THE PERCEPTION OF ACCOUNTANTS ON IFRS ADOPTION: EVIDENCE FROM LIBYA

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ABSTRACT

International Financial Reporting Standards (IFRS) is being adopted by many countries in the world. The purpose of this study is to examine factors that affect an adoption of IFRS in Libya from the perception of Libyan companies' accountants. This study has been conducted using a survey of 288 distributed questionnaires in 2015. The questionnaires have been distributed to Libyan companies' accountants. The results reveal that professional bodies and government policy positively significant to an adoption of IFRS in Libya. However, capital market and education level are not significant to the adoption of IFRS in Libya.

Key words: International Financial Reporting Standards (IFRS), Libya, Adoption.

ABSTRAK

"International Financial Reporting Standards (IFRS)" telah banyak diadaptasi oleh negara-negara di dunia. Tujuan kajian ini adalah untuk melihat faktor-faktor yang mempengaruhi adaptasi IFRS dari perspektif akauntan syarikat-syarikat di Libya. Sebanyak 288 soalselidik telah diedarkan kepada akauntan-akauntan syarikat-syarikat Libya. Hasil kajian mendapati badan-badan profesional dan polisi kerajaan adalah signifikan dan positif kepada adaptasi IFRS di Libya. Walaubagaimana pun, pasaran modal dan tahap pendidikan tidak signifikan terhadap adaptasi IFRS di Libya.

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CHAPTER 1

INTRODUCTION

1.1 Background

The international scope of businesses has improved in line with globalization and thus the traditional accounting system is no longer appropriate for the preparation of financial information (Zehri & Chouaibi, 2013). In the last two decades, the provision of international accounting standards has been widely discussed. Countries such as Canada, the United States and the European countries have been debating on the adoption of these standards. The discussions focusing on the developing countries however are relatively limited.

Parallel with the globalization of economic trade, the accounting and financial information is utilised in developing countries as the strategy to attract foreign investors. According to Owolabi and Iyoha (2012), developing countries employ accounting and financial information in order to attract foreign investment and capital.

Thus, with the adoption of IFRS (International Financial Reporting Standards), the comparability of financial statements has improved due to the increasing reliability of the information. In line with the improvement in international trade and capital markets, it becomes crucial to raise the standards of accounting practices at global level so that greater harmonization of financial statements can be obtained. Since financial markets are rapidly globalized, the need for financial reporting based on international standards too increases (Chen, Tang, Jiang, & Lin, 2010).

Taken into consideration the harmonizing accounting principles, IASB (International Accounting Standards Board) has set some mandatory standards for the use of private sector entities throughout the world in the year 2005. This subsequently results in an increased in discussion on reports comparability, auditor's role and enforcement bodies in promoting compliance.

Both in developed and developing countries, the adoption of IFRS is dependent on both internal and external factors (Zeghal & Mhedhbi, 2006; Zehri & Chouaibi, 2013). The internal factors include educational level, capital market development, size of business enterprise and some other factors while the external factors refer to the openness to foreign markets, international accounting firms, international trade agreements and a number of other factors. Any significant changes of the above mentioned factors will influence the accounting regulation and policies of a country. A case in point is that there would be a need to restructure the accounting system and to adopt the international accounting standards in order to attract international investment and to develop stock market.

In the international capital markets, the focus is on the full adoption of IFRS as it is considered a single set of global accounting standards. Today, there are more than 120 countries that are already using or planning to adopt IFRS. If a country intends to attract more foreign investors into their local capital markets with the purpose of enhancing their international competitiveness and to increase the efficacy of domestic companies for overseas capital rising, financial statements therefore must be prepared based on the IFRS.

The study conducted by Taylor (2009) discovered that at the initial stage, the number of UK companies that are adopting IFRS outweighs the number of Singaporean and Hong Kong companies although the IFRS financial standards seem to have provided users with valuable information in these countries. This is because the cost incurred by UK companies on IFRS is higher, considering that the goal of UK's board of accounting standard is to self-develop and harmonize rather than to import a selective strategy of international accounting standards as how the Hong Kong and Singaporean companies did (Taylor, 2009).

IFRS provides high quality of accounting information and this, since 1998, with completion of its core standards project, has been the major objective of IASC (International Accounting Standards Committee) constitution. IFRS' high quality was emphasized in order to replace IASC with IASB (International Accounting Standard Board) in the year 2000. It was restructured to include few experts as full time members irrespective of their nativity. Mensah and Kwame (2014) affirmed that high quality accounting information standards will be achieved when countries adopt the use of IFRS.

Differences in national accounting systems occur due to statistical differences, educational level, economic and institutional differences and cultural differences (Branson & Alia, 2011). Every country has its own national financial accounting standards to not only facilitate creditors, investors and others relevant parties but also to generate reliable accounting information. The country's culture, history and characteristics of accounting problems are reflected through these standards. The task of preparing financial accounting standards is performed by professional bodies in some countries while in other countries, it is the governments and regulators that set these standards. As a result, the international accounting practices vary significantly across countries even in the 20th century (Zehri & Chouaibi, 2013).

It is necessary to adopt and analyse the impact of adopting IFRS in some countries. It is important to understand the various reasons why IFRS is adopted in Libya, but at the same time, there is also a need to understand why Libya refuses to adopt IFRS (El-Firjani, Menacere & Pegum, 2014) because no doubt that the adoption of IFRS has its benefits and flaws (Mandilas, Nikolaidis, Valsamidis, & Nikolaidis, 2010). While there are some developing countries that viewed the adoption of IFRS as beneficial, there are other countries that do not see the advantages of adopting IFRS. In view of this, the cost and benefits of adopting IFRS are further discussed (Sletten & Ramanna, 2009). The results of this study are especially beneficial to the country Libya since this study is focused on this particular country. This study helps in understanding the difficulties of developing countries in adopting and refusing of IFRS, particularly Libya. In addition, this study seeks to provide an understanding of IFRS adoption in Libya. This study also examines certain variables such as capital market, professional bodies and educational level towards the reality of IFRS adoption.

1.2 Problem Statement

The accounting and financial information in developing countries is still dubious (Al-Abiyad & Al-Hadad, 2012). Though there is an urgent need to attract foreign investment, capital, lending institutions, multinational agencies and demand from individual and institutional investors in developing nations, there is however a lack of appropriate accounting procedure that can be accepted by international professional (Zeghal & Mhedhbi, 2006; Zehri & Chouaibi, 2013).

Multi-faceted approach must be used in order to determine the factors (external economic openness, education, existence of capital market, government policy, professional bodies and language) that could influence the adoption or non-adoption of IFRS (Wretman, Gustafsson, & Ttsarfati, 2012; Zeghal & Mhedhbi, 2006).

In developing countries, the studies must focus at providing an understanding of the factors that determine the adoption of IFRS. The nation will economically grow as IFRS attracts foreign capital and investors (Alsaqqa & Sawan, 2013). The benefit of IFRS includes enhanced reliability, comparability and relevancy of financial statements and it also helps in improving the quality of corporate reporting practices. Several scholars have supported the adoption of IAS (International Accounting Standards) (Chen et al., 2010; Ramanna & Sletten, 2009). In order to facilitate economic growth, IFRS is considered the more appropriate approach. To implement a uniform accounting system, it is thus an urgent matter that IFRS is adopted in Libya (Tesfu, 2012).

