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The International Accounting Standards Implementation Obstacles in Libyan Oil Companies

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***Abstract*— *This research is an attempt to explore whether the obstacles to implementing of international accounting standards of these standards shall affect the accounting information quality on financial of statements, decisions of investors, increase direct foreign investment and what are the difficulties to be faced in such obstacles to implementing of international accounting standards in the Libyan environment. This conceptual paper collected the data from the scientific literature include books, periodicals, journals, papers, and conferences, as well as previous relevant topical studies, and return to IAS and International Accounting Standards Board. In addition to laws, legislation and instructions of the bodies and associations in Libya regulate accounting practices. The Libyan oil sector is keen to adopt new technologies, including IFRS. However, this High level of accounting standard requires a large amount of effort, and consequently, organizations must make careful preparations for successful implementation. The discussion provided tools that could assist both companies to accept and work positively with this IFRS. The aim of this research is to investigate the challenges and obstacles are associated with IFRS adoption in the Libyan companies of oil sector.*

***Keywords*— *International, Accounting Standards, Implementation, Obstacles, Libya, Oil Companies.*

I. INTRODUCTION

The data are of great importance to the success of the business, especially in the fields of development, so that excellence in preparation and provision of data became one of the necessary processes for advancing of development projects, where accountancy as a tool has a significant contribution to this (Theresa, and Presha, 2018). Traditionally, companies throughout the world have produced their financial statements according to the local Generally Accepted Accounting Practices (GAAP) prevailing in their country. This has inevitably led to a great deal of inconsistency in the way that companies in different countries report their financial performance (Laga, M. 2013). However, with the increasing degree of globalization on the level of local economies increasingly necessary to find a point of convergence between the applicable standards in an industry, the financial reports have to be prepared according to the national and the international accounting standards. In 2003, to establish a global financial reporting language, the International Accounting Standard Board (IASB) developed a single set of high-quality, readily understandable accounting principles known as International Financial Reporting Standards or IFRS (Almansour, 2019). Which, in turn, reflects the globalization of the accounting system. Accounting is a universal language which is used for carrying out all businesses and investments on a local or an international front (Ozili, & Outa, (2018).

The benefits derived from the IAS system can encourage many developing countries worldwide to adopt the IAS system. This could lead to the development of a beautiful investment environment. For example, 122 countries from member states that have adopted IAS at the end of the year 2013, most of them can be classified into emerging economies (IASB, 2015). One recognized the benefit of adopting IFRS is that financial reports are more comprehensive than those based on local accounting standards, making them more useful to report users wanting to make investment decisions, However, still, there is a lack of studies discussing the obstacles of implementing IFRS adoption in developing countries have also identified comparability as a key driver (Almansour, 2019). nevertheless, different economic and social circumstances and differences in educational levels, conceptions, general behaviour, regulations and legislation, and different roles of accounting, regulatory, professional bodies between developed and developing countries are good reasons that may limit the implementation of IAS, but still, the final decision of whether or not to adopt IAS widely depends on motivating factors that might be found in some countries, unlike the others.

Regardless of the political reality in-country must seek and work to the maximum benefit from the available economic resources in the country, and achieve optimal utilization of economic resources through the creation of the optimal decision for investment and which achieves in turn through the provision appropriate information especially accounting information, increasingly the importance of accounting information to the extent that the authors of financial statements committed to the accounting standards (Rubanov, & Nnadi, 2018). Furthermore, the decisions associated with the investment would significantly affect the accounting-related information, which could affect the individual potential of the investors (Hassan, 2014). This feature is not very common in Libya. IFRS adoption process is analyzed as enablers, impediments, necessary improvements, and the level of difficulty in the IFRS adoption process (Albu, et al., 2020). Libya is one of the developing countries which lacked special standards, it is difficult to adopt accounting standards for another state because of national sovereign barriers, but, obstacles to implementing of international accounting standards issued by a neutral body (IASB) would definitely be welcomed, especially after the opening of the stock market and the desire of the state to encourage domestic investment and foreign and access to global markets (Syed et al., 2017).

