreign companies' branches to prepare financial reports. They also thought that IASs help to support the harmonisation of accounting standards. While others who preferred not to adopt all IASs believed that it is difficult to implement all IASs due to the limited knowledge of Libyan accountants. This may be the result of national accounting educational background which is rather weak.

Therefore, these results indicated that the Libyan accounting profession is very inefficient and unable to set up national accounting standards. These results are similar to the findings of Aljifri and Khasharmeh (2006) who found that the adoption of IASs in the UAE was due to the fact that the accounting profession is not sufficiently well developed or unable to undertake the setting of local accounting standards.

7.4. The influential factors on the adoption of IASs in Libya

This section presents the main findings of the study relating to the perceived effect of international and internal factors that influenced Libya in adopting IASs.

7.4.1. International factors

The international factors include entrance of foreign companies, international accounting firms, international institution legislation, the role of IASs in improving the quality of financial reports. The findings of the questionnaire survey and semi-structured interviews showed that both international and almost all internal factors had driven Libya to move towards adopting IASs. Interviews suggested that international factors were stronger influences than internal factors.

7.4.1.1. The entrance of foreign companies

The accounting literature considers the entrance of foreign investments into a country as one of the factors that might have an impact on adopting IASs. In this study, the survey and interviews results indicated that the investment of foreign capitals in the Libyan market was considered by most of the respondents (see the findings of Table 5.29 and section 6.5) to have a strong influence led Libyan authorities towards adopting IASs. These results were consistent with previous studies which indicated that attracting foreign capitals to invest in a country led the country's authorities to adopt IASs. On the other hand, to attract foreign investment, financial reporting of national business should follow accepted accounting standards like IASs (Dobija and Klimczak, 2010; Mashayekhi and Mashayekh, 2008; Al-Shammari et al, 2007; Srijunpetch, 2004; Kosonboon, 2004; Preobragenskaya and McGee (2003) and Daniel and Suranova, 2001).

The interviews suggested that allowing foreign investments to enter the Libyan market by partnership with national business and the absence of national accounting standards led to pressure from foreign investment on the Libyan government to adopt IAS to ensure their businesses are successful. In addition, to achieve these partnerships, these foreign companies need adequate information about the financial position of national companies to make their decision, so this could be achieved by adopting IASs. The results of the questionnaire survey also

appeared to have general agreement among participants of the four groups on the perceived effect of foreign investment on adopting IASs in Libya.

7.4.1.2. International accounting firms

The entrance of international accounting firms (Big 4) was considered in the accounting literature as an influential factor on the adoption of IASs. The findings of the questionnaire survey in this study showed that the majority of (about 74 per cent) of respondents thought that the entering of the Big 4 firms into the auditing market in Libya has a great impact the Libyan government to adopt IASs (see the findings of Table, 5.30). These findings also were in line with the results of the semi-structured interviews which indicated that the majority of interviewees have the same thinking as the questionnaire's respondents. These results were consistent with the findings of previous studies which suggested that the big 4 firms played an important role in the export of IASs/IFRS to large national companies (Sucher and Alexander, 2004; Rahman et al, 2002 and Al-Basteki, 1995).

According to the interviews, the Big 4 firms persuaded government and companies to adopt IASs because their staff have high skills and a good experience in implementing IASs. The absence of national accounting standards, the weakness of the LAAA and there were no accounting standards or principles, had been specified by most Libyan laws and regulations that relate to companies systems including the accounting system did not determine accounting standards or principles should be followed by companies. However, the interviewees who thought that the entering of the Big 4 firms has no effect on adopting IASs provided reasons for disagreement which suggests that financial reports have been influenced by laws and regulations and external auditors follow these laws and regulation when they audit these financial reports as well as Libyan accountants have not enough experience in implementing of IASs. The questionnaire results also revealed that there was a general agreement between the participant groups on the entering of the Big 4 in Libya has a great impact on the adoption of IASs.

7.4.1.3. International institutions legislation

It has been argued in the accounting literature that legislations of international financial institutions were considered as an important reason for adopting IASs. The results of the survey (see the findings of Table, 5.31) and the semi-structured interviews of this study indicated that there is a consensus among the respondents and interviewees regarding the effect of regulations on the presence of international organizations in Libya led Libyan authorities and Libyan businesses (companies and banks) to adopt IASs.

The results of interviews also showed that all most respondents believed that partnership of foreign institutes with national institutions and the fact that there is an absence of national accounting standards. These foreign institutions pressured the Libyan government and Libyan institutions to prepare financial reports in accordance with globally accepted accounting standards like IASs. Some interviewees provided example the BNP Paribas Group and the Al-Arabi Bank bought only 19 per cent of the share capital of national banks (the Sahara Bank and the Wahda Bank respectively) gave them the right of sharing in the management of the banks including preparing the financial reports of banks in line with requirements of their regulations which included IASs.

Another respondent from bank pointed out that the bank is required to follow IASs when preparing its financial reports because it has links with international organizations such as International Monetary Fund (IMF) and the World Bank (WB). These results were consistent with many previous studies that sought to investigate the factors which influence the adoption of IASs (Mir and Rahman, 2005; Kosonboon, 2004; Joshi and Ramadhan, 2002; Srijunpetch, 2004; Chamisa, 2000; Rahman, 1998). For example, Chamisa (2000) argued that the WB and IMF were increasingly insisting on the use of IASs by recipients of their finance.

7.4.1.4. The role of IASs in improving the quality of financial reports

It has been argued in the accounting literature that the quality of financial reporting is strongly related to the quality of accounting standards. The role of IASs in improving the quality of financial reporting are considered as a great motivating factor to adopt IASs. In this study the findings of questionnaire

survey illustrated there is a general agreement between the sample groups on this IAS's role was an important reason for Libya to adopt IASs (see the findings of Table, 5.32). These results are consistent with those results reported by the interviews. The majority of interviewees believed that the quality and increase in the credibility and reliability of financial reporting can be achieved by IASs. These results were in line with the views of Iatridis and Rouvolis (2010); Soderstrom and Sun (2007); Christensen, et al, (2008); Barth et al, 2008; Al-Shammari et al (2007); Ahasharmeh (2006); Jones and Higgins (2006); Jermakowicz (2004); Rawashdeh (2003). However, these results were not consistent with the findings of Ashraf and Ghani (2005) who found that Pakistan has adopted IASs as national standards, however, there was no evidence that the quality of financial reporting has been improved by the adoption of these standards.

The findings of the interviews indicated that the absence of national accounting standards, additionally, the laws and regulations prior to 2005 did not determine which accounting standards or principles should be applied by companies resulted in the difficulties in comparability of their financial reports by users. These difficulties could be sorted out by adopting IAS. This result was consistent with the previous studies which indicated that the adoption of IASs would result in advantages which would improving the quality of financial reporting, comparability and reliability (Al-Shammari et al, 2007; Aljifri and Khasharmeh; Weibenberger et al, 2004; Jermakowicz, 2004).

7.4.2. Internal factors

National factors that may have an impact on the adoption of IASs in Libya included growth of the Libyan economy, increasing the accounting education level and national external auditors.

7.4.2.1. Growth of the Libyan economy

The growth of a country's economy has received much attention in the accounting literature as one of factors that has a great impact on the adoption of IASs. The survey results of this study show that improvement of the Libyan economic growth was an important factor which influenced Libya to adopt IASs (see the results of Table 5.33). Moreover, the results also indicated that there is a

consensus among the respondents of the four sample groups regarding the positive impact of economic growth on the adopting of IASs whether by the Libyan government or by a company itself. These results also were in line with those results reported by the interviews. The results are also consistent with the findings for example, Preobragenskaya and McGee (2003); Daniel and Suranova (2001) and Larson (1993) who concluded that the development of economic growth led to the development of accounting. Moreover, their results also indicated that countries that adopted IASs have higher economic growth. However, the results of this study were inconsistent with the findings of Zeghal and Mhedhbi (2006) and Larson and Kenny (1995), for instance, Zeghal and Mhedhbi (2006) suggested that there were no significant relationships between economic growth and the adoption of IASs.

As discussed in chapter three, Libya is witnessing economic reforms and development over the last five years or so (after the lifting of sanctions period 2004) and, as a consequence, a development of the accounting profession has become a concern. The majority of interviewees also considered that the development of the Libyan economy has been seen as a result of different aspects such as changing the policy market; attracting of foreign investments; etc which required enacting laws that regulate the economic sector including the accounting practice by using globally accepted accounting standards like IASs.

7.4.2.2. Accounting education level

As mentioned in chapter three, the Libyan government paid more attention to developing and improving the education system at different levels and subjects including accounting education since increasing oil exports. This attention has continued due to economic development and increasing the number of businesses in the country, which resulted in the increase in education levels in general⁶ and accounting education in particular. For example, during the period 1977 – 2006 the number of undergraduate students in accounting increased from 1639 to 63502 students and the number of postgraduate students rose from 6000 students in 1999 to 9836 students in 2006 as well as there were 8935 postgraduate students abroad including the accounting subject area. Thus, from this

⁶ The number of students in different levels (primary, intermediate, university levels) has increased from 148,915 to 1, 444,244) during 1961 – 2006)

information it can be suggested that this increasing in the Libyan accounting education level has a significant impact on the adoption of IASs in Libya. These results were in line with the view of Archambault and Archambault (2009); Zeghal and Mhedhbi (2006) who concluded that countries with a higher literacy rate are the most motivated to adopt IASs.

The findings showed that the increase in the level of accounting education had a positive influence on the adoption of IASs. This result was consistent with the findings of Al-Akra et al (2009); Zeghat and Mhedhbi, (2006); Kosonboon, (2004) who suggested that the high level of accounting education influenced the extent of adoption of IAS. These results were also consistent with those results reported by the interviews. The findings of interviews indicated that the level of graduates abroad has an influence on the adoption of IAS in Libya more than the level of national graduates, because the overseas graduates have a high level of awareness about the accounting systems applied in the world and try to apply the appropriate accounting system to the Libyan environment. This aim could be achieved by adoption of IASs. Further, the majority of those graduates have been appointed in high positions in different organizations, which gave them a good chance to use these authorities to developing the accounting system in their organisations like adopting IASs or persuade Libyan authorities to adopt IASs.

7.4.2.3. External auditors

Furthermore, the results of the questionnaire survey showed that 49 per cent of respondents considered that the national external auditors have no significant impact on Libya to adopt IASs. However, about 44 per cent believed they influenced this process (see the findings of Table 5.35). The results also indicated that all sample groups believed national external auditors was not important factors led to adopting IASs except the external auditors themselves (STA and SRA) thought that they influenced the adoption of IASs. It can be suggested that this difference could have been caused by a self defensive attitude represented by the auditors themselves. Therefore, the general findings can be suggested that the external auditors had not influence on the adoption of IAS. These results were in line with the interviews' findings. However, the results were inconsistent with the findings of previous research which indicated that the external auditors had a

positive influence on the adoption of IASs (Al-Basteki (1995); Srijunpetch (2004).

According to the interviews national external auditors in Libya had no influence on adopting IAS because they strongly focus on requirements of laws and regulations and the accounting profession in Libya seems to be very weak so this is considered as a reflection on the weakness of its members including auditors. Additionally, as discussed in chapter three, the general background review of the accounting profession in Libya showed that the Libyan Accountants and Auditors Association (LAAA) played a very limited role in developing the accounting profession practice. In addition, as this study found that the accounting profession is very weak and the level of professionalism is low. Therefore, it can be suggested that the accounting profession seems to play a significant role in retaining external influences such as adopting IAS. This result was consistent with the findings of Aljifri and Khasharmeh (2006) who indicated that the reason for the United Arab Emirates (UAE) in adopting IASs is that the accounting profession is not sufficiently well developed or large enough to be able to set up national accounting standards.

7.5. The participation in accounting standards setting process

The results of both the questionnaire survey and interviews indicated that the level of participation in the accounting standard setting process including the EDLASs issued by the LAAA was very low. The findings of questionnaire survey showed that a few respondents (14 of 235) were involved in that process (see the findings of Table, 5.36). The findings indicated that the participation of interested groups (e.g. financial managers, external auditors and academics) had no impact on the standard setting process in Libya. This result was in line with Rahman et al (1994) who concluded that interested groups in New Zealand were provided with limited scope for participating in the formal process of accounting standards setting. The results reveal that few (9 of 104) external auditors were involved in the process of accounting standards in Libya (see Table, 5.36). This result was not consistent with the findings of previous studies which indicated that external auditors played a positive role in accounting standard setting (Mashayekhi and Mashayekh, 2008; Dariel and Suranova, 2001; Puro, 1984).

Moreover, the results also showed that academics and financial managers had very low participation in that process. This result was in line with the view that academics and public accountants had a low level of participation and a little influence on the standard setting decisions (Tandy and Wilburn, 1992 and 1996; Mcleay et al 2000), and with the findings of Georgiou (2000 and 2010) who suggested that companies had no effect on the accounting standards setting process because of the lack of their perception of consequences of proposals and they rely on their auditors to represent their place in participation. In addition, the most important reasons for users not participating in the process were the cost of lobbying and the belief that other users would represent their interests.