Developing countries like Malaysia has adopted IFRS. In comparison to six different nations in the Middle East, IFRS has yet been adopted in Libya. The study of Alsaqqa and Sawan (2013) discovered that the Middle Eastern countries have yet to adopt the IFRS. The main barriers in adopting IFRS in Libya, according to some researchers are due to the issues of corruption, no transparency and some other financial vices (Al-Abiyad & Al-Hadad, 2012; El-Firjani et al., 2014; Judge, Li, & Pinsker, 2010). In developing countries, the lack of capital market is also a barrier in the adoption of IFRS (Zeghal & Mhedhbi, 2006).

In order to uncover the factors determining the adoption of IFRS in developing countries, this study focuses specifically on Libya. The variables of this study include educational level, government policy, professional bodies and capital market. These variables are what leading to the fundamental of this study's research questions and objectives. The gaps in current studies are discussed and further studies in the specific area are suggested.

This study's findings are significant for the developing nations, both locally and internationally. The findings of this study are beneficial to accounting standards setters, organizations and decision makers, government and financial markets. The study also supports the objective of IASB that seeks to promote the adoption of IFRS globally.

1.3 Research Questions

This study aims to answer the following questions:

a) What is the impact of government policy on the adoption of IFRS?

b) What is the impact of capital market on the adoption of IFRS?

c) What is the impact of educational level on the adoption of IFRS?

d) What is the impact of professional bodies on the adoption of IFRS?

1.4 Research Objectives

Essentially, this study aims to examine the factors influencing the adoption of IFRS in Libya. The main research objectives are:

a) To examine the impact of government policy on the adoption of IFRS.

b) To examine the influence of capital market on the adoption of IFRS.

c) To assess the impact of educational level on the adoption of IFRS.

d) To examine the impact of professional bodies on the adoption of IFRS.

1.5 Significance of the Study

The significance of the study illustrates the understanding on why IFRS is adopted in some countries but not in others. This subsequently leads to assessment on the cost and benefits of adopting IFRS (Ramanna & Sletten, 2009). As the study focuses on Libya, the results are therefore more applicable to this particular country. This study provides the base for the arguments on why a developing country like Libya is unable or refuses to adopt IFRS. This study also focuses on the need of IFRS adoption in the developing countries.

This study provides insights to the discussion on why some countries do adopt IFRS while others do not. Thus, this study is of particular importance as it paints a better understanding on the adoption of IFRS in general and particularly in Libya.

The study's significance is also portrayed through the adoption of IFRS. This is because the presence of IFRS attracts foreign invest and the developing countries will possibly experience economic growth through foreign capital (Biddle, Callahan, Hong, & Knowles, 2011; Zeghal & Mhedhbi, 2006; Zehri & Chouaibi, 2013). The basic concern of IASB and developing countries, primarily national and international harmonization organizations is addressed through the research questions.

1.6 Scope and Limitations of the Study

This study on the adoption of IFRS can be a source of reference at either the country or company level. This study focuses on Libyan country because the factors influencing IFRS are largely controlled by the government. The scope of the study is limited to the company level. This is due to the reason that it is the government that usually whether or not to adopt IFRS in both public and private organisations.

The decision of adopting IFRS in a country is greatly influenced by economic growth, cultural membership, level of external economic openness, educational level and the availability of capital market (Zeghal & Mhedhbi, 2006).

1.7 Organization of the Study

This research is comprised of six chapters. The study's background, objectives, significance, problem statement and scope is discussed in the first chapter. Literatures are reviewed in chapter two in which previous academic works that are related to the study are discussed. The framework and hypothesis development of the study are discussed in chapter three while the methodology used in study such as research design, data collection methods and analysis are explained in chapter four.

In chapter five, the results are elaborated whereas in chapter six, conclusion and recommendation is discussed.

1.8 Definition of Key Terms

- **International Financial Reporting Standards**

IASB (International Accounting Standards Board), an independent and not-for profit organization has developed a set of accounting standards known as IFRS (International Financial Reporting Standards). IFRS helps in providing the framework that aids the process of preparing and disclosing of financial statements in public companies. IFRS does not set rules for industry-specific reporting; instead it provides a guideline for the preparation of financial statement.

Large companies with different subsidiaries in different countries will greatly benefit from international standards. The accounting procedure which is simplified through the adoption of a single set of standards used world-wide allows a company to use one reporting language. The use of a single standard enables investors and auditors to obtain a cohesive view of finances. The IFRS replaces the older accounting system which is also known as IAS.

- **Explanatory Environmental Factors**

In the literature of accounting, the main reason of international accounting diversity is the environmental factors. Various factors influence the practices and rules of accounting. These factors are professional bodies, educations, politics and corporate financing system. According to Gray (1988), economic circumstances, legal system, professional bodies, national culture and corporate financing causes the difference in financial reporting frameworks.

- **Libya**

In 1992, Libya changed its economic policy and this is one of the reasons why Libya makes the case of this study. In 1997, the country allowed foreign investors to invest in the country through the creating of partnership between Libyan enterprises and private and public ownership. Moreover, the rise of Libyan Stock market requires all companies, both public and private to be listed in the Libyan stock market. Globally, both local and multinational enterprises are able to accomplish their managerial functions (preparation of financial reporting) if a suitable system of accounting information is presence.

1.9 Chapter Summary

This chapter introduces the research background with supported previous studies identifying where exactly the problem exists. Moreover, the questions was accordingly been placed, putting the objectives to achieve alignment with solving the questions. Nonetheless, the study gain significance to the related country and to targeted population which shown on this chapter; Nevertheless, the scope and limitation of this study to be concerned in future as to improve. However, to provide the brief summary of the structure the organization of the research has been provided; lastly the terms defined determine the meaning of them. Hence, this study did based well-presented needed to be reviewed through the past in the next chapter “literature review”.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

In this chapter, the literatures related to IFRS adoption in Libya are presented. This chapter begins by introducing IFRS in Libya, examining the benefits and challenges of IFRS adoption and assessing the factors influencing the adoption of IFRS in Libya. In general, this chapter provides a detailed assessment on the literatures that is related to the context of this study.

2.2 Historical Background of Accounting in Libya

Libya is one of the many Middle Eastern Arab nations and it must be acknowledged that this country has its own unique factors that influence its accounting profession. Cultural problems are reinforced with the adoption of imported system. Libya uses UK and US-influenced accounting profession, both of which are under developed. As an example, the individualistic society of the UK and US expects low level of uncertainty avoidance, while the collectivist society of Libya expects high level of uncertainty avoidance. Thus, when a socialist government requires information for macro-economic purposes, the Libyan accountants and Libyan companies' accounting system may not be able to provide the information (Kilani, 1988 cited in Ahmad & Gao, 2004 and Shareia, 2010).

In Libya, tracing accounting information to its unset is difficult as there is no proper record. In 1950, the accounting profession was positively influenced by Libyan education system. The Libyan accounting profession is also positively influenced with the rapid changes in social environment, political environment, legal and economic environment of Libya while preferences are given to international companies.

In 1957, with the establishment of Economics and Commerce faculty at Garyounis University in Libya, the accounting course gains popularity. Accountancy education and training of the Libyan students was provided by professional bodies and universities from the UK and USA. In 1970s, many Libyan students studied in the USA and the accountancy practices and education of the USA is of high standards. This has a positive influence on the Libyan accounting practices. The LAAA (Libyan Accountants and Auditors Association) which was established in 1973 is a relatively new association in comparison to the accounting practices in the west. The CPA (Certified Public Accountant) system is 37 years older and was officially introduced by Law No. 116 of 1973 (Libya State, 1974). From then onwards, the accounting profession in Libya has been formally organized (Kilani, 1988 cited in Ahmad & Gao, 2004 and Shareia, 2010). Only the accounting graduates from universities are allowed to become the members of LAAA. However, no written examination was conducted in order to obtain membership.