As for compatibility between the opinion of the external auditor and the disclosure level at the financial statements, the auditor's report shall be the communication means that will convey the data in a clear and understandable manner that is acceptable to the users of such information. The auditor is performing a crucial communicating and informing job (Su & Wells, 2018). Incorporates interpretation issues as one of the eight reasons for global contrasts practically speaking under International Financial Reporting Standards (IAS). It is also known that the report of the auditor without conservation would prove the truthfulness of the information at the financial statements and their fairness, which gives the assurance and the trust of the data user. There is an inherent trust relationship between auditing operation and sufficiency of disclosure of financial statements that shall be compiled according to IAS. Obstacles to implementing of international accounting standards and implement it of the major challenges facing professional organizations, users, and preparers of financial statement in Libya, where many of the economic units facing many problems, the transition to IAS should not be seen, it is a simple fix process and a quick, but it is a process that takes a long time and requires great effort and increases in the first stage of the obstacles to implementing of international accounting standards of the burden for accountants and auditors.

This research is an attempt to explore whether the obstacles to implementing of international accounting standards of these standards shall affect the accounting information quality on financial of statements, decisions of investors, increase direct foreign investment and what are the difficulties to be faced in such obstacles to implementing of international accounting standards in the Libyan environment, The Libyan oil sector is keen to adopt new technologies, including IFRS. However, this High level of accounting standard requires a large amount of effort, and consequently, organizations must make careful preparations for successful implementation. This study will provide a tool that will assist both companies to accept and work positively with this IFRS. The aim of this research is to investigate the challenges and obstacles are associated with IFRS adoption in the Libyan companies of oil sector.

II. Literature Review

International Financial Reporting Standards has been used by several emerging countries, over the past few years, as stipulated by the International Accounting Standards. This is because of the growing desire of multinational firms to invest abroad and that it would be useful to adopt IAS in developing countries (Tyrrall et al., 2007). With that, there are few debates between practitioners and academics regarding the extent to which the IAS obstacles to implementing of international accounting standards by these countries, due to the variation of environments from one country to another, and that obstacles to implementing of international accounting standards of these standards could not be useful because they put for capital markets of developing countries (Peterson, and Erick, 2018; Anthony, and Ciaran, 2019). The competitiveness and efficiency of the international capital market depend on the ability of preparers of financial statements to communicate effectively with investors through financial statements. Therefore, the preparation of financial statements by IAS may play a vital role in attracting foreign investment in emerging countries. It is expected that IAS is all the more reasonable esteem arranged, decreases the adaptability took into consideration monetary announcing readiness and incorporates the impact of financial occasions on firms' convenient execution (Duc, and Bruno, 2018; Thomas, Giovanna, and Michael, 2017; Andreea, Cristina, and Adriana, 2017).

Facing implementation process of IAS some of the challenges that could be considered for transition to IAS and that these difficulties vary among countries and economies each other, its application requires trained human resources properly in order to understanding and then implementation (Syed et al., 2017; Ajit et al., 2019) as well as the curriculum and accounting education in universities, cultural differences from one geographical area to other and laws and legislations issued by several countries that regulate some of the work which may conflict and consolidated accounting practices that were discussed and issued by the international organization and bodies and in coordination with regional and local organizations the oversee and develop the accounting and auditing profession (Wun, and Peter, 2018; Albertus, and Warren, 2017). In this chapter of the research will be a discussion and analysis of previous studies and that varied their objectives, and their findings were similar in aspects while differed in other aspects about research. It is the obstacles to implementing of international accounting standards of IAS by focusing on what IAS and what are the benefits for countries and sectors within the same state and the difficulties may face obstacles to implementing of international accounting standards of IAS and impact of audit firms on the process of obstacles to implementing of international accounting standards of IAS.

Accounting Harmonization

It is distinctly different between the standardization and harmonization. The process of standardization can be described as a method wherein all the participants agree to use similar or the same accounting practices (Christa, Jan, and Bright, 2019). Harmonization can be described as the process which reduces the differences in the various financial reporting practices amongst the countries and aims to make the financial statements more uniform and comparable (Yosra, and Hela, 2017). Muhammad, Xian-zhi, and Zhaonan, (2017) introduce the concept that accounting harmonization is a process characterized by four following and essential components, namely, influences, process, output, and outcome.