However, this result was not consistent with the findings of Hill et al (2002); Ang et al (1999) who indicated that companies managers were more likely to influence the process of accounting standard setting. The findings of the interviews showed that the low level of the interested groups' participations and lobbying behaviour on the accounting standard setting process resulted from the following reasons: the vast number (29 accounting standards) of the proposed LASs, which included a lot of accounting issues that professionals need in different subjects to address them and shortage of time and lack of resources. Moreover, these standards are translated document from IASs. The results of the interviews also indicated that the Libyan government strongly influenced the process of EDLASs setting through the GPC and, although, the LAAA is the only accounting body in Libya responsible for establishing accounting standards, however, the final accounting standards draft must be approved by the GPC before becoming mandatory. This result was consistent with the previous studies such as Al-Akra et al (2009); Ball et al (2003); Daniel and Suranova (2001). For example, Ball et al (2003) indicate that the governments in Malaysia and Singapore have taken more interventionist roles in accounting standard setting. Moreover, Daniel and Suranova (2001) concluded that the Slovak government is directly involved in accounting standards setting through the Ministry of Finance.

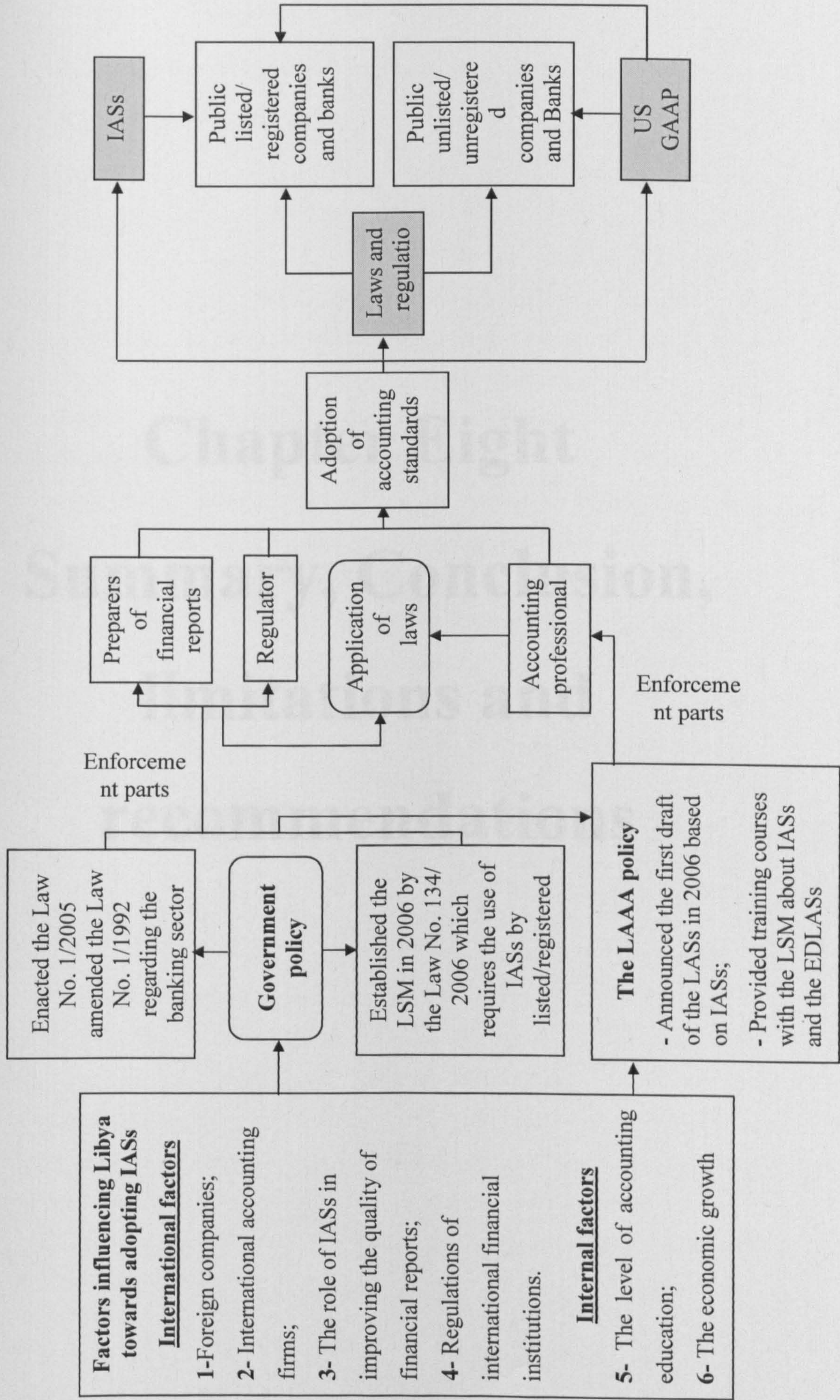
Furthermore, the results indicated that all respondents of the four sample groups who were involved in the process of EDLASs setting participated by attending public or formal meetings and there is no evidence that the submitted a comment

letter (see the findings of Table, 5.37). This result was consistent with view that the lack of interest groups' response in written submissions may be because they believed that their participation is not expected to influence the decision process (Weetman, et al 1996). However, this is not in line with the findings of Tandy and Wilburn (1996) who indicated that a few interested groups such as academics had submitted comment letters, with the majority participating only once.

7.6. Summary

This chapter discussed the findings of the questionnaire survey and the semi-structured interviews. The findings concluded that the corporate accounting profession and practices in Libya have been strongly influenced by laws such are the ITL and the LCC and regulations. The findings also indicate that the LAAA has played no part in the involvement of accounting laws drafting and accounting education, providing recommendations on accounting matters, and limited role in providing accounting training programs and developing the national accounting standards. In addition, the results show that the accounting professionalism in Libya is weak. The findings suggest that all factors examined have a great impact on the adoption of IASs in Libya except the national auditors. The findings also indicate that the participation of interested groups (external auditors, financial managers, academics and government) in the accounting standard setting process is very weak. The following chapter presents the conclusions and recommendations of the thesis.

Figure (7. 1): Summary of the processing of adopting IASs in Libya



Chapter Eight
Summary, Conclusion,
limitations and
recommendations

Chapter Eight

Summary, Conclusion, Limitations and Recommendations

8.1. Summary and conclusion

This study has attempted to analyse the nature and development of corporate accounting regulation in Libya. Within the agency theory context, the aim is to address the role of regulators (i.e. the Libyan Accountants and Auditors Association) in regulating the accounting profession in Libya. The accounting regulation and development are the sources of financial reports' preparers and users of financial information. Libya has been witnessing many economic reforms and development during the last decade particularly following the lifting of the sanctions by the UN in 2003 and by the US in 2004, and as a consequence, a development of the accounting regulation and accounting profession are with studying highlighted. This study also analyses the western influences of the UK and the US accounting practices, on the accounting in Libya, which were brought to the country after the discovery of oil in the late 1950's when American and British firms invested in the country particularly in the oil sector. Moreover, it can be concluded that the accounting profession in Libya has been influenced by international factors such as international companies and international accounting firms (mainly from the UK and the US), accountants from other countries, and Libyan postgraduates students coming from abroad (mainly from the UK and the US).

However, the Libyan Accountants and Auditors Association (LAAA) has attempted to prepare the national accounting standards based on IASs. In 2006 it announced the first draft of the Libyan Accounting Standards included 29 accounting standards. Moreover, at the same period the Libyan government enacted the Law No. 1 of 2005 concerning the banking sector which it requires that banks should comply with IASs when preparing their financial reports. In addition, the government has established the new Libyan Stock Market (LSM) by the decision No. 134 of 2006. This decision also required all Libyan companies whether public or private must register in the LSM and follow IASs when preparing their financial reports.

The study has discussed the concept of agency theory which appears to be supported in the main objective of this study which is the concept and nature of the accounting regulation. The study also analysed the process of accounting standard setting. It also discusses agency theory as suggested by the Puro (1984) that takes a particular view of a possible relationship between external auditors and owners (stockholders) which is underpinning this part of the research.

Over the last five years Libya has made some efforts politically and economically to come out of isolation and integrate in the global world. The open-door policy for foreign and national companies and banks to invest in Libya meant that the Accounting Standards used by Libyan institutions have had to change to adopt and standardize their regulations – the accounting profession and practice has made some progress to keep up with international standards, however, the findings reveal that there is still a long way to go. However, the relevant authorities who are responsible for the public companies and banking sector are aware of the shortcomings and are doing their best to catch up with the rest of the modern world.

This thesis, therefore, has investigated corporate accounting regulation and development and has examined factors influencing Libya towards adopting IASs. It has also provided better understanding of the accounting standard setting process, Libya was used as a case study. Furthermore, the study has shed light on the level of professionalism in Libya. This study has also provided a descriptive analysis of the data collected by the questionnaire survey that was distributed to the main four groups including financial managers (FM), statutory auditors (SRA), state auditors (STA), and accounting academics (AC). This study has given further insights obtained by semi-structured interviews, which reinforce the results obtained by the questionnaire survey.

In order to fulfill the objectives of this study, nine questions were answered. The descriptive analysis provided evidence implying that accounting regulation of Libyan public corporations and banks is strongly influenced by Libyan laws and regulations. The results of this study indicate that laws such as the Libyan Commercial Code (LCL) and the Income Tax Law (ITL) have a great impact on the preparation of financial statements of both companies and banks. In addition, financial statements of companies are also influenced by the General Financial

Regulation of Public Companies owned by society of 1980 (GFR). While the financial statements of banking sector are influenced by the specific law No 1 of 2005.

The results also show that the laws and regulations are considered as the main source for accountants and auditors in Libya. This is because Libya relied heavily on advisors from Britain, US and the UN when it established its different systems, including accounting laws. Furthermore, the results indicate that the accounting practices also have been influenced by the US GAAP and IASs. Although listed companies and banking sector in Libya are required to comply with IASs, the majority of them still comply with the US GAAP. In addition, there are no formal accounting standards that may be adhered to implement by unlisted companies. Moreover, it can be concluded that the enforcement of IASs is very weak and the absence of a standardised form and content of financial statements of unlisted companies in Libya has led to the emergence of different forms of financial statements, even those within the same industry.

The findings suggest that there is consistency between respondents that the legal regulation approach is preferred over the self-regulation approach for developing accounting practice. These findings indicate that Libyan laws and regulations seem to play a dominant role in professional accounting practice. Therefore, it can be concluded that laws and regulations are an important source for accounting practice which lessens the perceived need for accounting standards. Meeting the requirements of laws and regulations is considered as crucial in the accounting process.

The results of this research indicate that the accounting profession (LAAA) has no impact on corporate accounting practice in Libya, although it provided the first Exposure Draft of Libyan Accounting Standards (EDLASs) in 2006. The results show that the accounting profession in Libya has failed to achieve its objectives that are required by the Law 116 of 1973 and related to developing the corporate accounting practice i.e. involved in drafting governmental laws and regulations which related to the accounting matters, providing recommendations on accounting issues and monitoring accounting education. It has attempted to be involved by preparing the first EDLASs based on IASs, however, they are still inactive as a result of the weakness of the enforcement activity. Moreover, it can

be safe to conclude that the accounting profession in Libya is still in its early stages of developing corporate accounting practice and it appears to play only an important role in retaining external influences on the accounting practice. According to the Salter and Niswander (1995) criteria (longevity, setting exam and auditors' opinion on companies' financial reports) the empirical results of this research found that the level of professionalism in Libya is below the required standard.

In addition, the questionnaire survey and interviews results, opinions were expressed to suggest that the most influential factors which led to Libya adopting IASs were international and internal factors. The international factors included the needs of foreign companies, the activities of international accounting firms, legislation of international institutions, the role of IASs in improving the quality of financial reports. While the internal factors included growth of the Libyan economy and education level. However, there is no evidence that local external auditors had an impact on the adoption of IASs in Libya. Moreover, there was a general agreement between the interviews, respondents that the international factors were stronger influences than internal factors. The majority of interviewees suggested that as there are no approved national accounting standards and this led Libya to move toward adopting IASs.

The results of this research indicate that the level of participation in the process of accounting standard setting including the EDLASs was issued by the LAAA was inadequate. The questionnaire survey shows that only 14 of 235 participated in the process of the EDLASs setting. According to the interviewees the low level of the interested groups' participation and lobbying behaviour on the accounting standard setting process resulted from the following reasons. Firstly the huge number of the proposed LASs which include a lot of accounting issues. They need professionals in different subjects to address and comment on them. Secondly, lack of time and resources. Moreover, these standards are translated IASs documents into Arabic.