The definition and objectives of an accounting profession in Libya, the UK and USA are similar. However, the only prominent difference is due to the Libyan environmental factors, which is rather different from those in the USA and UK(do not under stand the comment ??). For instance, financial reporting and accounting regulations related problems are recognized and appreciated in Libya. Therefore, a direction for banking businesses to adopt the use of international standards at the time of reporting their results is set (Kribat, Burton, & Crawford, 2013).

The practices of financial reporting in Libya are influenced by tax while the accounting practices in Libya are acquired from higher learning institutions. Some countries have replaced their legacy of national accounting standards with IFRS. Libya however, proves to be an opportunity since the presence of a national accounting standard is inexistent. The adoption of IFRS in Libya is significant as there is a possibility that it could enhance corporate transparency (which is needed for public and investors), although this shift may possibly poses barriers which can eventually be eliminated over a period of time (Gordon, Jorgensen, & Linthicum, 2008; Horton, Serafeim, & Serafeim, 2013). Presently, the financial practices of Libya are of poor quality which poses as a challenge to adopt IFRS according to Libyan Audit bureau report (Shokshok ahmed, 2014).

2.3 The Adoption of International Financial Reporting Standards (IFRS)

IASB has issued the IFRS which is comprised of standards that provide guideline for the preparation of financial statement (Doupnik & Perera, 2015).

The IFRS are considered the framework, standards and interpretation which IASB has adopted. Previously, many parts of IFRS were known as IAS. The IAS was issued by the IASC between the year 1973 and 2001. On 1st of April 2001, IASB was established and was then responsible for setting the IAS. The present LAS and SICs were adopted in the first meeting of the new board. The IASB made their efforts to develop standards which were then known as IFRS.

The worldwide acceptance of IFRS is of utmost importance. IFRS is adopted worldwide by more than 100 countries and it is expected that in the near future, more countries will also begin to adopt IFRS (Alali & Cao, 2010; Wretman et al., 2012; Ray, 2012). Many markets like the EU market, Hong Kong, Tokyo and Zurich have accepted IFRS and it has been endorsed by the IOSCO (International Organization of Securities Commissions). The companies that have adopted IFRS will gain favorable influence on reported profit or equity.

By definition, the adoption of IFRS harmonizes the IAS into local accounting standards and it is with this concern that the country Libya is considered the case of this study. According to the arguments, the adoption of IFRS will improve the comparability of accounting information in the international milieu, enhances the quality of financial information, internationally facilitates financial information and thus globalizing the market (Alsaqqa & Sawan, 2013; Ballas, Skoutela, & Tzovas, 2010; Byard, Li, & Yu, 2011; DeFond, Hu, Hung, & Li, 2011; Horton et al., 2013; Lee & Fargher, 2010; Linda Wretman et al., 2012). In developing countries, IFRS strengthen integration and competitiveness in financial markets (Ray, 2012). Iyoha and Faboyede (2011) conducted a study on IFRS adoption in Nigeria and their study shown that the adoption of IFRS is in Nigeria benefited the country in many ways. The benefits of IFRS include the ease of using one standard format reporting that results in the provision of quality information that is easily understood by professionals. The adoption of IFRS will provide better access to the capital markets. Meanwhile, the national regulatory bodies will experience a higher standard of fiancial disclosure and better reporting and information are generated for new and different aspects of business.

2.4 Professional Bodies

Emeni, (2014) examined the institutional contexts of 46 developing countries that have decided to adopt IFRS. On the basis of the theory of institutional isomorphism as proposed by DiMaggio and Powell (1983), they discovered a significant relationship between the adoption of IFRS in selected developing countries and their institutional contexts. Specifically, their research findings revealed that mimetic isomorphism (the size of capital market in the country is taken as proxy), normative isomorphism (the secondary level of education is taken as proxy) and coercive isomorphism (the weight of foreign aid in economy is taken as proxy) are significant predictors of the decision of selected developing countries to adopt IFRS. Moreover, their findings supported the view that the decision to adopt the IFRS by the country is encouraged by social and institutional factors as compared to the economic factors (FDI and economic growth are taken as proxy).

Hazhar. sharif, (2010) defined a professional body as a group of learned people in an occupation who are being trusted to maintain control on the legitimate and appropriate practices of the occupation. He added that the professional body is a group of people working to protect the interests of the public and the organizations representing the professional practitioners' interests act to uphold their power position and privilege position as a controlling body. Tesfu (2012) used the regression and correlation analysis to examine the association between IFRS adoption and professional bodies. In the study, Tesfu (2012) found a positive correlation between IFRS adoption and professional bodies with the stated variables specified with a coefficient of correlation equal to 0.419 that was significant at 0.01 level of significance. The value of coefficient of correlation between IFRS adoption and professional bodies in the Ethiopian companies is very high, with a significant and positive relationship of professional bodies and IFRS adoption, which is reflected through the regression analysis. Chamisa (2000) discovered a significant role of professional bodies in supporting the adoption of IFRS in the context of developing countries such as Zimbabwe.

2.5 Capital Market

The development and efficiency of capital markets is highly affected by the quality of financial information. In fact, the stock markets functioning operations are the major challenge in the adoption of IFRS adoption. Thus, the interests of the investors are protected in different exchange markets (Zehri & Chouaibi (2013). Daske et al. (2008) found a compulsory IFRS adoption in Europe as well as in the whole world and revealed the statistical significance and economically modest benefits of the capital market on the adoption of IFRS. EFRAG (2011) argued that IFRS have not only proposed the need to establish a consolidated accounts and capital market for investors, but they also raised the concerns about the relevance of IFRS to prepare financial statements separately.

Zeghal and Mhedhbi (2006) studied a sample of 32 developing countries adopting the IAS and 32 countries that are not adopting the IAS. They revealed that the DCs that retain well-established capital markets are more included to adopt IFRS. However, Zehri and Chouaibi (2013) found contradictory results where the adoption of IFRS is insignificantly affected by capital markets.

Gray and Radebaugh (1997) asserted that sophisticated information are required by investors to analyze the opportunities of the best investment locations. This type of exerted pressure by institutional environment has encouraged many developing countries to revise their local standards and implementation of IFRS. Similarly, Jemakowicz and GornikTomaszewski (2006) stated that a higher possibility of IFRS adoption among countries have enabled foreigners to access their financial markets. The enhanced comparability of information of IFRS thus refers to the integration of local financial markets with global exchanges. By 2005, in 99 IFRS adopted countries, 80 percent of them are from emergent capital markets (Deloitte & Touche, 2005). Razik (2009) shared the same view, stating that capital market is a significant determinant in adopting IFRS in Middle East countries.

2.6 Government Policy

It is observed that in countries where the government portrays a remarkable quality, the accounting standards are extensively implemented. Therefore, mandatory IFRS adoption in high-quality government countries is more likely to enhance the demand for auditors of high-quality because of the complication in the implementation of new accounting standards (Houqe, Van Zijl & Monem, 2011).

In the case of various developing countries, the role of the government policy is very crucial in the adoption and implementation of IFRS (Chamisa, 2000). Tucker, Abdolmohammadi and Rhodes (2002) asserted that the adoption of IFRS is impossible if the government policy is antagonistic to the global and foreign principles. Similarly, Mir and Rahaman (2005) revealed that the role of government policy is positive in the IFRS adoption in the development of auditing and accounting standards in Bangladesh. Belkaoui (2004) conducted a study in Kazakhstan and found that they government played a significant role to adopt IFRS instead of the Kazakhstan Accounting Standards (KAS).