The accounting harmonization of the most important factors that help under the merger which defines the global economy on providing financial statements that are subject to the understanding and international comparison and then meets the needs of investor's information that helps for adopting a resolution. It has increased the importance of

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accounting harmonization given the variation in the local accounting systems, which has become an obstacle to international investment and a source of concern to the movement of the global financial markets (Silvia Angeloni, 2019). It also contributes to the provision of appropriate information and with credibility by defining a standard format of the financial statements giving it the status of acceptance, the movement of capital and other resources can be facilitated by the obstacles to implementing of international accounting standards of a uniform accounting system through borders and reduce participation expenses in the preparation of the financial statements (Syed et al., 2017). In addition to emerging countries, the obstacles to implementing of international accounting standards of IAS helps to reduce costs and time required to increases the effectiveness of the securities markets and prepare new standards and makes financial statements clearer (Christa, Jan, and Bright, 2019).

Though there are numerous benefits that can be gotten from the integrated accounting system, it must be seen in many of the elements, like political systems, a market economy and culture, that significantly differ from one country to another thus representing potential consequences for the establishment of a unified accounting system, which can be well in all countries (Peterson, and Erick, 2018; Anthony, and Ciaran, 2019; Kingsley et al., 2019). Developed countries might have to be in certain requirements, and hence, the International Accounting Standards Board has not seen their requirements (Andreea, Cristina, and Adriana, 2017). Furthermore, local accounting bodies might not be strong enough in some countries, so it becomes one of the difficulties that prevent the unification of accounting standards, these standards need great energy to be effective.

Furthermore, using the fair value in several situations of liabilities and assets is one of the directions of IASB. The aim of the fair value accounting is for providing an opportunity to the users to make decisions according to the valuation of the company’s liabilities and assets. However, one of the main defects to the method of fair value is that in some situations it is difficult to obtain fair value in most developing countries as well as the nonappearance of the active market for most assets (Ajit et al., 2019). However, this might reduce the accuracy of the comparison with the historical cost (Albertus, and Warren, (2017).

International Accounting Standards Board

The International Accounting Standards Committee (IASC) was founded by accountancy bodies, professionals, financial managers and scientists in 1973 and based in London from nine countries are Australia, Canada, France, Japan, Mexico, Netherlands, United Kingdom and Ireland combined, Germany and the United States. The objectives of the standing committee of the formulation and publication of the IASC for being used in the presentation of the financial statements and enhance its acceptance throughout the world and work for the improvement and harmonization of accounting standards and implemented in order to reach an agreement among members, many of the standards issued by the IASC were flexible and general (Vafaci, 2010).

With the rapid globalization in the mid-eighties to mid-nineties the committee began to take the developed economies seriously and raised the level of its standards to a higher level in response to the request of the organizers of securities markets and with the emergence of the International Organization of Securities Commissions Organization (IOSCO) has begun to exercise solid effect on the IASC and an agreement has been applied between the commission and organization is organization introduce requirement is that the reports of overseas companies which are interested in drawers in the financial markets of the member states must comply with the Standing Committee Standards (Christa, Jan, and Bright, 2019; Mezbah, Ruslan, and Romzie, 2019; Street, 2002).

The result of this agreement did not materialize as intended and that most of the companies are seeking to be included in the American Stock Exchange and, therefore, must be complied with Generally Accepted Accounting Principles (GAAP), which exercise a very strong influence on the IOSC0 and the other reason is that the Standing Committee of the standards is still incomplete and does not particularly associated with financial instruments (Shigufta, 2019). International Accounting Standards Committee has been changed to the International Accounting Standards Board in the year 2001. IASB is an independent accounting standard body, and all its meetings are held either in public or via webcast. IASB deals with all the global stakeholders, which include the analysts, investors, business leaders, regulators, accountants etc. The main objective of the IASB is to help in the development of the IAS for improving the transparency, efficiency, and accountability of the global financial markets. IASB also aims to increase the public interest by improving growth, trust and providing long-term financial stability to the global economy (IASB 2019). The development of the IASB, and subsequently the IAS, was based on the partnership with the financial experts who established the national accounting standards. When initiates IASB in the project do national standard-setters to add to their agenda so that they can participate effectively in achieving an international agreement on the planned accounting standards (Vafaci, 2010). There are 16 standards issued and carry out on different dates following table shows these standards.