The results of the interviews also indicate that although the LAAA is the only accounting body in Libya responsible for establishing accounting standards, the Libyan government strongly influences the process of EDLASs setting through the GPC and, the final accounting standards draft must be approved by the GPC

before becoming mandatory. The interviewees explained that the accounting standard setting process starts with preparing a proposal of accounting standards by the LAAA followed by a meeting with the official committee. This committee has been formed by the GPC and consisted of a number of members from auditors, accountants, academics and regulars from the LAAA. After that the proposal should be approved by the GPC. In conclusion, this study revealed that despite government good intentions and ambitious economic programmes, accounting regulation in Libya is experiencing several constraints.

8.2. Limitations of the study

There are some limitations which need to be highlighted. Firstly, with respect to sample groups, such as regulators from the Libyan Stock Market (LSM) and auditors who work in the tax authority are not covered in this study. It can be argued that research incorporating the opinions of the LSM officers (regulators) and tax authority may identify other factors, which may have an impact on the adoption of IASs in Libya and important accounting sources of preparing the corporate and banks financial reports.

Secondly, the researcher also acknowledges the limitation of the interviews, specific issues and accounting concepts related to the IASs have not been discussed by the respondents particularly who studied and have their accounting qualifications from Libya. The main issues related to the accounting concept required respondents to understand current accounting practice and IASs. Respondents were more enthusiastic about commenting on general issues, because, at the time of the interviews, some of them revealed they had no knowledge about IASs. Therefore, the comments of some respondents may have been limited. The interviews included the same themes and questions as the questionnaire

Thirdly, the semi-structured interviews were conducted at the same time as the questionnaires were distributed. The interviews included the same themes and questions as the questionnaire. The interviews conducted after collecting data by the questionnaires may identify other issues such as the difficulties of complying with IASs by both public companies (listed/registered and unlisted) and banks.

Finally, access to some relevant information for making further analysis was not possible such as written comments of the members of the official committee which formed by the GPC to understand the interesting groups' lobbying on the EDLASs.

8.3. Recommendations

A review of the literature documents showed that the Libyan accounting profession is oriented towards the US accounting practice (see chapter two). Moreover, although Libyan authorities and the LAAA are moving towards adopting IASs, the accounting practice of public companies and national banks are still oriented towards the US accounting practice, therefore it is recommended that the Libyan Accountant and Auditors of Association (LAAA) should promote compliance with IASs/IFRS for both listed companies and banks because they are required by Libyan laws and unlisted companies for preparing to register in the LSM. The LAAA would benefit from the findings of this study, especially with regard to paying more attention to achieve its objectives which is required by Law 116 of 1973 including the involvement in drafting the government laws and regulations that relate to the accounting practices, observing the education programs and providing extensive accounting training programs particularly about applying IASs/IFRS and others that relate to the Libyan environment, etc.

Regarding the development of national accounting standards, the literature documents and the study's findings also reveal that there was an attempt to prepare national accounting standards (29 standards) based on IASs, however, they have not been applied due to the fact that have not been approved by the Libyan government. It is recommended that the LAAA should adopt IASs/IFRS. The adoption should start with one or few standards. It is also recommended that Libyan authorities should establish a new accounting institute responsible for interpreting (translation) IASs/IFRS and for preparing drafts of national accounting standard by cooperation with international accounting firms. This accounting institute should review the existing EDLASs and provide them to the LAAA then the LAAA should send one proposed accounting standard to its members for comment. This may ensure that the Libyan government approves it and so on for other accounting standard drafts.

This would lead to emergence of a uniform form of financial statements in the country and facilitate the companies to register on the Libyan Stock Market (LSM). The LAAA should in order to implement IASs/IFRS pay more attention to involvement in setting accounting curriculum to ensure that IASs/IFRS are included in accounting education programmes. A further recommendation is the LAAA should introduce an exam for its new members. This would enhance the quality of accounting and audit services in Libya, which in turn, would gain credibility in the accounting profession.

The researcher would communicate the results of this study and these recommendations to the LAAA, the LSM and other organizations intended to these recommendations by presenting them in conferences whether controlled by the LAAA, the LSM or any educational institutes in Libya and abroad. The research has been presented in some conferences in the UK. The researcher also intends to publish these results and recommendations in journals such as Journal of Accounting in Emerging Economies.

8.4. Suggestions for Further research

The current research has focused on the capital city Tripoli, Libya where most commercial activities and business as are located. Future research would cover different cities in the region. In addition, the research also focused on accounting regulation of public companies and banks, future research would focus on the private companies and banks. Moreover, since the current research is concerned with the adoption of IASs in Libya accounting regulation, future research would investigate the level of compliance with IASs in Libya, the suitability of IASs for the Libyan environment and the motives and barriers and problems of implementation of IASs in Libya. In addition, further research would examine the effects of adopting IASs on the quality of financial reports.

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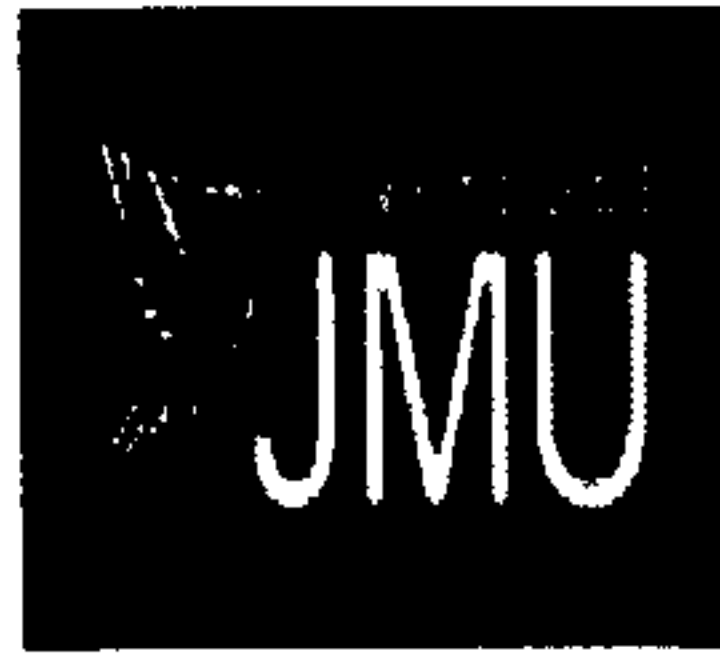
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Appendices

Appendix one (A)



Cover letter

Dear Respondent,

I am currently undertaking PhD research on the topic of "Investigating the Corporate Accounting Regulation and Factors Influencing the adoption of IASs in Libya" at the Faculty of Business and Law, Liverpool John Moores University in the United Kingdom. The main purpose of this research is to analyse the development of corporate accounting regulation in Libya and examine the factors which have influenced the decision taken by Libya towards adopting IASs.

The following questionnaire aims to achieve the objectives of the study. Considering your role and experience in preparing/auditing the Libyan companies' accounts, I would appreciate your assistance in contributing to this study by devoting some of your time to complete this questionnaire. This questionnaire consists of four sections:

Section one: concerns the respondent's details

Section two: deals accounting regulation and accounting development

Section three: focuses on influences on adopting the IASs

Section four: about the participation in accounting standard setting process

The questionnaire should take about 15 -20 minutes to complete. I can assure your responses will be strictly confidential and will be used only for the purpose of this study.

Thank you in advance for your cooperation and support.

Yours sincerely



Phrases definition

- Laws or regulations are referred to any laws or regulations that related to the regulation of the corporation accounting.
- State auditor is referred to an auditor who works in the Libyan Institutes of Financial Control (LIFC).
- Statuary auditor is referred to an auditor who works with an accounting firm.
- LAAA is referred to the Libyan Accountants and Auditors association.
- IASs are referred to International Accounting Standards.
- LASs are referred to Libyan Accounting Standards
- ED is referred to Exposure Draft of LASs
- Accounting principles are referred to the accounting principles that are applied by Libyan deferent firms.
- Managers are referred to financial managers and managers of internal auditing departments who work in both the public and private companies.
- Adoption of IAS is referred to approving the application of IASs in Libya by the general people's committee's decision No. 134 which was issued in 2006 for SM and the Law No. 1 which issued in 2005 for banking sector.



الأخ المشارك المحترم

تحية طيبة

يقوم الباحث حالياً بإعداد بحث دكتوراه بعنوان "الفحقيق من تنظيم محاسبة الشركات والعوامل المؤثرة في تبني معايير المحاسبية الدولية في ليبيا" بجامعة ليفربول جون مورس بالمملكة المتحدة. الغرض الأساسي لهذه الدراسة هو التحقق من العوامل المؤثرة على إتجاه ليبيا لتبني المعايير المحاسبية الدولية ودور نقابة المحاسبين والمراجعين الليبيين في التنظيم والتطوير المحاسبي وخاصة في محاسبة الشركات.

الإستبيان المرفق أعد لإنجاز الأهداف المذكورة وبناءً على دوركم وخبرتكم في مجال مراجعة القوائم المالية للشركات أرتاء الباحث الإستعانة بكم والإستفادة من خبرتكم لإنجاز هذا البحث وأنه من دواعي سرورنا لو تكرمتم بتخصيص جزء من وقتكم الثمين للمساعدة بمساهمتكم في إتمام هذا البحث من خلال الإجابة على الإستبيان المرفق والذي يتضمن أربعة أقسام هي:

القسم الأول: معلومات عامة

القسم الثاني: التنظيم والتطوير المحاسبي لمحاسبة الشركات

القسم الثالث: العوامل المؤثرة على تبني المعايير المحاسبية الدولية

القسم الرابع: المشاركة في عملية إعداد المعايير المحاسبية

مرفق بهذا الإستبيان ظرفاً مختوماً ومدوناً بعنواننا البريدي. الإستبيان سوف يستغرق حوالي 15 – 20 دقيقة لإتمامه وسوف تعامل كافة البيانات المقدمة من طرفكم بسرية وإستعمالها في أغراض البحث العلمي فقط.

ولكم مني جزيل الشكر

وفائق الإحترام

على حسن تعاونكم

عيسى الفرجاني

طالب دكتوراة

جامعة ليفربول جون مورس

كلية إدارة الأعمال والقانون

هاتف: 092 500 8083

E-mail: E.R.El-Firjani@2007.ljmu.ac.uk

توضيح لبعض العبارات والمصطلحات

- القوانين واللوائح: يقصد بها القوانين واللوائح ذات العلاقة بتنظيم حسابات الشركات في ليبيا.
- مراجع الدولة: المراجع الذي يعمل بجهاز المراجعة المالية.
- المراجع القانوني: المراجع الذي يعمل بمكتب/ بشركة محاسبة و مراجعة.
- نقابة المحاسبة والمراجعة: نقابة المحاسبين والمراجعين الليبيين المنظمة لمهنة المحاسبة والمراجعة في ليبيا.
- معايير المحاسبة الدولية: معايير المحاسبة الصادرة عن مجلس معايير المحاسبة الدولية.
- معايير المحاسبة الليبية: مسودة معايير المحاسبة الليبية المعدة من قبل نقابة المحاسبين والمراجعين الليبيين.
- مبادئ المحاسبة: المبادئ المحاسبية المطبقة من قبل مختلف الشركات العامة.
- المدراء: المدراء الماليين بالشركات العامة.
- تبني المعايير المحاسبية الدولية: اعتماد تطبيق معايير المحاسبة الدولية في ليبيا بقرار اللجنة الشعبية العامة رقم 134 لسنة 2006 بشأن سوق الأوراق المالية والقانزن رقم 1 لسنة 2005 بشأن المصارف سواء عن طريق الجهات العامة للدولة أو عن طريق إدارات الشركات أنفسهم.

Appendix one (B)



Questionnaire to auditors

Please tick the appropriate answer or enter your reply in the appropriate space.

Section one: about respondent's details

Q1. Age:

- | | |
|---|--|
| <input type="checkbox"/> Less than 20 years | <input type="checkbox"/> 21 -30 years |
| <input type="checkbox"/> 31 – 40 years | <input type="checkbox"/> 41 – 50 years |
| <input type="checkbox"/> Over 50 years | |

Q2. Highest qualification:

- | | |
|---|-----------------------------------|
| <input type="checkbox"/> Higher Diploma | <input type="checkbox"/> Bachelor |
| <input type="checkbox"/> Masters | <input type="checkbox"/> Ph.D |
| <input type="checkbox"/> Other (please specify) ----- | |

Q3. Subject area:

- | | |
|---|---|
| <input type="checkbox"/> Accounting | <input type="checkbox"/> Administration |
| <input type="checkbox"/> Economics | <input type="checkbox"/> Finance |
| <input type="checkbox"/> Other (please specify) ----- | |

Q4. Accounting and finance experience:

- | | |
|---|---|
| <input type="checkbox"/> Less than a year | <input type="checkbox"/> 1 to 5 tears |
| <input type="checkbox"/> 6 to 10 years | <input type="checkbox"/> 11 to 15 years |
| <input type="checkbox"/> 16 to 20 years | <input type="checkbox"/> More than 20 years |

Q5. Which group you are?