Ayuba and Gugong (2014) examined some determinants of the adoption of IFRS among the different stakeholders in Nigeria and found a significant correlation between the adoption of IFRS and governmental policy with the value of correlation coefficient r = 0.789 and a p-value less than 0.01. Joshi and Ramadhan (2002) discovered a positive influence of government policy on IFRS adoption by the companies. Moreover, Xiao

(2004) asserted that the government policy has a crucial role in prompting the adoption of IFRS instead of the use of unified accounting system in China.

2.7 Education Level

Another main issue in the IFRS adoption raised is whether it is possible to draw together the accounting professionals, educators, analysts and other stakeholders to pace up in an adequately timely fashion for a smooth IFRS transition (Barth, 2008). Due to the fact that there exist many gaps in the accounting education, Barth (2008) suggested that it is thus better to delay the adoption of IFRS in the U.S. On the other hand, as it is observed that many other countries have practiced a smooth transition of the previous education system to IFRS, the same outcome is expected by the U.S. as well, although there would be certain challenges because of the larger economy size of the U.S. and market diversity (Hail, Leuz & Wysocki, 2009).

Hassan (2008) stated that the level of education and the professional training programs put institutional pressures in normalizing social practices that also includes accounting practices in various organizations in the same field. He specifically focused on the crucial role of professional regulators, professional associations and universities to reinforce and normalize these types of social pressures and practices.

Choi and Meek (2008) argued that in order to adopt and implement an accounting standard or practice, a higher level of education is the main prerequisite. Archambault and Archambault (2009) justified that the education level affects the reading and comprehending ability of IFRS. Zeghal and Mhedhbi (2006) revealed that the adoption of IFRS requires a higher education level in developing countries for better understanding, interpreting and practicing of such accounting standards.

Zeghal and Mhedhbi (2006) explored the determinants of the decision of the 64 developing countries regarding the adoption of IFRS. They found capital markets existence, cultural membership of country in any group, the level of external openness in economic terms, level of education and economic growth to be the significant determinants in the decision to adopt IFRS. In addition, they also found that higher level of literacy exhibits a positive influence on the adoption of IFRS in developing countries.

The IFRS implementation is a critical and strategic decision requiring a higher education level, greater degree of competence and expertise so users can effectively comprehend, understand the IFRS standards (Isenmila & Adeyemo, 2013). Tesfu (2012) investigated the influence of level of education on IFRS adoption and found a significant impact of the level of education on IFRS adoption in Ethiopia.

Dholakia (2012) studied the perceptions of professionals, industrialists and academicians towards IFRS adoption and revealed a significant difference of the respondents' opinions based on different level of education. Shima and Yang (2012) found a significant positive impact on the level of education and the decision of a country to adopt and implement IFRS. Archambault and Archambault (2009) claimed that countries with higher level of education are more likely to adopt and implement the IFRS as compared to countries with lower level of education. Therefore, it can be concluded that there exists a significant association between the level of education and the adoption and implementation of IFRS system.

2.8 Chapter Summary

This chapter presents the previous studies which majority elder to show the source of the studies and view different. Libyan accounting history is discussed as well as how the variables been studied by the previous researches dependent and independent variables. However, the Libyan accounting still new compared to the other developing counties according to above literature. Contextually, the following chapter discusses and shows the framework of the research along with the hypotheses to be developed.

CHAPTER 3

RESEARCH FRAMEWORK AND HYPOTHESIS DEVELOPMENT

3.1 Introduction

In this chapter, the proposed research framework is presented and the hypotheses supported by past studies are formulated. The theoretical framework of this study is also illustrated.

3.2 Theoretical Framework

Theoretical framework provides the fundamental understanding to the background of a study. It explores, explains and analyzes the phenomena shaping the background of a study for better understanding. IFRS adoption is considered the dependent variable of this study, while the independent variables comprised of educational level, professional bodies and capital market. This study did uses Institutional theory which emphases on the resilient along with more deeper features of social structure It reflects the processes by which structures within, rules schemes, routines, and standards, (Scott, 2004). The study proposes the following model to test the effect of these variables in Libya (as illustrated in Figure 3.1).

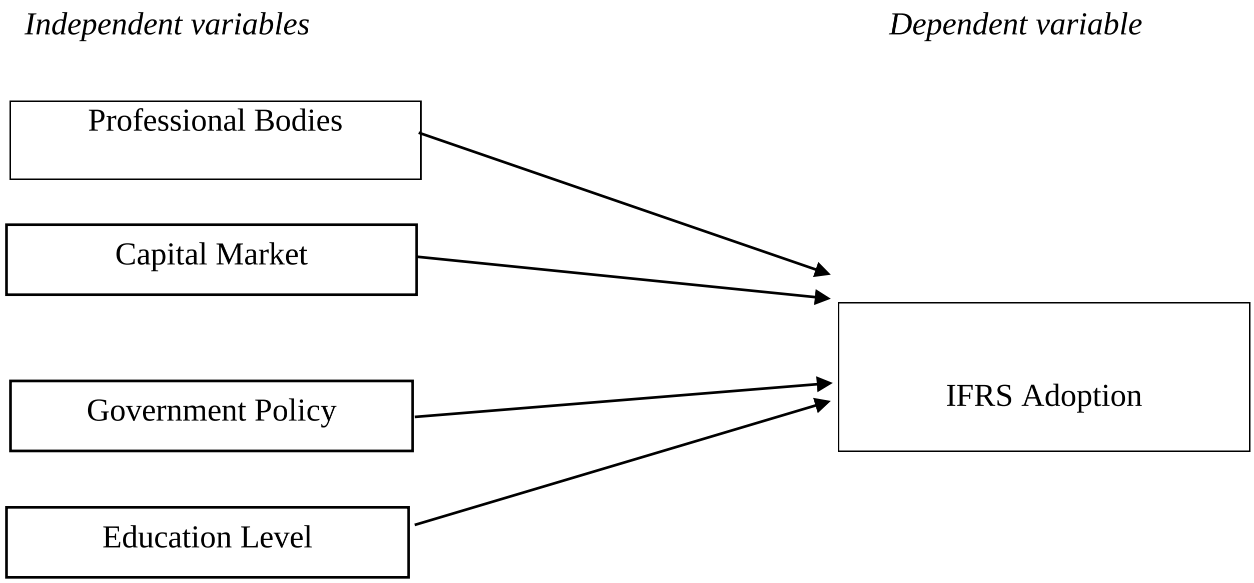

Figure 3.1*Theoretical Framework*

3.3 Hypotheses Development

In this study, the four independent variables, namely government policy, capital market, education level and professional bodies are explained below.

3.3.1 Professional Bodies

In developing countries, the role of professional bodies in the adoption of IFRS is of utmost importance (Aljifri & Khasharmeh, 2006; Ball, Robin & Wu, 2003; Lundqvist, Marton, Pettersson & Rehnberg, 2008; Tesfu, 2012). Professional body can be defined as a group of learned people who are responsible for legitimate practice of occupation; organization which depict the interest of professional practitioners; a body that safeguard the interest of public. Professional bodies act to maintain their own powerful and privileged position as a controlling body.