III. RESEARCH METHODOLOGY

This conceptual paper collected the data from the scientific literature include books, periodicals, journals, papers, and conferences, as well as previous relevant topical studies, and return to IAS and International Accounting Standards Board. In addition to laws, legislation and instructions of the bodies and associations in Libya regulate accounting practices.

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TABLE 1. International Financial Reporting Standards

No	Title	Date Issued	Effective Date
IAS 1	First-time Obstacles to implementing of international accounting standards of International Financial Reporting Standards	24 Nov2008	01 Jul 2009
IAS 2	Share-based Payment	19 Feb 2004	01 Jan 2005
IAS 3	Business Combinations	10 Jan 2008	01 Jul 2009
IAS 4	Insurance Contracts	31Mar 2004	01 Jan 2005
IAS 5	Non-current Assets Held for Sale Discontinued Operations	31Mar 2004	01 Jan 2005
IAS 6	Exploration for and Evaluation of Mineral Discontinued	9 Dec 2004	01 Jan 2006
IAS 7	Financial Instruments Disclosures	18Aug 2005	01 Jan 2007
IAS 8	Operating Segments	30Nov 2006	01 Jan 2009
IAS 9	Financial Instruments	24Jul 2014	01 Jan 2018
IAS 10	Consolidated Financial Standards	12May2011	01 Jan 2013
IAS 11	Joint Arrangements	12May2011	01 Jan 2013
IAS 12	Disclosure of Interests in Other Entities	12May2011	01 Jan 2013
IAS 13	Fair Value Measurement	12May2011	01 Jan 2013
IAS 14	Regulatory Deferral accounts	30 Jan 2014	01 Jan 2019
IAS 15	Revenue from Contracts with Customers	28May2014	01 Jan 2018
IAS 16	Leases	13 Jan 2019	01 Jan 2019

Source (http:iasplus.com/en/standards/IAS) 20/3/2019.

TABLE 2. Summaries of International Accounting Standards' Adoption Studies

Study	Study Purpose	Relevant Findings	Limitation of the study
Laga, M. (2013). Obstacles of Adoption and Implementation of IFRS in Libya. European journal of Business and Economics, 8(1).	Practical obstacles that will face the process of implementing of International Financial Reporting Standards (IFRS), with reference to Libya.	The paper highlight that there is no doubt that implementation of IFRS in Libya isn't an easy task and will impose many challenges. Adequate professional education and training Strengthen Professional accountancy body (LAAA). Review consistency of existing laws and regulations framework of accounting	Not identify external and internal challenges
Zakari, M. (2014). Challenges of international financial reporting standards (IFRS) adoption in Libya. International Journal of Accounting and Financial Reporting, ISSN, 2162-3082.	Analyses the effect of legal, economic, accounting education and culture structures on adopting of IFRS in the Libyan context Libyan companies	Libyan companies have faced some obstacles such as accounting education and economic issues. This research extends accounting literature by studying the challenges of IFRS in Libya (a developing country), focusing on the impact of legal, accounting education, economic and culture in IFRS implementation	Not consider the external auditor in Libya
Almansour, M. S. (2019). Challenges and opportunities from adopting IFRS in Saudi Arabia: the case of the banking sector (Doctoral dissertation, Nottingham Trent University).	Investigate the challenges and opportunities associated with IFRS adoption in Saudi Arabia's banking sector, and how adoption is perceived by key stakeholders Saudi Arabia banking sector	Contribute to the accounting and finance literature on emerging economies and the Arabian Gulf countries offering new insights into the impact of interior and exterior forces on IAS/IFRS implementation in these countries. Especially Islamic countries – that are interested in discovering the challenges and opportunities associated with IFRS adoption, and especially to those professionals charged with preparing financial reports.	Only consider banking sector
(L-absy & Ismail.,2019) Accountants perception on the factors affecting the adoption of international financial reporting standards in Yemen	Examine the accountants' perception of International Financial Reporting Standards (IFRSs) adoption and the requirement and expected period for the adoption of IFRSs in Yemeni companies	The lack of government policy, absence of capital market, lack of economic growth, lack of professional bodies, weakness in the education level of accountants, the small size of the companies and initial cost of IFRSs adoption affect the adoption The study also shows that the international environment has a weak effect on IFRSs adoption while the Yemeni culture does not affect IFRS adoption on of IFRSs in Yemen	The responds are students from universities in Malaysia
(Edeigba.,2017) Investigation of the Challenges in International Financial Reporting Standards' Adoption: Evidence from Nigerian Companies	Examined the challenges Nigerian companies face in IFRS adoption by investigating different factors that inhibit the adoption of IFRS. Specifically, companies' cultural factors, practical difficulties in IFRS application and the effects of industry were examined.	The research provided empirical evidence of the influences of companies' cultural factors on IFRS adoption in the case of Nigeria.	The study assumed that the sample companies exhibit the same experience in IFRS adoption. This is incorrect because the companies did not exhibit a high degree of homogeneity in the study.