- | | |
|---|--|
| <input type="checkbox"/> Statutory auditor | <input type="checkbox"/> State auditor |
| <input type="checkbox"/> Other (please specify) ----- | |

Q6. Place of study:

- | | |
|---|---|
| <input type="checkbox"/> Libya | <input type="checkbox"/> Arabic country |
| <input type="checkbox"/> UK | <input type="checkbox"/> USA |
| <input type="checkbox"/> Other (please specify) ----- | |

Section two: about the accounting regulation and accounting development

Q7. The following questions provide details which are related to preparation of company's financial reports. Please indicate your level of agreement/disagreement with them? (Please tick one box for each objective).

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a	The financial reports comply with IASs					
b	The financial reports comply with the US Generally Accepted Accounting Principles (US GAAP)					
c	The financial reports comply with the Exposure Drafts (ED) of the Libyan Accounting Standards(LASs)					
d	The financial reports comply with Libyan laws/regulations which relate to company's activities					
e	Other (please specify)					

Q8. There are two accounting regulation approaches (self-regulation and legal regulation)* can be chosen by a country to regulate and establish a set of accounting standards. Please indicate to what extent the following approaches do you think are most appropriate in developing accounting standards in Libya? (Please tick one box for each objective)

- Under **Self-regulation** accounting profession is regulated by private bodies without or with limited intervention from government. While, under **Legal regulation** accounting profession is regulated by government with limited role from private bodies.

Approach	Very Inappropriate	Inappropriate	Neutral	Appropriate	Very Appropriate
Self-regulation					
Legal regulation					

Q9. In general, to what extent do you agree with should Libya adopt all the IASs? (Please tick one box for each objective)

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

10. When you audit company financial reports to what extent do you concern your opinion with the following sources as main regulations to recommend the company to follow?

	Sources	Very Unimportant	Unimportant	Neutral	Important	Very Important
A	International Accounting Standards (IASs)					
b	The US Generally Accepted Accounting Principles (US GAAP)					
C	The ED of the LASs					

d	Libyan laws/regulations which relate to company's activities					
E	Other (please specify)					

Q11. In your opinion, to what extent does the Libyan Accountants and Auditors Association achieve its important role in the following objectives? (Please tick one box for each objective).

		Very limited	limited	Neutral	Substantial	Very Substantial
A	Developing accounting standards					
b	Involved in guiding the government in drafting laws which are related to accounting profession					
C	Providing recommendations on matters where accounting regulation is lacking					
d	Observing education/training programmes					
E	Providing accounting education/training focuses on national international needs					
F	Other (please specify)					

Q12. As you are as statutory auditor, by which of the following conditions did you get your licence?

a	Sit an examination	
b	Hold PhD without any experience	
C	Hold PhD with experience	
D	Hold Master without any experience	
e	Hold Master with experience	
f	Hold BA with required experience by the Law	
g	Hold BA without any experience	
h	Other (please specify)	

Q13. In your opinion, to what extent do you think the following factors have contributed to the development of accounting in Libya? (Please tick one box for each objective)

	Factor	Very Limited	Limited	Neutral	Substantial	Very Substantial
a	Government's laws and regulations					
b	Accounting education					
c	Libyan accounting profession					
d	Foreign companies influences					
e	Others (please specify)					

Section three: about influences on adopting the IASs in Libya

Q14. Please indicate your level of response to the following: (Please tick one box for each objective)

	Factor	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
A	The entrance of foreign corporations have resulted in the adoption of IASs					
b	Increasing in the level of accounting education in Libya has led to the adoption of IASs					
C	The entrance of International Accounting Firms has resulted in the adoption of the IASs					
d	The international financial institutions legislation is a major factor that drove the decision to adopt IASs					
E	National external auditors have a positive influence in adoption of IASs					
F	The improvement in Libyan economy is a good influence in adoption of IASs					
g	IASs are helpful to Libya to improve the quality of financial reporting					
h	Others (please specify)					

Section four: about the participation in accounting standard setting process

Q15. Were you involve in any stage of the Libyan accounting standard setting process?

Yes	
No	

Q16. If your answer is yes, according to which of the following approaches did you take part in participation in Libyan accounting standard setting process?

a	As a member of the working group on the ED of the LASs	
b	As a member of the LAAA	
c	As an attendant in public hearing	
d	By providing a comment letter	
e	Others (please specify)	

Q17. Would you like to receive a brief report of this study's results when available?

Yes	
No	

Q18. If yes, please fill the following?

- Name of the organization: -----
- Phone No: -----
- E-mail: -----

Q19. From your experience, please feel free to give any comments and identify reasons not included in this questionnaire which might influence the development of accounting regulation in Libya and the reasons for the country's decision in adopting IASs.



إستبيان للمراجعين الخارجيين للشركات

القسم الاول: معلومات عامة

(من فضلك ضع إجابتك المناسبة بوضع علامة (✓) في الخانة المناسبة لكل سؤال من الأسئلة التالية).

س 1. ما هي المجموعة العمرية التي تنتمي إليها؟

20 سنة فما أقل	<input type="checkbox"/>	21 - 30 سنة	<input type="checkbox"/>
31 - 40 سنة	<input type="checkbox"/>	41 - 50 سنة	<input type="checkbox"/>
أكبر من 50 سنة	<input type="checkbox"/>		

س 2. أشر إلى أعلى مؤهل متحصل عليه؟

دبلوم متوسط	<input type="checkbox"/>	دبلوم عالي	<input type="checkbox"/>
بكالوريوس	<input type="checkbox"/>	ماجستير	<input type="checkbox"/>
دكتوراه	<input type="checkbox"/>	أخرى (وضح)-----	<input type="checkbox"/>

س 3. ما هو تخصصك؟

محاسبة	<input type="checkbox"/>	إدارة أعمال	<input type="checkbox"/>
إقتصاد	<input type="checkbox"/>	مالية عامة	<input type="checkbox"/>
	<input type="checkbox"/>	أخرى (وضح)-----	<input type="checkbox"/>

س 4. ما هي سنوات خبرتك المالية والمحاسبية؟

أقل من سنة	<input type="checkbox"/>	1 - 5 سنوات	<input type="checkbox"/>
6 - 10 سنوات	<input type="checkbox"/>	11 - 15 سنة	<input type="checkbox"/>
16 - 20 سنة	<input type="checkbox"/>	أكثر من 20 سنة	<input type="checkbox"/>

س 5. ما هو مكان عملك الحالي؟

مكتب اشركة محاسبة ومراجعة	<input type="checkbox"/>
جهاز الرقابة المالية	<input type="checkbox"/>
أخرى (وضح)-----	<input type="checkbox"/>

س 6. بلد الدراسة لأعلى مؤهل متحصل عليه:

ليبيا	<input type="checkbox"/>	الدول العربية الأخرى	<input type="checkbox"/>
بريطانيا	<input type="checkbox"/>	أمريكا	<input type="checkbox"/>
كندا	<input type="checkbox"/>	أخرى (وضح)-----	<input type="checkbox"/>

القسم الثاني: معلومات حول التنظيم والتطوير المحاسبي

(من فضلك اختر إجابة واحدة بوضع علامة (✓) في أحد الخيارات المخصصة لكل فقرة من فقرات الأسئلة التالية).

س 7. الحالات التالية توضح المصادر المتعلقة بإعداد التقارير المالية للشركات من فضلك أشر إلى الإجابة المناسبة التي تعبر عن مدى موافقتك عنها؟

ت	البيان	موافق بشدة	موافق	محايدة	غير موافق بشدة	غير موافق بشدة
a	التقارير المالية للشركات تعد وفقاً للقوانين/اللوائح الليبية ذات العلاقة بأنشطة الشركات					
b	التقارير المالية للشركات تعد وفقاً للمعايير المحاسبية الدولية					
c	التقارير المالية للشركات تعد وفقاً لمعايير المحاسبة الليبية					
d	التقارير المالية للشركات تعد وفقاً للمبادئ المحاسبية الأمريكية المقبولة قبولاً عاماً					
e	أخرى (من فضلك وضح)					

س 8. هناك أسلوبان للتنظيم المحاسبي هما التنظيم الذاتي والتنظيم القانوني والذان بواسطتهما تقوم أي دولة بتنظيم وإصدار المعايير المحاسبية. من فضلك حدد إلى أي مدى بأن هذين الأسلوبين مناسبان في تنظيم وتطوير مهنة المحاسبة في ليبيا؟

ت	الإسلوب	مناسب تماماً	مناسب	محايد	غير مناسب	غير مناسب تماماً
a	التنظيم الذاتي					
b	التنظيم القانوني					

س 9. بشكل عام، ما مدى موافقتك على تبني ليبيا لجميع معايير المحاسبة الدولية؟

أوافق بشدة	أوافق	محايد	لا أوافق	لا أوافق بشدة

س 10. ما مدى أهمية المصادر التالية أثناء قيامك بمراجعة القوائم المالية وإبداء رأيك المهني حولها؟

ت	المصدر	مهم جداً	مهم	محايد	غير مهم	غير مهم على الإطلاق
a	معايير المحاسبة الدولية					
b	المبادئ المحاسبية الأمريكية المقبولة قبولاً عاماً					
c	معايير المحاسبة الليبية					
d	القوانين واللوائح ذات العلاقة بأنشطة الشركات					
e	أخرى (من فضلك وضح)					

س11. في رأيك، إلى أي مدى تقوم نقابة المحاسبين والمراجعين بدورها في إنجاز الأهداف التالية؟

ت	الهدف	كبير جدا	كبير	محايد	محدود	محدودا للغاية
a	تطوير المعايير المحاسبية					
b	تطوير معايير المراجعة					
c	المشاركة في إرشاد الدولة في مسودة القوانين التي تتعلق بمهنة المحاسبة					
d	تقديم التوصيات حول المسائل و القصور في التنظيم المحاسبي					
e	تقديم البرامج التعليمية/التدريبية التي تركز على إحتياجات البيئة المحلية (الليبية)					
f	مراقبة ومتابعة البرامج التعليمية/التدريبية					
g	أخرى (من فضلك وضح)					

س12. باعتبارك مراجع قانوني أي الشروط التالية كانت من الواجب توافرها لحصولك على ترخيص ممارسة المهنة؟ (يمكنك إختيار أكثر من إجابة بوضع علامة (✓) في الخانات المخصصة تحت)

ت	الشروط	✓
a	إجراء إمتحان	
b	حصولك على شهادة دكتوراة	
c	حصولك على شهادة دكتوراة مع توفر 5 سنوات خبرة	
d	حصولك على شهادة ماجستير	
e	حصولك على شهادة ماجستير مع توفر 5 سنوات خبرة	
f	حصولك على شهادة بكالوريوس	
g	حصولك على شهادة بكالوريوس مع توفر 5 سنوات خبرة	
h	أخرى (من فضلك وضح)	

س13. في رأيك، إلى أي مدى تعتقد أن العوامل التالية قد أسهمت في تطوير مهنة المحاسبة في ليبيا وبالأخص في محاسبة الشركات؟

ت	العوامل	كبير جدا	كبير	محايد	محدود	محدودا للغاية
a	القوانين واللوائح					
b	التعليم المحاسبي					
c	نقابة المحاسبين والمراجعين الليبيين					
d	تأثيرات الشركات الأجنبية					
e	أخرى (من فضلك وضح)					

القسم الثالث: معلومات حول العوامل المؤثرة على تبني وتطبيق معايير المحاسبة الدولية في ليبيا

س14. من خلال خبرتك كمراجع، من فضلك أشر إلى الإجابة المناسبة التي تعبر عن موقفك حول الحالات التالية؟

ت	البيان	موافق بشدة	موافق	محايد	غير موافق	غير موافق بشدة
a	دخول الشركات الأجنبية والمتعددة الجنسية إلى ليبيا أدى إلى تبني معايير المحاسبة الدولية					
b	التطور في مستوى التعليم في ليبيا قاد إلى تبني معايير المحاسبة الدولية					
c	دخول شركات المحاسبة والمراجعة الدولية إلى ليبيا					

Appendix one (C)



Questionnaire to managers

Please tick the appropriate answer or enter your reply in the appropriate space.

Section one: about respondent's details

Q1. Age:

- | | |
|---|--|
| <input type="checkbox"/> Less than 20 years | <input type="checkbox"/> 21 -30 years |
| <input type="checkbox"/> 31 – 40 years | <input type="checkbox"/> 41 – 50 years |
| <input type="checkbox"/> Over 50 years | |

Q2. Highest qualification:

- | | |
|---|-----------------------------------|
| <input type="checkbox"/> Higher Diploma | <input type="checkbox"/> Bachelor |
| <input type="checkbox"/> Masters | <input type="checkbox"/> Ph.D |
| <input type="checkbox"/> Other (please specify) ----- | |

Q3. Subject area:

- | | |
|---|---|
| <input type="checkbox"/> Accounting | <input type="checkbox"/> Administration |
| <input type="checkbox"/> Economics | <input type="checkbox"/> Finance |
| <input type="checkbox"/> Other (please specify) ----- | |

Q4. Accounting and finance experience:

- | | |
|---|---|
| <input type="checkbox"/> Less than a year | <input type="checkbox"/> 1 to 5 tears |
| <input type="checkbox"/> 6 to 10 years | <input type="checkbox"/> 11 to 15 years |
| <input type="checkbox"/> 16 to 20 years | <input type="checkbox"/> More than 20 years |

Q5. Which group you are?