In developing countries, the main barrier faced in setting standards is due to the absence of powerful accounting professional bodies (Roudaki, 2008). The adoption of IFRS is influenced by the presence of experienced professional accountants (Chand & Patel, 2008). According to Iyoha and Faboyede (2011), the factors influencing the IFRS adoption includes professional support. A study was conducted by Mir and Rahaman (2005) to set IAS in Bangladesh. This study aimed to reveal the decision of accounting professional and government of Bangladesh regarding the adoption of IAS. The data gathered in the study was archival and was also gathered through interviews with Securities and Exchange Commission's member and members of the professional accounting bodies. According to the study's results, institutional legitimization was considered the main factor influencing the adoption of IAS. The study's results found that the professional accounting bodies, international donor/lending institution's demand and the government of Bangladesh are influential parties in the adoption of IAS. The focus of these demands was not only to provide credibility to foreign investors but also to make accountability stronger among donor and lending agencies. However, conflict arises among various constituencies as the process of adoption which is considered undemocratic resulted in the poor compliance with these standards.

Chamisa (2000) conducted a study in Zimbabwe to find out if IAS are related to developing countries. According to the results of the study, an increased in professional bodies is evidence in developing countries and most of them are in favor of implementing IAS. The developing nations will benefit from the adoption of IAS. The result demonstrated that professional bodies positively influence the adoption of IAS in Zimbabwe and in any other developing nations.

The study of Masca and Ema (2012) which is focused on SMEs tested the influence of cultural factors in the adoption of IFRS for SMEs. According to some respondents, they are highly influenced by the accounting culture of the geographical space they are operating in. The results ultimately showed that IFRS adoption for SMEs is influenced by the accounting culture where these institutions are operating.

H1*: There is a significant association between the influences of professional bodies and the adoption of IFRS.*

3.3.2 Capital Market

Capital market is where government and enterprises raise funds on a long term basis. The money acquired in the capital market's operation could longer than a year because the money which is raised for a shorter period is used to operate in other markets. Bond market and stock market are both determinants of capital market.

In many countries, regulation of capital markets regulates the accounting system of a country as it highly influences the accounting rules and enforcement practices. Therefore, capital markets mostly determine the changes in accounting practices (Mashayekhi & Mashayekh, 2008; Perumpral, Evans, Agarwal, & Amenkhienan, 2009). Quality of financial reporting is highly influenced by the development of capital market (Ding, Hope, Jeanjean, & Stolowy, 2007). The studies disclosed that capital market development and accounting standards must be improved simultaneously in order to enhance the quality of financial reporting.

The study conducted by Gray, McSweeney, and Shaw (1984) proved that the investor's pressure is of utmost importance for optimal decision making at the time of investment opportunities analysis because investors require quality financial reporting. In some circumstances, the body that sets the accounting standards of a country is influenced by investors, which apparently results in the adoption of IAS (McSwenney et al., 1984 cited in Zeghal & Mhedhbi, 2006).

Parallel to the growing capital markets, government of the developing countries need to adopt IFRS (Al-Shammari, Brown & Tarca, 2008). Antwi (2010) conducted a study on the adoption of IFRS in Ghana. The study focuses on development of accounting, history, and factors that influence the IAS/IFRS adoption in Ghana. The pros and cons of this standard were analysed in this study. In Ghana, the study's result shows that according to 91% respondents of the study, there is an influence of capital market on IFRS adoption.

Zeghal and Mhedhbi (2006) conducted a study on factors influencing the adoption of IAS/IFRS. The factors that are taken into consideration in their study include the level of external economic openness, educational level, capital market, economic growth and cultural membership in a group of countries. According to the results of their study, the capital market positively influences the adoption of IFRS.

The study of Baker and Barbu (2007) on international accounting harmonization demonstrated that there were two primary factors that are useful in explaining the differences in accounting practices before the year 1990. The factors are the economic and cultural factor. However, after the year 1989, researchers began to realize that they are many other factors such as the differences in legal system, development of capital market and economy of a nation, complexity and size of companies within a country, level of currency stability, educational system, nature of property rights, social climate and existence of accounting laws that lead to the diversity of accounting practices.

Zeghal and Mhedhbi (2012) conducted a comparison study that compares the before and after adoption of IAS/IFRS in developing countries. The study found that the presence of capital markets in 38 developing nations. The result of the study shows that capital markets positively influence IAS.

H2*: There is a significant association between capital market and IFRS adoption.*

3.3.3 Government Policy

Policy refers to a rule for decisions guidance and rational outcomes achievement. Policy is normally a procedure/protocol. It does not define what the actions that need to be taken are. Policy relates to the questions of 'what' and 'why' while procedures/protocol relates to the questions of 'what', 'when', 'where' and 'how'. The difference in policy and procedures/protocols is reflected through the involvement of different body; the senior governance body and board of directors adhered to policy while senior executive officers of an organization adhere to procedures and protocols. There is also a difference between policy and law; law enforces or prevents some behaviors while policy provides the direction on how to behave to achieve targeted results.

Furthermore, political rights and civil liberties determine political freedom. The efficacy of participating in the political process through voting or other means is known as political right. Civil liberties refer to the freedom provided by the states to the individuals. The political freedom positively influences companies' involvement in international trade and also in adopting relevant accounting practices (Salter & Niswander, 1995). Thus, the use of IFRS is more significant in countries where political freedom exists.

The study conducted by Akra, Ali, and Marashdeh (2009) on the environmental factors influencing the accounting regulation development in Jordan recognized that among the many environmental factors (economic, legal, cultural and political), political factor exert the most significant influence on the development of accounting practices. With privatization in Jordan, disclosure regulation and the corporate governance policy framework were reformed.

Hail, Leuz, and Wysocki (2010) conducted a study to analyze the political factors related to the possible adoption of IFRS in the USA. The results of the study presented various factors such as the evolution of accounting standards and for global accounting standards and regulations and open research routes. In their study, the literature of economic, finance and accounting was used for the purpose of finding potential political and economic influence on the IFRS adoption in the USA. According to the results of the study, political factor is of utmost importance in setting a standard process.

The study conducted by Assenso-Okofo, Ali, and Ahmed (2011) considered different factors influencing accounting and disclosure practices in Ghana. The factors comprised of institutional factors, political, economic and legal systems. The study also evaluated the influence of IFRS on disclosure. The results of the study revealed that political factors significantly influence accounting and reporting practices.

The study of Branson and Alia (2011) took into consideration the accounting diversity and the influence of accounting diversity on accounting harmonization. Their study which is focused on developing nations tested how accounting diversity is influenced by environmental factors. This factor is also included in this study; however this study is based on the Arabic and Islamic nations in particular. According to the results of the study, the features of financial reporting frameworks are determined by political factor which itself is an environmental factor.

H3*: There is a significant association between government policy and IFRS adoption*

This hypothesis development was important in order to test the influence of government policy on IFRS adoption in Libya. The study of Doidge, Andrew Karolyi, and Stulz (2007) affirmed that there are indeed some benefits of financial reporting. The LAS adoption for instances help to reduce managerial discretion. The study revealed that firms located in a country with weak institutions will however only exeperience limited improved disclosure. Thus, the role of government policy in standards adoption is of utmost importance.

3.3.4 Education Level

If the educational system is well developed, the demand for developed accounting system will also increase. To measure the educational level, literacy rate, level of education in accounting university and the level of accountant's knowledge in both practical and academic related issues must be measured. In several studies, the influence of educational level was included in the frameworks of financial reporting which were used in different countries. The studies concluded that the educational level must be of high quality as it highly influences the adoption of IFRS (Abd-Elsalam & Weetman, 2003; Chand & Patel, 2008).

