Chapter 11
International Accounting Standards: Adoption, Implementation and Challenges

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ABSTRACT

This chapter aims, to highlight a review of IAS history, followed by approaches of accounting regulations. The development of accounting regulation within developing countries is also highlighted and discussed in the context of cultural diversity. It also aims to shed light into the motives that drive the adoption and implementation of IASs/IFRS. The political nature of lobbying and accounting standards setting process is also discussed in this chapter. In addition, the chapter discusses those factors that may be perceived as challenges which may delay or even block the convergence into the IASs/IFRS. Finally the authors provide key remarks about the IASs and venues for future research.

INTRODUCTION

Accounting standards as a form of regulation, determines 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). In the context of the agency theory of (Jensen and Meckling 1976) accounting regulation exists to mitigate the agency costs that occur due to conflict of interest between contracting parties e.g. owners and agents.

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 move-

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ments of accounting professionals and firms; internationalization of world trade and stock markets and membership and participation bodies that set international accounting standards, Cooke and Wallace (1990). Moreover, the development of a new financial accounting regulation process in different countries is influenced by different factors which include social and cultural values, legal systems, the economic and political environment changes and conditions, capital markets, structure of ownership, standards setting process, and international efforts towards accounting regulation (Sawani 2009; Ashraf and Ghani, 2005; Chamisa, 2000).

The review of the accounting literature reveals that the accounting regulation approaches have varied across countries. In this respect, it can be argued that these approaches of accounting regulation is expected to provide high quality of financial reporting. Financial reporting has been considered as the main source of information for users groups when making decisions (Alrazeen and Karbhari, 2004). Therefore, IASs adopted by some developing countries because they believe that 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, (Tan et al, 2009; Mashayekhi and Mashayekhi, 2008; Nobes and Parker, 2002).

In this respect, 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 2003). The remaining of this chapter will be structured as follows: the next section will cover history of IASs, then in section three the accounting regulation and its approaches will be addressed. Section four will be devoted to accounting development and culture. Section 5 will shed light into accounting regulation in developing countries. Section six is devoted to IASs. The following section will discuss accounting standards setting process. Section eight will explain the challenges that face IASs implementation the last section concludes the chapter.

**HISTORY OF IASs/IFRS**

International accounting standards are issued by the International Accounting Standards Committee (IASC). 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; IASC 1995). 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. To work generally for the improvement and harmonization of regulations, accounting standards and procedures relating to the presentation of financial statements.

The members of the IASC 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. From 1995 it had 110 members within 82 countries. 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; IASC 1995; Mueller et al, 1987). 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).

The International Accounting Standards Board (IASB), was replaced the IASC in 2001 as the standard-setting body of the IASC foundation, an independent private sector body and observed by the
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