- | | |
|---|--|
| <input type="checkbox"/> Financial manager in company | |
| <input type="checkbox"/> Financial manager in | |
| <input type="checkbox"/> Other (please specify) ----- | |

Q6. Place of study:

- | | |
|---|---|
| <input type="checkbox"/> Libya | <input type="checkbox"/> Arabic country |
| <input type="checkbox"/> UK | <input type="checkbox"/> USA |
| <input type="checkbox"/> Other (please specify) ----- | |

Section two: about the accounting regulation and accounting development

Q7. The following sources are considered as main accounting regulations, to what extent does your department depends on them when preparing the present financial reports? (Please tick one box for each objective).

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
A	International Accounting Standards (IASs)					
b	The US Generally Accepted Accounting Principles (US GAAP)					
C	The Exposure Drafts (ED) of the Libyan Accounting Standards (LASs)					
d	Libyan laws/regulations which relate to company's activities					
E	Other (please specify)					

Q8. There are two accounting regulation approaches (self-regulation and legal regulation)* can be chosen by a country to regulate and establish a set of accounting standards. Please indicate to what extent the following approaches do you think are most appropriate in developing accounting standards in Libya? (Please tick one box for each objective)

- Under **Self-regulation** accounting profession is regulated by private bodies without or with limited intervention from government. While, under **Legal regulation** accounting profession is regulated by government with limited role from private bodies.

Approach	Very Inappropriate	Inappropriate	Neutral	Appropriate	Very Appropriate
Self-regulation					
Legal regulation					

Q9. In general, to what extent do you agree with should Libya adopt all the IASs?

(Please tick one box for each objective)

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Q10. In your opinion, to what extent does the Libyan Accountants and Auditors Association achieve its important role in the following objectives? (Please tick one box for each objective).

		Very limited	limited	Neutral	Substantial	Very Substantial
A	Developing accounting standards					
b	Involved in guiding the government in drafting laws which are related to accounting profession					
C	Providing recommendations on matters where accounting regulation is lacking					
d	Observing education/training programmes					
E	Providing accounting education/training focuses on national international needs					
F	Other (please specify)					

Q11. In your opinion, to what extent do you think the following factors have contributed to the development of accounting in Libya? (Please tick one box for each objective)

	Factor	Very Limited	Limited	Neutral	Substantial	Very Substantial
a	Government's laws/regulations					
b	Accounting education					
c	Libyan accounting profession					
d	Foreign companies influences					
e	Others (please specify)					

Section three: about influences on adopting the IASs in Libya

Q12. Please indicate your level of response to the following: (Please tick one box for each objective)

	Factor	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
A	The entrance of foreign corporations have resulted in the adoption of IASs					
C	Increasing in the level of accounting education in Libya has led to the adoption of IASs					
d	The entrance of International Accounting Firms has resulted in the adoption of the IASs					
E	The international financial institutions legislation is a major factor that drove the decision to adopt IASs					
F	National external auditors have a positive influence in adoption of IASs					
g	The improvement in Libyan economy is a good influence in adoption of IASs					
h	IASs are helpful to Libya to improve the quality of financial reporting					
I	Others (please specify)					

Q13, Has your company/bank registered on the LSM?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

Section four: about the participation in accounting standard setting process

Q14. Were you or your company involve in any stage of the Libyan accounting standard setting process?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

Q15. If your answer is yes, according to which of the following approaches did you take part in participation in Libyan accounting standard setting process? (You can take more than one).

a	As a member of the working group on the ED of the LASs	<input type="checkbox"/>
b	As a member of the LAAA	<input type="checkbox"/>
C	As an attendant in public hearing	<input type="checkbox"/>
D	By providing a comment letter	<input type="checkbox"/>
e	Others (please specify)	<input type="checkbox"/>

Q16. Would you like to receive a brief report of this study's results when available?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

Q17. If yes, please fill the following?

- Name of the organization: -----
- Phone No: -----
- E-mail: -----

Q18. From your experience, please feel free to give any comments and identify reasons not included in this questionnaire which might influence the development of accounting regulation in Libya and the reasons for the country's decision in adopting IASs.



إستبيان للمدراء الماليين

القسم الاول: معلومات عامة

(من فضلك ضع إجابتك المناسبة بوضع علامة (✓) في الخانة المناسبة لكل سؤال من الأسئلة التالية).

س 1. ما هي المجموعة العمرية التي تنتمي إليها؟

20 سنة فما أقل	<input type="checkbox"/>	21 - 30 سنة	<input type="checkbox"/>
31 - 40 سنة	<input type="checkbox"/>	41 - 50 سنة	<input type="checkbox"/>
أكبر من 50 سنة	<input type="checkbox"/>		

س 2. أشر إلى أعلى مؤهل متحصل عليه؟

دبلوم متوسط	<input type="checkbox"/>	دبلوم عالي	<input type="checkbox"/>
بكالوريوس	<input type="checkbox"/>	ماجستير	<input type="checkbox"/>
دكتوراه	<input type="checkbox"/>	أخرى (وضح)-----	<input type="checkbox"/>

س 3. ما هو تخصصك؟

محاسبة	<input type="checkbox"/>	إدارة أعمال	<input type="checkbox"/>
إقتصاد	<input type="checkbox"/>	مالية عامة	<input type="checkbox"/>
	<input type="checkbox"/>	أخرى (وضح)-----	<input type="checkbox"/>

س 4. ما هي سنوات خبرتك المالية والمحاسبية؟

أقل من سنة	<input type="checkbox"/>	1 - 5 سنوات	<input type="checkbox"/>
6 - 10 سنوات	<input type="checkbox"/>	11 - 15 سنة	<input type="checkbox"/>
16 - 20 سنة	<input type="checkbox"/>	أكثر من 20 سنة	<input type="checkbox"/>

س 5. ما هو مكان عملك الحالي؟

شركة	<input type="checkbox"/>
مصرف	<input type="checkbox"/>
أخرى (وضح)-----	<input type="checkbox"/>

س 6. بلد الدراسة لأعلى مؤهل متحصل عليه:

ليبيا	<input type="checkbox"/>	الدول العربية الأخرى	<input type="checkbox"/>
بريطانيا	<input type="checkbox"/>	أمريكا	<input type="checkbox"/>
كندا	<input type="checkbox"/>	أخرى (وضح)-----	<input type="checkbox"/>

القسم الثاني: معلومات حول التنظيم والتطوير المحاسبي

(من فضلك اختر إجابة واحدة بوضع علامة (✓) في أحد الخيارات المخصصة لكل فقرة من فقرات الأسئلة التالية).

س7. الحالات التالية توضح المصادر المتعلقة بإعداد التقارير المالية للشركات من فضلك أشر إلى الإجابة المناسبة التي تعبر عن مدى موافقتك عنها؟

ت	اليبيان	موافق بشدة	موافق	محايد	غير موافق	غير موافق بشدة
a	التقارير المالية للشركة تعد وفقاً للقوانين/اللوائح الليبية ذات العلاقة بأنشطة الشركات					
b	التقارير المالية للشركة تعد وفقاً للمعايير المحاسبية الدولية					
c	التقارير المالية للشركة تعد وفقاً لمعايير المحاسبة الليبية					
d	التقارير المالية للشركة تعد وفقاً للمبادئ المحاسبية الأمريكية المقبولة قبولاً عاماً					
e	أخرى (من فضلك وضح)					

س8. هناك أسلوبان للتنظيم المحاسبي هما التنظيم الذاتي والتنظيم القانوني والذان بواسطتهما تقوم أي دولة بتنظيم وإصدار المعايير المحاسبية. من فضلك حدد إلى أي مدى بأن هذين الأسلوبين مناسبان في تنظيم وتطوير مهنة المحاسبة في ليبيا؟

ت	الإسلوب	مناسب تماماً	مناسب	محايد	غير مناسب	غير مناسب تماماً
a	التنظيم الذاتي					
b	التنظيم القانوني					

س9. بشكل عام، ما مدى موافقتك على تبني ليبيا لجميع معايير المحاسبة الدولية؟

أوافق بشدة	أوافق	محايد	لا أوافق	لا أوافق بشدة

س10. في رأيك، إلى أي مدى تقوم نقابة المحاسبين والمراجعين بدورها في إنجاز الأهداف التالية؟

الهدف	كبير جداً	كبير	محايد	محدود	محدود للغاية
a					
b					
c					
d					
e					
f					
g					

س11. في رأيك، إلى أي مدى تعتقد أن العوامل التالية قد أسهمت في تطوير مهنة المحاسبة في ليبيا وبالأخص في محاسبة الشركات؟

ت	العوامل	كبير جداً	كبير	محايد	محدود	محدود للغاية
a	القوانين واللوائح					
b	التعليم المحاسبي					
c	نقابة المحاسبين والمراجعين الليبيين					
d	تأثيرات الشركات الأجنبية					
e	أخرى (من فضلك وضح)					

القسم الثالث: معلومات حول العوامل المؤثرة على تبني وتطبيق معايير المحاسبة الدولية في ليبيا

س12. من خلال خبرتك كمحاسب، من فضلك أشر إلى الإجابة المناسبة التي تعبر عن موقفك حول الحالات التالية؟

ت	البيان	موافق بشدة	موافق	محايد	غير موافق	غير موافق بشدة
a	دخول الشركات الأجنبية والمتعددة الجنسية إلى ليبيا أدى إلى تبني معايير المحاسبة الدولية					
b	التطور في مستوى التعليم في ليبيا قاد إلى تبني معايير المحاسبة الدولية					
c	دخول شركات المحاسبة والمراجعة الدولية إلى ليبيا أدى إلى تبني معايير المحاسبة الدولية					
d	تشريعات المؤسسات المالية الدولية تعتبر عامل رئيسي دفع ليبيا إلى تبني معايير المحاسبة الدولية					
e	المراجعين الخارجيين كان لهم أثر ايجابي على تبني معايير المحاسبة الدولية					
f	النمو الإقتصادي في ليبيا يعتبر مؤثر ايجابي على تبني معايير المحاسبة الدولية					
g	دور المعايير المحاسبية الدولية في تحسين جودة/كفاءة التقارير المالية أدى إلى تبني معايير المحاسبة الدولية					
h	أخرى (من فضلك وضح)					

س13. هل شركتك مسجلة بسوق الأوراق المالية الليبي؟

نعم	لا

القسم الرابع: معلومات حول المشاركة في عملية إعداد المعايير المحاسبية في ليبيا

س14. هل أنت أو شركتكم شاركتكم في عملية وضع مسودة معايير المحاسبة الليبية؟

نعم	لا

س15. إذا كانت إجابتك "بنعم"، بأي الأساليب التالية شاركتكم في عملية وضع مسودة معيار المحاسبة الليبية؟ (يمكنك إختيار أكثر من إجابة بوضع علامة (✓) في الخانات المخصصة تحت)

ت	الإسـلوب
✓	
a	باعتبارك عضو في مجموعة وضع مسودة معايير المحاسبة الليبية
b	باعتبارك عضو في نقابة المحاسبين والمراجعين الليبيين
c	حضورك في إجتماع عام لمناقشة هذه المعايير
d	عن طريق تقديم مشاركة مكتوبة
f	أخرى (من فضلك وضح)

س 16. هل ترغب في الحصول على ملخص لنتائج هذه الدراسة؟

لا	نعم

س 17. إذا كانت إجابتك بنعم نأمل التفضل بتعبئة الفراغات التالية:

- اسم جهة العمل
- رقم الهاتف الذي يمكننا من الوصول اليك
- البريد الإلكتروني

س 18. الخانة أدناه مخصصة لإبداء أى تعليقات لديك عن هذا الإستبيان وأي عوامل أخرى من الممكن ان تكون لها الأثر في تبني تطبيق المعايير المحاسبية الدولية والتنظيم والتطوير المحاسبي في ليبيا.

شكرا على حسن تعاونكم
ولكم مني فائق الاحترام
عيسى الفرجاني

Appendix one (D)



Questionnaire to accounting academics

Please tick the appropriate answer or enter your reply in the appropriate space.