According to Zeghal and Mhedhbi (2006), education is considered the main pillar for modern accounting systems. In the adoption of IAS, high level of education is importance because it enables them to make full use of these standards (Zeghal & Mhedhbi, 2006). In Zehri and Chouaibi's (2013) study, they included 74 developing countries as a sample to test the determinants of the adoption of IAS/IFRS in developing countries. Their results shown that high level of education and economic growth need to be presence if IAS/IFRS is to be adopted.

Archambault and Archambault (2009) reported that the listed companies among some 120 nations decided to adopt IFRS. This study taken into account the culture, economic and political system of these countries as the variables of the the study. The influence of educational level on adoption of IFRS was significant in the results of the study. Similarly, the economic influence on the adoption of IFRS was also tested in Nigeria by Herbert and Tsegba (2013). Their study made an analysis of obstacles, benefits and resulting attitude towards the adoption of IFRS and discovered that the main barriers in the adoption of IFRS in Nigeria is due to illiteracy and experience of those preparing financial reports.

The study of Salter & Niswander (1995) regarded the educational level as a vital cultural element. The ability to understand IFRS understanding is more prominent in countries with high literacy rates. Thus, countries with high literacy rates are more likely to adopt IFRS.

H4: *There is a significant association between educational level and IFRS adoption*

3.4 Chapter Summary

The chapter above shows frame work which identifies the type of the relation tested directly. The research based on the theory that related to standards and which suits the study. The hypotheses developed in this chapter by listing the previous studies which support their usage. However, the nest chapter will be methodology which represents this research is idea and results.

CHAPTER 4

METHODOLOGY

In previous studies, the factors influencing the adoption of IFRS were identified. Aligned to past studies, this study too aims to identify the factors influencing the adoption of IFRS in Libya. Those factors are elaborated in this chapter. This chapter provides insights on the methods of analysis employed in this study. Research design, data collection procedures, sampling and population design, hypotheses measurement and data analysis techniques are also explained in this chapter.

4.1 Research Design

Research design refers to a framework used to facilitate research. Research design presents the procedures and details needed to solve research problem. According to Creswell (2003), there are three different techniques to conduct research. The quantitative research refers to the construction of quantitative data; this approach is adopted in this study. Quantitative data comprised of numbers and is a systematic record which is developed by researcher which uses the measurement process and imposing structure. Unlike the measurement used in quantitative research approach which are quantifiable, the qualitative research approach however do not provide any form of measurement (Bryman & Bell, 2007). In this study, various hypotheses are tested in order to examine the factors influencing the adoption of IFRS in Libya. In order to examine the relationship between dependent variable (IFRS adoption) and the independent variables (capital market, educational level, government policy and professional bodies), the quantitative approach is employed.

4.2 Unit of analysis

The unit used to distribute the questionnaire is individuals which represented on the accountants which mostly knowledgeable about Standards practices.

4.3 Population

The accountants of both foreign and domestic companies listed in the Libyan stock market are the targeted population of this study. Towards the end of year 2013, there were 31 listed companies in Libyan stock market. The number of accountants in accordance to the 2013 annual reports of these companies accounted to 288 persons. The 288 accountants listed in the Libyan stock market are thus the population of this study.

4.4 Sample Selection

According to Hopskins (2000), random sampling procedure must be used in order to ensure that a selected sample represents a population. Considering that this study employs the quantitative approach to analyze the influence of the various factors (as aforementioned) on the adoption of IFRS, the simple random sampling method is deemed most suitable as it offers more generalization to provide least bias results.

The field survey is conducted and the questionnaires are distributed to the targeted respondents. The study of Krejcie and Morgan (1970) provided a guideline for sample size and population; number of population is 129 and sample is 97. According to Sekaran (1992) from the 288 persons, 162 accountants from the listed companies of Libyan stock market are selected as the respondents of this study. Due to the ability to cover the population this research distributed 288 accountants and received 200 responses 21 of them excluded which invalid to use.

4.5 Data Collection

Primary data is collected in this study and the data gathered in this study is through survey method. Bryman and Bell (2007) defined primary data as the first handed information gathered by researcher which is related to the variables of the study and used specifically for a study. Thus, to gather the data for this study, the survey design and the questionnaire instrument is employed. The questionnaire consists of questions that determine respondents' views with regards to the factors influencing the adoption of IFRS. In order to obtain balanced responses, equal attention was given to all variables and the total number of questions for each variable was the same.

In order to improve the questionnaire, it was distributed to four Libyan experts. The questionnaire is reviewed by two types of expertise; two academicians and two practitioners. The comments received suggested that considerations should be given to develop and translate the questionnaire into Arabic to suit the background of the Arabian respondents; in this case the Libyan accountants.

4.6 The Questionnaire Design

Questionnaires are distributed to the accountants of selected companies. The accountants are selected because they possess more knowledge about IFRS and thus they will be able to provide better answers regarding the adoption of IFRS. The response of the respondents will facilitate the adoption of IFRS of Libyan companies.

The structure of the questionnaire is similar to those of Iyoha and Faboyede (2011) and Tesfu (2012). The questions used in the questionnaire were close ended and the five point likert scale was used. The ratings used in the Likert scale is distinctive with 5 represents

"Strongly Agree" (SA), 4 denotes "Agree" (A), 3 represents "Neutral" (N), 2 implies "Disagree" (D) and 1 signifies "Strongly Disagree" (SD).

4.6.1 Procedures

The procedures used for data gathering in this study are of two types, namely the primary and secondary data. By employing the primary data procedure, questionnaires re electronically distributed to selected companies. The second procedure is the gathering of secondary data obtained from Libyan stock market, books, journal, internet and the accountants and auditors in Libya. The data gathered through questionnaire are regarded as the primary data. The primary method was chosen because there were difficulties in obtaining secondary data from the government and even if provided, there were hurdles to pass the reliability test.

4.7 Measurement of Variables

Each of the variables has certain definition which standardized to measure the variable according to this definition. In the follow each variable identified in terms of measurement.

Dependent Variable:

International Financial Reporting Standards (IFRS) is the standards created by IASB due to the globalization and the local standards of each country differ, that lead to uncontrolled losses of countries. Moreover, the IFRS featured by efficient and reliable financial statement to be followed by these standards.

IFRS adoption is measured with the help of 5 items which are determined based on a five-point Likert scale. For reliability verification, Cronbach alpha is computed for every factor in the adoption of IFRS, also factor analysis computed for each item. The questionnaires, according to previous studies help in measuring these variables. After the data had been collected and analyzed, it is expected that the measurement provides reliable results.

Independent Variables:

Professional bodies are the entity which holds the accountants system controlled by accountant experts and its institution which represent the reference of the accountants to follow. The accountants must be trained in interpreting standards to smoothly adopt IFRS, and regulatory must be considered as well to cover the related issues, in addition, Professional bodies Measured by 4 items.

Education level is related mostly to language that translating reduces the meaning , even so , the translation of IFRS must be accurately proceeded and education rely on the references which needed to be provided ;in addition, Education Level measured by 4 items.

Government policy it is the policy which must encourage companies to adopt IFRS showing how is the features of IFRS, and the obligation of adoption to provide unified accounting standards; moreover, Government Policy measured by 4 items.

Capital Market is the place where the investor and the owner meet to enlarge their worth the Capital Market must be attractive to the investor with high chance to earn; strong and effective Capital Market may enhance the adoption of IFRS, moreover, Capital Market measured by 3 items.

Professional bodies, educational level, government policy, and capital market are the independent variables of the study. Every independent variable is measured with the help of four items measurement which derived from five-point likert scale: (1)-Strongly Disagree, (2)-Disagree, (3)-Neutral, (4)-Agree and (5)-Strongly Agree.