IV. FINDINGS AND DISCUSSION

The IAS has formed the accountancy framework to provide requirements of acknowledgement, measurement, display, and disclosure that are related to transactions and financial events (Ikpefan & Akande, 2012). This framework of standards has been welcomed and accepted by both developed and developing countries. There are two methods for adopting international financial report standards: compatibility and full obstacles to implementing international accounting standards.

Compatibility is the control of nationally accepted accounting principles and use of new compatible measures to the international standards, whereas the full obstacles to implementing international accounting standards are the complete application of IAS. Besides, the obstacles to implementing international accounting standards were either mandatory obstacles to implementing international accounting standards imposed by authorities and certain conditions. The European Union issued a regulatory statutory binding all commercial companies registered under EU to fully adopt IAS by 1st January 2005 (Andreea, Cristina, and Adriana, 2017) or voluntarily obstacles to implementing of international accounting standards by countries and companies in accordance with the requirements of their interests, as well as the methods of implementing IAS applied by countries around the world vary from continent to continent and from country to country (Alami & Ouezzani, 2014).

Ahmed et al., (2013) provided evidences on the preliminary effects of mandatory obstacles to implementing of international accounting standards of IAS on quality of accounting information for a set of companies 20 countries adopted IAS in 2005 in relation to other group did not adopt IAS on the basis of determinants the strength of legal enforcement, size, industry, book-to-market, and accounting performance. The study found that the transition to IAS contribute to the reduction of the administration's interventions in accounting policies and reducing income smoothing and earnings management. In addition to, that there is a significant correlation between the quality of the IAS and quality of accounting information (Wun, and Peter, 2018). Moreover, confirmed study (Wang, 2014). That conducted about 48 countries during the period from 2001 to 2008 that the mandatory obstacles to implementing of international accounting standards of the IAS has led to an improvement in earnings per share for the voluntary obstacles to implementing of international accounting standards of these standards and also to the improvement in earnings per share was not clear for companies that did not adopt those standards.

Mohammed, Mazni, and Ervina, (2018) future challenges and some issues related to Malaysian Financial Reporting Standards (MFRS) compared with IAS and also discussed the idea of full obstacles to implementing of international accounting standards of IAS and opportunities as compared to convergence not only merely a convergence. In the framework of the Malaysian MFRS, Malaysia fixed the right way to convergence with IAS as there are not major issues relating to the commitment of IAS. Malaysia education system in line to a large extent with the current developments in accounting and business and therefore, there is no shortage of local capacity in education and training, and accountants prepared to enter the labor market. As aimed study Zeljana, and Tina, (2017) to identify the cause of the widespread acceptance of the standards IAS/IAS, the study adopted the analysis of the content. The study concluded of the accounting profession and the ability to the consensus among countries with different accounting traditions and rough institutional conditions, as these Study (Jeanjean & Stolowy, 2008) examined the effect of the mandatory obstacles to implementing of international accounting standards of IAS on earnings quality and more precisely on earnings management by using 1,146 firm-year observations from Australia, France, and the UK from 2005 to 2006. The results indicated that earnings management in these countries did not decrease after the mandatory obstacles to implementing international accounting standards of IAS, and even increased in France.

Krismiaji, Aryani & Djoko (2019) investigated the economic effects occurring due to the obstacles to implementing of international accounting standards of the IAS system in the world. For this purpose, they studied it effect on market liquidity and the capital costs in around 26 countries. They observed that, on average, there was an increase in the market liquidity and equity valuations, while the cost capital decreased during the IAS obstacles to implementing international accounting standards. Such improvements in the capital market occurred in the countries that encouraged transparent behaviour and possessed a strong legal system. Comparison between the mandatory obstacles to implementing of international accounting standards and the voluntary found that the effects of the capital market more pronounced for companies that adopt voluntary IAS, both in the year of change, as well as a later date when it became mandatory.