Section one: about respondent's details

Q1. Age:

- | | |
|---|--|
| <input type="checkbox"/> Less than 20 years | <input type="checkbox"/> 21 -30 years |
| <input type="checkbox"/> 31 – 40 years | <input type="checkbox"/> 41 – 50 years |
| <input type="checkbox"/> Over 50 years | |

Q2. Highest qualification:

- | | |
|---|-----------------------------------|
| <input type="checkbox"/> Higher Diploma | <input type="checkbox"/> Bachelor |
| <input type="checkbox"/> Masters | <input type="checkbox"/> PhD |
| <input type="checkbox"/> Other (please specify) ----- | |

Q3. Subject area:

- | | |
|---|---|
| <input type="checkbox"/> Accounting | <input type="checkbox"/> Administration |
| <input type="checkbox"/> Economics | <input type="checkbox"/> Finance |
| <input type="checkbox"/> Other (please specify) ----- | |

Q4. Accounting and finance experience:

- | | |
|---|---|
| <input type="checkbox"/> Less than a year | <input type="checkbox"/> 1 to 5 years |
| <input type="checkbox"/> 6 to 10 years | <input type="checkbox"/> 11 to 15 years |
| <input type="checkbox"/> 16 to 20 years | <input type="checkbox"/> More than 20 years |

Q5. Place of study:

- | | |
|---|---|
| <input type="checkbox"/> Libya | <input type="checkbox"/> Arabic country |
| <input type="checkbox"/> UK | <input type="checkbox"/> USA |
| <input type="checkbox"/> Other (please specify) ----- | |

Section two: about the accounting regulation and accounting development

Q6. There are two regulation approaches (self-regulation and legal regulation)* can be chosen by a country to regulate and establish a set of accounting standards. Please indicate to what extent the following approaches do you think are most appropriate in developing accounting standards in Libya? (Please tick one box for each objective)

- Under **Self-regulation** accounting profession is regulated by private bodies without or with limited intervention from government. While, under **Legal regulation** accounting profession is regulated by government with limited role from private bodies.

Approach	Very Inappropriate	Inappropriate	Neutral	Appropriate	Very Appropriate
Self-regulation					
Legal regulation					

Q7. In general, to what extent do you agree with should Libya adopt all the IASs?

(Please tick one box for each objective)

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Q8. In your opinion, to what extent does the Libyan Accountants and Auditors Association achieve its important role in the following objectives? (Please tick one box for each objective).

		Very limited	limited	Neutral	Substantial	Very Substantial
a	Developing accounting standards					
b	Involved in guiding the government in drafting laws which are related to accounting profession					
c	Providing recommendations on matters where accounting regulation is lacking					
d	Observing education/training programmes					
e	Providing accounting education/training focuses on national international needs					
f	Other (please specify)					

Q9. In your opinion, to what extent do you think the following factors have contributed to the development of accounting in Libya? (Please tick one box for each objective)

	Factor	Very Limited	Limited	Neutral	Substantial	Very Substantial
a	Government's laws and regulations					
b	Accounting education					
c	Libyan accounting profession					
d	Foreign companies influences					
e	Others (please specify)					

Section three: about influences on adopting the IASs in Libya

Q10. Please indicate your level of response to the following: (Please tick one box for each objective)

	Factor	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
A	The entrance of foreign corporations have resulted in the adoption of IASs					
b	Increasing in the level of accounting education in Libya has led to the adoption of IASs					
C	The entrance of International Accounting Firms has resulted in the adoption of the IASs					
d	The international financial institutions legislation is a major factor that drove the decision to adopt IASs					
E	National external auditors have a positive influence in adoption of IASs					
F	The improvement in Libyan economy is a good influence in adoption of IASs					
g	IASs are helpful to Libya to improve the quality of financial reporting					
h	Others (please specify)					

Section four: about the participation in accounting standard setting process

Q11. Were you involve in any stage of the Libyan accounting standard setting process?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

Q12. If your answer is yes, according to which of the following approaches do you take part in participation in Libyan accounting standard setting process?

a	As a member of the working group on the ED of the (LASs)	<input type="checkbox"/>
b	As a member of the LAAA	<input type="checkbox"/>
c	As an attendant in public hearing	<input type="checkbox"/>
d	By providing a comment letter	<input type="checkbox"/>
e	Others (please specify)	<input type="checkbox"/>

Q13. Would you like to receive a brief report of this study's results when available?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

Q14. If yes, please fill the following?

- Name of the organization: -----
- Phone No: -----
- E-mail: -----

Q15. From your experience, please feel free to give any comments and identify reasons not included in this questionnaire which might influence the development of accounting regulation in Libya and the reasons for the country's decision in adopting IASs.



إستبيان للأكاديميين

القسم الأول: معلومات عامة

(من فضلك ضع إجابتك المناسبة بوضع علامة (✓) في الخانات المناسبة لكل سؤال من الأسئلة التالية).

س 1. ما هي المجموعة العمرية التي تنتمي إليها؟

20 سنة فما أقل	<input type="checkbox"/>	21 - 30 سنة	<input type="checkbox"/>
31 - 40 سنة	<input type="checkbox"/>	41 - 50 سنة	<input type="checkbox"/>
أكبر من 50 سنة	<input type="checkbox"/>		

س 2. أشر إلى أعلى مؤهل متحصل عليه؟

دكتوراه	<input type="checkbox"/>	ماجستير	<input type="checkbox"/>
بكالوريوس	<input type="checkbox"/>	دبلوم عالي	<input type="checkbox"/>
أخرى (وضح)	<input type="checkbox"/>		

س 3. ما هو تخصصك؟

محاسبة	<input type="checkbox"/>	إدارة أعمال	<input type="checkbox"/>
إقتصاد	<input type="checkbox"/>	مالية عامة	<input type="checkbox"/>
أخرى (وضح)	<input type="checkbox"/>		

س 4. ما هي سنوات خبرتك في المجال الأكاديمي؟

أقل من سنة	<input type="checkbox"/>	1 - 5 سنوات	<input type="checkbox"/>
6 - 10 سنوات	<input type="checkbox"/>	11 - 15 سنة	<input type="checkbox"/>
16 - 20 سنة	<input type="checkbox"/>	أكثر من 20 سنة	<input type="checkbox"/>

س 5. بلد الدراسة لأعلى مؤهل متحصل عليه:

ليبيا	<input type="checkbox"/>	الدول العربية الأخرى	<input type="checkbox"/>
بريطانيا	<input type="checkbox"/>	أمريكا	<input type="checkbox"/>
كندا	<input type="checkbox"/>	أخرى (وضح) -	<input type="checkbox"/>

القسم الثاني: معلومات حول التنظيم والتطوير المحاسبي

(من فضلك اختر إجابة واحدة بوضع علامة (✓) في الخيارات المخصصة لكل فقرة من فقرات الأسئلة التالية).

س6. هناك أسلوبان للتنظيم المحاسبي هما التنظيم الذاتي والتنظيم القانوني والذان بواسطتهما تقوم أي دولة بتنظيم وإصدار المعايير المحاسبية. من فضلك حدد إلى أي مدى بأن هذين الأسلوبين مناسبان في تنظيم وتطوير مهنة المحاسبة في ليبيا؟

ت	الإسلوب	مناسب تماماً	مناسب	محايد	غير مناسب	غير مناسب تماماً
a	التنظيم الذاتي					
b	التنظيم القانوني					

س7. بشكل عام، ما مدى موافقتك على تبني ليبيا لجميع معايير المحاسبة الدولية؟

أوافق بشدة	أوافق	محايد	لا أوافق	لا أوافق بشدة

س8. في رأيك، إلى أي مدى تقوم نقابة المحاسبين والمراجعين بدورها في إنجاز الأهداف التالية؟

الهدف	كبير جداً	كبير	محايد	محدود	محدوداً للغاية
a تطوير المعايير المحاسبية					
b تطوير معايير المراجعة					
c المشاركة في إرشاد الدولة في مسودة القوانين التي تتعلق بمهنة المحاسبة					
d تقديم التوصيات حول المسائل والقصور في التنظيم المحاسبي					
e تقديم البرامج التعليمية/التدريبية التي تركز على إحتياجات البيئة المحلية (الليبية)					
f مراقبة ومتابعة البرامج التعليمية/التدريبية المحاسبية					
g أخرى (من فضلك وضح)					

س9. في رأيك، إلى أي مدى تعتقد أن العوامل التالية قد أسهمت في تطوير مهنة المحاسبة في ليبيا وبالأخص في محاسبة الشركات؟

ت	العوامل	كبير جداً	كبير	محايد	محدود	محدوداً للغاية
a	القوانين واللوائح					
b	التعليم المحاسبي					
c	نقابة المحاسبين والمراجعين الليبيين					
d	سوق الأوراق المالية الليبية					
e	تأثيرات الشركات الأجنبية					
f	أخرى (من فضلك وضح)					

القسم الثالث: معلومات حول العوامل المؤثرة على تبني وتطبيق معايير المحاسبة الدولية في ليبيا

س10. من خلال خبرتك كأكاديمي، من فضلك أشر إلى الإجابة المناسبة التي تعبر عن موقفك حول الحالات التالية؟

ت	البيان	موافق بشدة	موافق	محايد	غير موافق	غير موافق بشدة
a	دخول الشركات الأجنبية والمتعددة الجنسية إلى ليبيا أدى إلى تبني معايير المحاسبة الدولية					
b	التطور في مستوى التعليم في ليبيا قاد إلى تبني معايير المحاسبة الدولية					
c	دخول شركات المحاسبة والمراجعة الدولية إلى ليبيا أدى إلى تبني معايير المحاسبة الدولية					
d	تشريعات المؤسسات المالية الدولية تعتبر عامل رئيسي دفع ليبيا إلى تبني معايير المحاسبة الدولية					
e	المراجعين الخارجيين كان لهم أثر ايجابي على تبني معايير المحاسبة الدولية					
f	النمو الإقتصادي في ليبيا يعتبر مؤثر ايجابي على تبني معايير المحاسبة الدولية					
g	دور المعايير المحاسبية الدولية في تحسين جودة/كفاءة التقارير المالية أدى إلى تبني معايير المحاسبة الدولية					
h	أخرى (من فضلك وضح)					

القسم الرابع: معلومات حول المشاركة في عملية إعداد المعايير المحاسبية في ليبيا

س11. هل أنت/جهة عملك شاركتكم في عملية وضع مسودة معايير المحاسبة الليبية؟

نعم	لا

س12. . إذا كانت إجابتك "بنعم"، بأي الأساليب التالية شاركتكم في عملية وضع مسودة معايير المحاسبة الليبية؟ (يمكنك إختيار أكثر من إجابة بوضع علامة (✓) في الخانات المخصصة تحت)

ت	الإســــــــــــلوب	✓
a	باعتبارك عضو في مجموعة وضع مسودة معايير المحاسبة الليبية	
b	باعتبارك عضو في نقابة المحاسبين والمراجعين الليبيين	
c	حضورك في إجتماع عام لمناقشة هذه المعايير	
d	عن طريق تقديم مشاركة مكتوبة	
f	أخرى (من فضلك وضح)	

س13. هل ترغب في الحصول على ملخص لنتائج هذه الدراسة؟

نعم	لا

س14. إذا كانت إجابتك بنعم نأمل التفضل بتعبئة الفراغات التالية:

- إسم جهة العمل -----
- رقم الهاتف الذي يمكننا من الوصول اليك -----
- البريد الإلكتروني -----

س15. الخانة أدناه مخصصة لإبداء أى تعليقات لديك عن هذا الإستبيان وأي عوامل أخرى من الممكن ان تكون لها الأثر في تبني تطبيق المعايير المحاسبية الدولية والتنظيم والتطوير المحاسبي في ليبيا.

شكرا على حسن تعاونكم
ولكم مني فائق الاحترام
عيسى الفرجاني

Appendix one (E)

Table (1): The total number of LAAA's member until 12/ 2008

N	Type of membership	No
1	Accountants in practice	1556
2	Assistant accountants in practice	474
3	Accountants not in practice	151
	Total	2181

Source: LAAA membership directory (2009)

Table (2): Listed companies on the LSM

N	Name of company
1	Libyan Tobacco company
2	Cement company
3	Development Company for Medicine Manufacturing and Medical Products
4	Libyan Company for Urban Development
5	Libyan company for Development and Investment
6	Sahara Bank
7	Commerce and Development Bank
8	National commerce Bank
9	Gamhoriay Bank
10	Wahda Bank
11	Assaray Bank
12	The Libyan Stock Market
13	Libyan Insurance Company
14	Sahara Insurance Company
15	United Insurance Company

Source: The LSM's Annual Report, (2010).