4.8 Data Analysis Technique

Questionnaires are used for data collection. After the data collection process, the accuracy of data is tested and the data are coded and transformed, after which the data are documented in the database structure and stored in the computer memory. The use of SPSS (Statistical Packages for Social Science) helps in analyzing the data in order to determine the relationship between variables and also to investigate if there is any significant relationship between the dependent and independent variables. Reliability analysis, correlation and regression, frequency distribution and descriptive analysis are also employed in the data analyses process.

Frequency distribution helps in obtaining different values related to one variable and then further express those counts in percentage (Malhotra, 1999). For example, the frequency on the variable of respondent profile in the questionnaire is determined with the help of frequency distribution. Reliability analysis is conducted through Cronbach's alpha. Reliability analysis ensures consistency and stability of the instrument with which the concept is measured. It also helps in assessing the reliability of measures. In reliability analysis, the internal consistency reliability is higher if Cronbach's alpha is closer to 1.0 (Cronbach's Alpha; Cronbach, 1946).

Cronbach measures;

1. If Cronbach's alpha is less than 0.6, the reliability is considered poor.
2. If the Cronbach's alpha is 0.7, the reliability is acceptable.
3. If the Cronbach's alpha is 0.8, the reliability is considered good.

4.9 Chapter Summary

The chapter above shows frame work which identifies the type of the relation tested directly. The research based on the theory that related to standards and which suits the study. The hypotheses developed in this chapter by listing the previous studies which support their usage. However, the nest chapter will be methodology which represents this research is idea and results.

CHAPTER 5

RESULT AND DISCUSSION

This chapter explains and discusses the results of findings based on the analysis of the data collected which relied on the responded who rate as 62% of the pollution. The discussion attempts to accomplish the objectives of the study, answers the research questions and tests the hypotheses.

5.1 Data Analysis

The data analysis is conducted after which the questionnaires have been returned by respondents. Data are entered and analyzed using SPSS. Data are described using frequency distribution by reporting the frequency and percentage.

5.2 Descriptive Findings

The questionnaires collected lead to the descriptive findings of this study, which are presented in subsequent topic as follows:

5.2.1 Frequency Distribution Analysis

Frequency analysis is used to explain the demographic background and information regarding the current accounting standards practices in Libya. In addition, this section explains the adoption of International Financial Reporting Standards (IFRS) by Libyan companies. Furthermore, it is also explain the perceptions of factors that could affect the adoption of IFRS by Libyan companies.

5.2.2 Demographic background and information regarding the current accounting standards practices in Libya.

Table 5.1 below illustrate the respondents of this study consist of 101 males (56.7%) and 77 females (43.0%). Educational level and background is shown in Table 5.2. There are 83 (45.8%) bachelor degree holders; 59 (33%) of master's degree; 25 (14%) of PhD and 12 (6.7%) technical/vocational certificate (diploma). In terms of work experience, 74 (41.3%) of respondents possess a 6 to 10 years of work experience and this represents the highest rate. It is followed by 40 (22%) of respondent possess less than 5 years' experience. About 34 (19%) of respondents possess 11 to 15 years' experience.

Table5.1 *Demographic Data of Respondents*

male/female

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	101	56.4	56.7	56.7
	female	77	43.0	43.3	100.0
	Total	178	99.4	100.0	
Missing	System	1	.6		
Total		179	100.0		

Table5.2 *Academic level*

Academic level

Academic Education level		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	technical/vocational certificate (diploma)	12	6.7	6.7	6.7
	master's degree	59	33.0	33.1	39.9
	bachelor's degree	82	45.8	46.1	86.0
	PhD	25	14.0	14.0	100.0
	Total	178	99.4	100.0	
Missing	System	1	.6		
Total		179	100.0		

Table5.3 *Work Experience*

work experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 5 years	40	22.3	22.3	22.3
	6 to 10 years	74	41.3	41.3	63.7
	11 to 15 years	34	19.0	19.0	82.7
	16 to 20 years	15	8.4	8.4	91.1
	Above 20 years	16	8.9	8.9	100.0
	Total	179	100.0	100.0	

Table 5.4 below shows the main users of financial statements from the respondent perspectives. It is reported that 103 (57.5%) government agency, 43 (24%) bank, 28 (15.7%) auditor and 5 (2.8%) creditor. Furthermore, Table 5.5 below illustrates current accounting standards practices in preparing financial statement in Libya. The most used accounting standards is General Accepted Accounting Principle (GAAP), which account for 124 (69.3%) out of 179 respondents. It is followed with International Financial Reporting Standards (IFRS), which account for 43 (24%) out of 179 respondents. The least used is Unified Accounting Standards (UAS), which are 12 (6.7%).

Table5.4 *Financial Statement Users*

Who are the main users of your financial statements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Government	103	57.5	58.9	58.9
	Auditor	28	15.7	13.7	72.6
	Creditor	5	2.8	2.9	75.4
	Bank	43	24.0	24.6	100.0
Total		179	100.0		

Table5.5 *Current Accounting Standards*

Currently, Which accounting system do you use for prepare your financial statements

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Generally Accepted Accounting principle (GAAP)	124	69.3	70.5	70.5
	International financial reporting standards (IFRS)	43	24.0	24.4	94.9
	Unified Accounting Standards	12	6.7	5.1	100.0
Total		179	100.0		

Table 5.6 depicts the perception of respondents on the need of IFRS adoption instead of GAAP. About 142 (79.3%) of 179 respondents, respond “yes”, whilst, 37 (20.7%) respond “no” for the adoption for IFRS instead of GAAP. In addition, Table 5.7 shows the results on whether financial statement prepared in accordance with IFRS by Libyan companies will attract multinational corporation. The results show that 153 (85.5%) of the respondents answered “yes”, whilst, about 26 (14.5%) answered “no” for this question.

Table5.6 *Libya needs IFRS or GAAP*

Do you think companies in Libya need to adopt IFRS instead of Generally Accepted Accounting Principle (GAAP)?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	142	79.3	79.3	79.3
	No	37	20.7	20.7	100.0
	Total	179	100.0	100.0	

Table5.7 *IFRS attracts MNC*

Do you think financial statements prepared in accordance with IFRS by Libyan Companies will attract Multinational Corporation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	153	85.5	85.5	85.5
	No	26	14.5	14.5	100.0
	Total	179	100.0	100.0	

5.3.1 Adoption of International Financial Reporting Standards (IFRS) by Libyan companies.

In this section, the five variables of IFRS adoptions are discussed.

5.3.3.1 International Financial Reporting (IFRS)

Adoption of IFRS improves the efficiency of financial reporting (IFRS 1): Table 5.8 show that 30% of the respondents strongly agreed and 35% agreed (or disagreed) that the efficiency of financial reporting improved since the adoption of IFRS. Approximately 65% agreed that the adoption of IFRS improves efficiency. This consequently reflects the acceptance of the adoption amongst the accountants of the Libyan companies, which also indicates an encouragement to implement IFRS.

Approximately 11% of respondents negatively believed in the efficiency of financial reporting and the adoption of IFRS in Libya. This signifies that they disagreed with the item IFRS 1. In context, there is a rare rarely response in which 6% strong disagreed with IFRS 1. However, a total of 17% disagreed with the item "adoption of IFRS improves efficiency of financial reporting" meanwhile around 18% provided no comment on the particular item (neutral scale). In conclusion, based on the interpretation of the findings, most of the respondents believed that efficiency improves in line with the adoption of IFRS (Alsaqqa & Sawan, 2013).