Yosra, and Hela, (2017) studied the economic consequences that could affect the UK firms, after the EU imposed mandatory obstacles to implementing of international accounting standards of the IAS system. The author also determined if the IAS/UK GAAP reconciliations conveyed some new information. Their results showed that such a proxy predicted the cross-sectional variations in the short-run market reactions along with the long-run alterations in the equity costs related to this decision. According to the study, this mandatory IAS obstacles to implementing international accounting standards did not profit all the companies uniformly. Furthermore, the authors observed that the IAS reconciliation did display some new information, that investors consider relevant for firm valuation and managers opportunistically delay unfavourable the firms' application of disclosure timing. The study Albertus, and Warren, (2017) examined the information effects of mandatory obstacles to implementing of international accounting standards of IAS on listed companies in the European Union. It found that both the analyst information environment and the public information environment improved for mandatory adopters after the IAS regulation become effective in 2005, also found similar information effects around 2005 for companies that voluntarily adopted IAS before.

Orens & Crabbe (2011) aimed to verification in the incentives that make German private companies obstacles to implementing of international accounting standards of IAS is voluntary, and concluded that the main motives for companies to apply IAS are to reduce the political costs to facilitate the supervisory role of the concerned authorities or to respond to pressures of owners of foreign interests related to the contract. Winney et al., (2010) explored the viability of the Supreme Education Council current roadmap for the convergence of U.S GAAP with IAS. The study focused on the guidelines for the IAS existing and proposed and expected to adopt it in 2019 in light of five determinants of convergence is the difference in building of principles in exchange for building of rules interpretations, design of oversight system for practice of accounting, discrimination in the size of the company, gradual integration type, education and training gaps. The data collected of the questionnaire and interview supports a contention that the current roadmap goals established by the SEC for the obstacles to implementing of international accounting standards of IAS in the U.S are not realistic in light of five determinants of convergence.

Christensen et al. (2008) states that willful IAS selection diminishes profit administration and increments opportune misfortune acknowledgment. Willful IAS appropriation gives advantages, for example, enhancing straightforwardness and similarity of money related reports, lessening data asymmetry among insiders and outside investors (Silvia Angeloni, 2019), enhancing investigator estimate precision (Peterson, and Erick, 2018; Christopher, and Christian, 2018), and taking into account a more proficient designation of funds around the world (Anthony, and Ciaran, 2019). It is for the most part acknowledged that the nature of IAS is higher than most local bookkeeping principles (Angel, and Clark, 2017). IAS is a guideline-based standard. It evacuates passable bookkeeping options and requires bookkeeping estimations that better mirror a company's financial position and execution (Barth et al., 2008). The constraints of choices can build bookkeeping quality since it confines administration's crafty prudence in deciding bookkeeping sums (Wun, and Peter, 2018). Bookkeeping sums that better mirror an association's hidden financial aspects, coming about because of either guideline-based norms or required bookkeeping estimations, can expand bookkeeping quality since they give speculators more helpful data to settle on venture choices. Restricting deft circumspection by supervisors expands the devoted portrayal of bookkeeping data to mirror a company's hidden financial aspects. The discoveries of past research bolster this depiction. Consequently, we contend that bookkeeping quality is higher after the reception of IAS (Mezbah, Ruslan, and Romzie, 2019).

V. Conclusions

In view of the global economy today, globalization, cross-border trade and communications have become fade, therefore there is need for a set of high-quality accounting standard and on a large scale that will make the financial statements of the consolidated companies around the world this standardization provides significant benefits to capital markets and investors (IAS). The factors that could affect the IAS obstacles to implementing of international accounting standards in the African countries, these factors are economic growth, the level of education, economic openness, culture, and the size of the capital market. The results showed that the culture variable was the most significant of the explanatory variables, suggesting adopting IAS than those with no such cultural link. The results showed that companies are still facing difficulties in the implementation of IAS given the differences between the IAS and respect for local accounting traditions and cultures so that the IAS/IAS is a high degree of complexity concerning local standards.

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