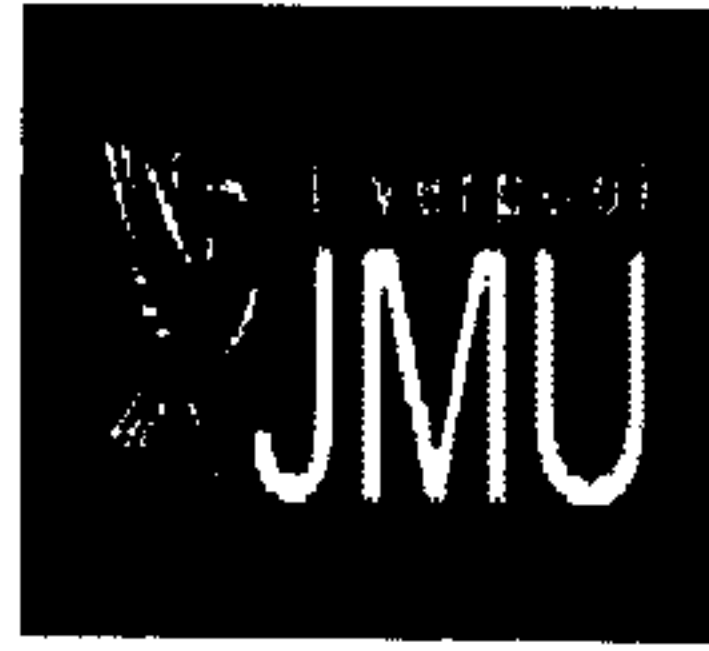
Table (3): Table for Determining Minimum Returned Sample Size for a Given Population Size

Population size	Sample size					
	Continuous data (margin of error=.03)			Categorical data (margin of error=.05)		
	alpha=.10 t=1.65	alpha=.05 t=1.96	alpha=.01 t=2.58	p=.50 t=1.65	p=.50 t=1.96	p=.50 t=2.58
100	46	55	68	74	80	87
200	59	75	102	116	132	154
300	65	85	123	143	169	207
400	69	92	137	162	196	250
500	72	96	147	176	218	286
600	73	100	155	187	235	316
700	75	102	161	196	249	341
800	76	104	166	203	260	363
900	76	105	170	209	270	382
1000	77	106	173	213	278	399
1500	79	110	183	230	306	461
2000	83	112	189	239	323	499
4000	83	119	198	254	351	570
6000	83	119	209	259	361	598
8000	83	119	209	262	367	613
10000	83	119	209	264	370	623

NOTE: The margins of error used in the table were .03 for continuous data and .05 for categorical data. Researchers may use this table if the margin of error shown is appropriate for their study; however, the appropriate sample size must be calculated if these error rates are not appropriate. Table developed by Bartlett, Kotrlík, & Higgins

Source: Bartlett, et al, (2001)

Appendix two (A)



Semi- structured interviews

Section one: Respondent personal information

Name of institution/ organization: ----- Position: -----

Years of experience: ----- Qualifications: -----

Section two: The regulation of corporate accounting

Q1. Are there any Company's law(s) and/or regulation(s) or other statute(s) that apply to corporate accounting in Libya, and, if there are, could you please mention some of the items related to the company's accounting regulation that are included in these laws and regulations?

Q2. From your knowledge, has the LAAA issued any accounting standards these or authoritative pronouncement(s) for developing the accounting profession?

Q3. In your opinion, to what extent has the LAAA achieved its objectives which are required by the Law 116 as explained in the note below? (see Note, 1)

Q4. Two accounting approaches are used to regulate and issue accounting standards; are self regulation and legal regulation. From your knowledge, what approach do you think is most appropriate in the development of accounting profession, and why?

Q5. Do you agree with Libya adopting all IASs, and why?

The following question for auditors and financial managers only

Q6. From your experience, do the company's financial statements comply with Law(s) and regulation(s), accounting standards or generally accepted accounting principles (GAAP). Please specify, and, if it complies with standards or GAAP, who is required to use them?

The following questions for auditors only

Q7. What is/are the accounting sources do you use when you audit company's financial reports?

Q8. What criteria are required for obtaining a licence to practice accounting profession?

Section three: the factors affecting the adoption of IASs

Q9. Libya recently adopted IASs in its accounting regulations. It requires from banks and companies to prepare their financial reports according to IASs (e.g. the Law No. 1/ 2005 for banking sector and the general People Committee's initiatives Nos. 134/ 2006 for the Libyan Stock Market (LSM). Please explain the international and internal factors which have influenced the adoption of IASs to develop and regulate corporate accounting in Libya, and in your opinion, which of these have played a major role in this adoption? (see Note, 2)

Section three: The participation in accounting standard setting process

Q10. Do you or your institute/organisation involved in the ED LASs process and in setting of legislations that are linked with the adoption of IASs in Libya, and, if so, how?

Thank you for your participation.

Note (1): The objectives of the LAAA required by Law 116.

1. To develop accounting and auditing standards, and a code of ethics.
2. To be involved in guiding the government in drafting law(s) and regulation(s) which relate to the accounting profession and accounting practices
3. To monitor accounting education and training programmes.
4. To provide or participate in planning accounting education and training programmes which relate to Libyan environmental needs and requirements, and to improve the efficiency of its members professionally and academically.
5. To provide recommendations on matters where accounting regulation is lacking, and relating to specific controversial accounting issues.
6. To conduct effective research programmes to help develop or modify the accounting standards to be more useful and relevant to the Libyan environment.
7. To take action against members who the traditions and ethics of the profession.
8. To draw up set legislation concerning the accounting profession in Libya which deals effectively with the subject of membership.



المقابلة الشخصية

أولاً: معلومات عامة

اسم جهة العمل ----- المركز الوظيفي -----
المؤهل العلمي ----- سنوات الخبرة -----

ثانياً: التنظيم المحاسبي

- س1. هل هناك قوانين أولوائح أو أي تشريعات أخرى تهتم بتنظيم محاسبة الشركات في ليبيا؟ إذا هناك، من فضلك أذكرها ووضح البنود المتعلقة بهذا التنظيم التي تتضمنها هذه القوانين واللوائح؟
- س2. من خلال معرفتك، هل نقابة المحاسبين والمراجعين الليبيين أصدرت أي مبادئ محاسبية أو تعليمات حول تطوير مهنة المحاسبة في ليبيا وخاصة محاسبة الشركات؟
- س3. في رأيك، إلى أي مدى نقابة المحاسبين والمراجعين الليبيين محققة لأهدافها وبالتحديد المنصوص عنها بالقانون رقم 116 لسنة 1973؟ (أنظر الملاحظة المرفقة)
- س4. التنظيم الذاتي والتنظيم القانوني أسلوبان يمكن إستخدامهما لإصدار وتنظيم المعايير المحاسبية. من خلال معرفتك، أي الأسلوبين تعتقد أنه أكثر ملائمة لتطوير مهنة المحاسبة في ليبيا، ولماذا؟
- س5. ما مدى موافقتك على تبني ليبيا لمعايير المحاسبة الدولية، ولماذا؟

السؤال التالي خاص للمراجعين والمدراء الماليين فقط

- س6. وفقاً لأي معايير أو مبادئ محاسبية تعد القوائم المالية للشركة، ولماذا؟

السؤالين التاليين خاصة للمراجعين فقط

- س7. أي المصادر المحاسبية تعتبر ذات أهمية إثناء مراجعتك للقوائم المالية للشركات وإبداء رأيك الفني حولها، ولماذا؟

- س8. بإعتبارك محاسب قانوني ومرخص لمزاولة مهنة المحاسبة في ليبيا، فما هي متطلبات هذا الترخيص التي كانت من الواجب توافرها؟

ثالثاً: عوامل تبني معايير المحاسبة الدولية

- س9. أتجهت ليبيا إلى تبني معايير المحاسبة الدولية في تنظيمها المحاسبي فألزمت المصارف والشركات العامة والأهلية بتطبيقها بالقانون رقم 1 لسنة 2005 بشأن المصارف و قراري اللجنة الشعبية العامة أرقام 134 لسنة 2006 و رقم 436 لسنة 2008 بشأن سوق الأوراق المالية. هل بالإمكان توضيح العوامل الدولية والعوامل المحلية التي لها الأثر على هذا التبني، وما هي العوامل التي كانت لها الدور الكبير في تبني هذه المعايير، ولماذا؟

رابعاً: المشاركة في عملية وضع المعايير المحاسبية

س10. هل أنت أو جهة عملك شاركت في عملية وضع مسودة معايير المحاسبة الليبية، والتشريعات المتعلقة بتبني معايير المحاسبة الدولية وإذا كان الأمر كذلك، كيف؟

أنتهت الأسئلة

ملاحظة: أهداق نقابة المحاسبين والمراجعين الليبيين المنصوص عليها بالقانون 116 لسنة 1973

1. تطوير معايير المحاسبة والمراجعة وقلنون شرف المهنة.
2. الإنخراط في ارشاد الدولة في تسويد القوانين واللوائح ذات العلاقة بمهنة المحاسبة والتطبيقات المحاسبية.
3. مراقبة البرامج التعليمية والتدريبية المحاسبية.
4. تقديم أو المشاركة في تخطيط البرامج التعليمية والتدريبية.
5. تقديم التوصيات على المسائل أينما التنظيم المحاسبي ضعيف وذات العلاقة بالقضايا المحاسبية الخاصة.
6. ادارة البرامج البحثية الفعالة لتساعد في تطوير أو لتعديل المعايير المحاسبية لتكون أكثر ارتباط واستفادة للبيئة الليبية.
7. معاقبة الأعضاء الذين يسؤ بتقاليد وشرف المهنة.
8. وضع الشريع المهتم بمهنة المحاسبة في ليبيا الذي يتعامل بفاعلية مع موضوع العضوية.

Appendix three (A): Post Hoc Tests

Table (1): Corporate financial reports are prepared according to Libyan laws and regulations
Duncan^{a,b}

Respondents	N	Subset for alpha = 0.05	
		1	2
State auditor	58	4.2	
Financial manager	80		4.4
Statuary auditor	46		4.6

Table (2): Company's Financial Reports are prepared according to EDLASs

Duncan^{a,b}

Respondents	N	Subset for alpha = 0.05	
		1	2
Financial manager	80	1.9	
Statuary auditor	46	1.8	
State auditor	58		2.5

Table (3): Company's financial reports are prepared according to US GAAP

Duncan^{a,b}

Respondents	N	Subset for alpha = 0.05	
		1	2
Financial manager	80	4.1	
State auditor	58		4.3
Statuary auditor	46		4.5

Table (4): The role of LAAA in involvement in accounting Law drafting

Duncan^{a,b}

Respondents	N	Subset for alpha =0.05	
		1	2
Academic	51	1.8	
Statuary auditor	46	2.0	
Financial manager	80	2.2	
State auditor			2.6

Table (5): The role of the LAAA in providing recommendations on accounting laws/regulations

Duncan^{a,b}

Respondents	N	Subset for alpha = 0.05	
		1	2
Financial managers	80	1.7	
Academics	51	1.7	
Statuary auditors	46	1.8	
State auditors	58		2.2

Table (6): The role of LAAA providing accounting education/training relating to Libyan environment Needs

Duncan^{a,,b}

Respondents	N	Subset for alpha = 0.05	
		1	2
Statuary auditors	46	2.1	
Financial managers	80	2.1	
State auditors	58		2.4
Academics	51		2.6

Table (7): The role of LAAA in Organizing and monitoring accounting education/training programmes

Duncan^{a,,b}

Respondents	N	Subset for alpha = 0.05	
		1	2
Academics	51	1.5	
Financial managers	80	1.6	
Statuary auditors	46	1.7	
State auditors	58		2.2

Table (8): The contribution of the LAAA in developing the accounting in Libya

Duncan^{a,,b}

Respondents	N	Subset for alpha = 0.05	
		1	2
Academics	51	3.8	
Statutory auditors	46		4.1
Financial managers	80		4.2
State auditors	58		4.3

Table (9): The contribution of the LAAA in developing the accounting in Libya

Duncan^{a,,b}

Respondents	N	Subset for alpha = 0.05	
		1	2
Academics	51	1.8	
Statutory auditors	46		2.1
Financial managers	80		2.4
State auditors	58		2.5

Table (10): The contribution of foreign companies in the development of accounting in Libya

Duncan^{a,,b}

Respondents	N	Subset for alpha = 0.05	
		1	2
Financial managers	80	2.7	
State auditors	58	3.0	
Statutory auditors	46		3.5
Academics	51		3.6

Table (11): The impact of the entrance of foreign corporations on adopting IASs in LibyaDuncan^{a,b}

Respondents	N	Subset for alpha = 0.05	
		1	2
Financial managers	80	3.6	
State auditors	58	3.9	
Statutory auditors	46		4.2
Academics	51		4.4

Table (12): The impact of the entrance of International accounting firms on adopting IASsDuncan^{a,b}

Respondents	N	Subset for alpha = 0.05	
		1	2
State auditors	58	3.7	
Financial managers	80	3.4	
Statutory auditors	46		4.0
Academics	51		4.1

Table (13): The impact of increasing accounting education on adoption of IASsDuncan^{a,b}

Respondents	N	Subset for alpha = 0.05	
		1	2
Financial managers	80	3.9	
Statutory auditors	46	3.6	
State auditors	58	3.9	
Academics	51		4.1

Table (14): The impact of external auditors on adapting the IASsDuncan^{a,b}

Respondents	N	Subset for alpha = 0.05	
		1	2
Academics	51	2.4	
Financial manager	80	2.5	
Statutory auditors	46		3.7
State auditors	58		3.5

Appendix three (B): T-test**Table (1): Importance of IASs for auditors**

	Sig.	Sig. (2-tailed)
Equal variances assumed	0.273	0.035

Appendix three (C) respondents' qualification level

Table. 1: The importance of the IASs for external auditors

Duncan			
The highest level of respondent's qualification	N	Subset for alpha = .05	
		1	2
Ph.D	7	2.57	
Masters	33	2.52	
Higher Diploma	9		3.11
Bachelor	55		3.62
	104		

Table. 2: The role of the LAAA in involvement in Law drafting

Duncan			
The highest level of respondent's qualification	N	Subset for alpha = .05	
		1	2
Ph.D	34	1.62	
Bachelor	99	2.1	2.1
Medium Diploma	5	2.2	2.2
Higher Diploma	30		2.4
Masters	67		2.4
	235		

Table. 3: The role of the LAAA in organizing accounting education/training monitoring programmes

Duncan			
The highest level of respondent's qualification	N	Subset for alpha = .05	
		1	2
Medium Diploma	5	1.2	
Ph.D	34	1.4	1.4
Higher Diploma	30	1.57	1.57
Bachelor	99		1.75
Masters	67		1.87
	235		

Table. 4: The contribution of foreign companies to the development of accounting in Libya

Duncan			
The highest level of respondents' qualification	N	Subset for alpha = .05	
		1	2
Medium Diploma	5	2.2	
Higher Diploma	30	2.87	2.87
Bachelor	99	2.95	2.95
Ph.D	34		3.26
Masters	67		3.51
	235		

Table. 5: The impact of entrancing foreign on adoption of IASs

Duncan			
The highest level of respondents' qualification	N	Subset for alpha = .05	
		1	2
Medium Diploma	5	3.2	
Bachelor	99	3.72	3.72
Higher Diploma	30	3.8	3.8
Masters	67		4.28
Ph.D	34		4.29
	235		

Appendix three (D) respondents' experience years**Table. 1: The role the LAAA in providing recommendations on accounting laws/regulations**

Duncan			
Experience year of respondents	N	Subset for alpha = .05	
		1	2
Less than a year	2	1	
More than 20 years	67		1.67
6 to 10 years	48		1.73
11 to 15 years	56		1.91
16 to 20 years	36		2.03
1 to 5 years	26		2.04
	235		

Table. 2: The impact of increasing accounting education on adoption of IASs

Duncan			
Experience year of respondents	N	Subset for alpha = .05	
		1	2
1 to 5 years	26	3.38	
More than 20 years	67		3.76
11 to 15 years	56		3.98
Less than a year	2		4.00
6 to 10 years	48		4.02
16 to 20 years	36		4.10
	235		

Appendix three (E) respondents' age

Table. 1: The contribution of foreign companies to the development of accounting in Libya

Duncan Age of respondents	N	Subset for alpha = .05	
		1	2
over 50 years	23	2.61	
41 - 50 years	79	3	3
21 - 30 years	27	3.1	3.1
31 - 40 years	106		3.34
	235		

Table. 2: The impact of increasing accounting education on adoption of IASs

Duncan Age of respondents	N	Subset for alpha = .05	
		1	2
21 - 30 years	27	3.30	
over 50 years	23		3.87
31 - 40 years	106		3.95
41 - 50 years	79		3.97
	235		

Table. 3: The impact of external auditors education on adoption of IASs

Duncan Age of respondents	N	Subset for alpha = .05	
		1	2
41 - 50 years	79	2.57	
31 - 40 years	106		3.08
over 50 years	23		3.17
21 - 30 years	27		3.40
	235		

Appendix four, A

Table (1): Samples selected from each group for semi-structured interviews

NO	Population group	Position	Working experience	Education level	Date
1	FM1	Manager of companies accounting department	29	BAC	22/3/2009
2	FM2	Manager of companies financial department	23	MSC	5/4/2009
3	FM3	Manager of companies financial department	15	BAC	1/4/2009
4	FM4	Manager of companies financial department	24	BAC	28/3/2009
5	FM5	Manager of companies financial department	28	High Diploma	28/3/2009
6	FM6	Manager of companies financial department	25	Medium Diploma	29/3/2009
7	FM7	Manager of companies accounting department	14	BAC	16/3/2009
8	FM8	Manager of companies financial department	25	BAC	4/4/2009
9	SRA1	Senior auditor	22	PhD	31/3/2009
10	SRA2	Senior auditor	35	BAC	29/3/2009
11	SRA3	Senior auditor	10	PhD	31/3/2009
12	SRA4	Senior auditor	41	BAC	26/2/2009
13	SRA5	Senior auditor	37	BAC	10/3/2009
14	SRA6	Senior auditor	30	MSC	5/3/2009
15	STA1	Manager of companies' accounts auditing department in IFA	25	MSC	8/4/2009
16	STA2	Manager of companies' accounts auditing department in IFA	20	BAC	9/4/2009
17	AC1	Manager of accounting department in University	7	MSC	19/4/2009
18	AC2	Manager of accounting department in University	15	PhD	10/4/2009
19	AC3	Manager of accounting department in University	20	PhD	15/4/2009
20	RG1	Regulator from the LAAA	40	PhD	6/4/2009
Total	20 Semi-structured interviews				
FM= Financial Managers (from public companies and banks), SRA= Statutory auditor (from accounting firms/offices), STA= State auditor (from the Institute of Financial Auditing), AC= Accounting academic (from universities) and RG= Regulator (from the LAAA).					

Appendix four, B. Interviewees' views on the accounting regulation and development, influential factors on adopting the IASs and the participation in the accounting standard setting process in Libya.

Matrix 1: preparation of corporate financial reports

Population group	a	b	c	d	e	f	g	f	j	k	l	
FM1		X	X	X	X	X	X	X	X	X	X	
FM2		X	X	X	X		X	X	X	X	X	
FM3		X	X	X	X	X	X		X	X		
FM4		X	X	X	X	X	X	X	X	X		
FM5		X	X	X	X	X	X	X	X	X		
FM6		X	X	X	X	X	X		X	X		
FM7		X	X	X	X		X	X	X	X		
FM8		X	X	X	X	X	X	X	X	X	X	
SRA1		X	X	X	X	X	X	X	X	X		
SRA2		X	X	X	X		X	X	X	X	X	
SRA3		X	X	X	X	X	X	X	X	X	X	
SRA4		X	X	X	X		X	X	X	X		
SRA5		X	X	X	X		X		X	X		
SRA6		X	X	X	X	X	X	X	X	X		
STA1		X	X	X	X	X	X	X	X	X		
STA2		X	X	X	X	X	X	X	X	X		
16 Semi-structured interviews												
Total	No	0	16	16	16	16	11	16	13	16	16	5
	%	0	100	100	100	100	69	100	81	100	100	30

Key to code:

a = there is/are specific company law(s) regulate company's accounting practices.

b = laws and regulations are considered as the main accounting sources.

c = balance sheet is the main statement is prepared by companies and banks which required by laws and regulation.

d = profit and loss accounts is the main statement is prepared by companies and banks which required by laws and regulation.

e = taxable profit is the main statement is prepared by companies and banks which required by laws and regulation.

f = planning budgets is the main statement is prepared by companies and banks which required by laws and regulation.

g = laws and regulations require the mandatory journals and books for assets and liabilities and kept by companies/banks.

f = laws and regulations include accounting treatments such as: historical cost method, reserves treatment, LIFO method and straight line method.

j = financial reports prepare according to Libyan laws and regulations.

k = financial reports prepare according to the US GAAP.

l = financial reports prepare according to IASs.

Matrix 2: the attitude of interviewees to the adoption of IASs and the appropriate approach for developing accounting profession.

Population group		a	b	c
	FM1	X	X	X
	FM2	X	X	X
	FM3	X	X	X
	FM4	X	X	X
	FM5	X	X	X
	FM6	X	X	X
	FM7	X	X	X
	FM8	X	X	X
	SRA1			X
	SRA2	X		X
	SRA3	X	X	X
	SRA4		X	X
	SRA5	X		X
	SRA6	X	X	X
	STA1	X		X
	STA2	X	X	X
	AC1	X		X
	AC2	X	X	X
	AC3	X		X
	RG1		X	X
20 Semi-structured interviews				
Total	No	17	14	20
	%	85	70	100

Key to code:

a = Libya should adopt IASs.

b = self regulation approach is appropriate for development of accounting profession.

c = legal regulation approach is appropriate for development of accounting profession.

Matrix 3: the importance of accounting sources for external auditors.

Population group		a	b	c	d
	SRA1	X	X		
	SRA2	X	X		
	SRA3	X	X	X	
	SRA4	X	X		
	SRA5	X	X	X	
	SRA6	X	X		
	STA1	X	X		
	STA2	X	X		
8 Semi-structured interviews					
Total	No	8	8	2	0
	%	100	100	25	0

Key to code:

a = Libyan laws and regulations are important for external auditors when audit financial reports of companies/banks.

b = the USGAAP are important for external auditors when audit financial reports of companies/banks.

c = IASs are important for external auditors when audit financial reports of companies/banks..

d = EDLASs are important for external auditors when audit financial reports of companies/banks.

Matrix 4: the role of the Libyan Accountants and Auditors Association LAAA) in developing corporate accounting.

Population group		a	b	c	d	e
	FM1					X
	FM2					X
	FM3				X	X
	FM4				X	
	FM5				X	X
	FM6				X	X
	FM7					
	FM8					
	SRA1				X	X
	SRA2					
	SRA3					
	SRA4					X
	SRA5				X	X
	SRA6					
	STA1				X	X
	STA2				X	X
	AC1	X			X	
	AC2	X			X	X
	AC3					X
	RG1		X		X	X
20 Semi-structured interviews						
Total	No	2	1	0	11	13
	%	10	05	0	55	65

Key to code:

a = the LAAA has involved in accounting drafting laws regulation.

b = the LAAA provides recommendations on matters where accounting regulation is lacking.

c = the LAAA monitors the accounting education programmes.

d = the LAAA developed the national accounting standards.

e = the LAAA provides accounting training courses.

Matrix 5: the requirements of entering in the accounting profession.

Population group		a	b	c	d	e	f	g
	SRA1						X	
	SRA2						X	
	SRA3		X					
	SRA4						X	
	SRA5						X	
	SRA6						X	
6 Semi-structured interviews								
Total	No	0	1	0	0	0	5	0
	%	0	17	0	0	0	83	0

Key to code:

a = Sit an examination is required for entrance in accounting profession.

b = Hold PhD without any experience is required for entrance in accounting profession.

c = Hold PhD with experience is required for entrance in accounting profession.

d = Hold Master without any experience is required for entrance in accounting profession.

e = Hold Master with experience is required for entrance in accounting profession.

f = Hold BA with five yeas experience is required for entrance in accounting profession.

g = Hold BA without any experience is required for entrance in accounting profession.

Matrix 6: the influential factors moving towards adopting IASs and participation of interviewees in the accounting standard setting process.

Population group	a	b	c	d	e	f	g	h	i	j	k	
FM1	X		X	X	X	X	X					
FM2	X	X	X	X	X	X	X					
FM3	X	X	X	X	X	X	X					
FM4	X	X	X	X	X	X	X					
FM5	X	X	X	X	X							
FM6	X		X	X	X	X	X					
FM7	X	X	X	X	X		X					
FM8	X	X	X	X	X		X					
SRA1	X	X	X	X	X		X	X				
SRA2	X	X	X	X	X			X				
SRA3	X		X	X	X	X						
SRA4	X	X	X	X		X		X	X			
SRA5		X			X			X				
SRA6		X	X	X	X	X		X				
STA1	X	X	X	X	X		X	X				
STA2	X	X	X	X	X	X	X	X				
AC1	X	X	X	X	X	X	X	X				
AC2	X	X	X	X	X	X	X					
AC3	X	X	X	X	X		X				X	
RG1			X			X	X		X	X	X	
20 Semi-structured interviews												
Total	No	17	16	19	18	18	12	14	8	2	1	2
	%	85	80	95	90	90	60	70	40	10	05	10

Key to code:

a = the entrance of foreign corporations has resulted in the adoption of IASs.

b = the entrance of International Accounting Firms has resulted in the adoption of the IASs.

c = IASs considered as globally accepted accounting standards

d = the regulations of international financial institutions is a major factor that drove the decision to adopt IASs.

e = IASs are helpful to Libya to improve the quality of financial reporting.

f = the improvement in Libyan economy is a good influence in adoption of IASs

g = Increasing in the level of accounting education in Libya has led to the adoption of IASs.

h = national external auditors have a positive influence in adoption of IASs.

i = interviewee participated in the EDLASs setting process

j = involvement in the EDLASs setting process as a member of the working group on the EDLASs.

k = involvement in the EDLASs setting process as a member of the formal meeting.