Table 5.8 *Adoption of International Financial Reporting Standards (IFRS)*

Items	N	Strongly Disagree	Disagree	Neutral	Agree	Strongly Disagree
ADOPTION OF IFRS						
1 Adoption of IFRS improves the efficiency of financial reporting.	179	6%	11%	18%	35%	30%
2 Adoption of IFRS costly.	179	3%	7%	18%	46%	25%
3 Adoption of IFRS achieves the objectives of financial reporting.	179	2%	5%	12%	40%	40%
4 Adoption of IFRS consolidates individual accountants of the parent company and subsidiaries.	179	1%	6%	21%	35%	39%
5 Financial statement based on IFRS is reliable and comparable.	179	1%	6%	16%	35%	42%

The adoption of IFRS is costly (IFRS 2): Table 5.8 above show that approximately 25% strongly argued that IFRS adoption is costly. Around 46% also agreed. A total of 71% of respondents agreed that IFRS is costly to be implemented in Libya. The book written by Doupnik and Perera (2015) provided a list of the weaknesses, emphasizing on the cost of IFRS adoption.

About 3% of respondents strongly disagreed with this item. Previous literatures are in support of this, claiming that the cost of IFRS adoption is less that the cost of low quality financial reporting. Meanwhile, 7% disagreed with this item and 18% of respondents were neutral and thus did not raise any comments.

Adoption of IFRS achieves the objectives of financial reporting (IFRS 3): Table 5.8 above show that 40% of the respondents strongly agreed with this item. In addition, 40% agreed that the adoption of IFRS achieves the financial reporting objectives. This finding is meaningful since the main objective of financial reporting is to provide high quality reports statement. Thus, it can be concluded that it is most possible that Libyan accountants are to adopt IFRS, considering that it provides harmonization or congruence environment and high quality financial statement, which is supported by 80% of Libyan accountants.

Adoption of IFRS consolidates individual accountants of the parent company and subsidiary (IFRS 4): Table 5.8 show that 39% of respondents strongly agreed that the adoption of IFRS consolidates individual accountants of parent company and subsidiaries, while 35% agreed on item 4. A total of 74% agreed that the adoption of IFRS consolidates individual accountants of the parent company and subsidiaries. In contrast**,** 1% strongly disagreed and 6% of respondents disagreed with this statement. It is thus obvious that financial reporting consolidation is one of the most important reasons to adopt IFRS in Libya.

Financial statement based on IFRS is reliable and comparable (IFRS 5): Table 5.8 above show that 42% of the answered questionnaires in Libya portrayed a strong agreement towards this statement and this is followed by 35% of respondents who merely agreed that IFRS financial statement is reliable and comparable. Most of the respondents (77%) argued about the reliability and comparability of IFRS based financial statement. 16% of respondents nevertheless had neutral responses. A total of 6% disagreed and 1% strongly disagreed with item 5.

5.3.3.2 Perception on Factors Affect the Adoption of IFRS by Libyan Companies.

In this section, this study shows the results of perception on factors affect the adoption of IFRS by Libyan companies.

5.3.3.2.1 Government Policy (GP)

Politics is one of the major barriers to adopt IFRS (GP 1): Table 5.9 show Approximately half of the respondents strongly agreed that politic is one of the major barriers to adopt IFRS in Libya. The other 50% of respondents consist of a 20% of those who agreed, 15% whom are neutral, 8% who disagreed and a 6% that strongly disagreed. Therefore, Libyan politics affects IFRS adoption.

Table 5.9 *Perception on Government Policy*

Items	N	Strongly Disagree	Disagree	Neutral	Agree	Strongly Disagree
GOVERNMENT POLICY						
1 Politics is one of the major barriers to adopt IFRS.	179	6%	8%	16%	20%	50%
2 The Libyan government has undertaken obligation to adopt IFRS	179	4%	7%	23%	39%	27%
3 Adoption IFRS may remove financial corruption in Libya.	179	3%	4%	21%	43%	28%
4 Libya government encourages companies to adopt IFRS.	179	4%	8%	26%	39%	23%

The Libyan government has undertaken obligation to adopt IFRS (GP 2): Only 27% of Libyan accountants strongly agreed that the Libyan government has obligated the IFRS adoption among companies. 39% of them agreed that the government has undertaken the obligation while 23% did not comment (neutral responses) on this item. 7% disagreed and 4% strongly disagreed. Thus Libyan accountants who responded in this study systematically agreed; with about 66% that Libyan government has undertaken the obligation to adopt IFRS among Libyan companies.

The adoption of IFRS may remove financial corruption in Libya (GP 3): About 28% of the respondents strongly agreed that adoption of IFRS removes the corruption in Libya. 43% of respondents also agreed although 21% remained neutral. 4% of respondents disagreed while 3% strongly disagreed. Thus, most respondents agreed that the adoption of IFRS may remove financial corruption in Libya.

Libya government encourages companies to adopt IFRS (GP 4): 23% and 39% of the respondents respectively strongly agreed and agreed that the Libyan government encourages the adoption of IFRS. Thus, 62% of the responses agreed on the encouragement of Libyan government to adopt IFRS by companies whereas, 26% of the responses were neutral. This may that may be due to the weak encouragement, possibly because not all companies are encouraged to adopt IFRS except the government owned companies. Indeed, a balance of 12% noted their disagreement with 4% strongly disagreed and 8% disagreed.

5.3.3.2.2 Capital Market (CM)

Capital market has an important role in the adoption of IFRS (CM 1): Table 5.10 below shows that This item is remarkably the first most significant item, gaining a total of 63% of the strongly agree scale. This signifies that capital market has an important role in the adoption of IFRS in Libya. In addition, 25% agreed to this statement, contributing to a total of approximately 88% of the responses that believed that capital market must strongly exist to facilitate the adoption of IFRS. The remaining responses of 9%, 1%, and 1% respectively denote neutral, disagree and strongly disagree.

Table 5.10 *Perception on Capital Market*

Items	N	Strongly Disagree	Disagree	Neutral	Agree	Strongly Disagree
CAPITAL MARKET						
1 Capital market has important role in the adoption IFRS.	179	1%	1%	9%	25%	63%
2 Emerging capital market will enhance accounting transaction.	179	0%	4%	18%	51%	26%
3 Weak capital market in Libya cause to non- adopt of IFRS.	179	1%	8%	12%	46%	33%

Emerging capital market will enhance accounting transaction (CM 2): Table 5.10 above shows that 26% and 51% respectively agreed and strongly agreed that the emerging capital market in Libya will enhance the adoption of IFRS, whereas 4% disagreed while 18% of the responses are neutral. This justifies how important it is to have an efficient capital market. This thus concludes that one of the critical variables to support the adoption of IFRS is to have capital market.

Weak capital market in Libya causes the non-adoption of IFRS (CM 3): Table 5.10 shows that 33% of the respondent strongly agreed that weak capital market causes the non-adoption of IFRS in Libya. In addition to that, 46% also agreed about the urgency of having to strengthen the capital market in Libya to ease the adoption of IFRS. In contrast, 8%, 1% and 12% respectively disagreed, strongly disagreed and are neutral about the effectiveness of weak capital market on the adoption of IFRS.

5.3.3.3.3 Professional Bodies (PB)

Lack of availability of competent specialists (PB 1): Table 5.11 below shows that this item is the second most significant item, achieving a score of 64% in which most respondents strongly agreed to. 17% of respondents similarly agreed that there is a lack of availability of competent specialists. Therefore, according to the polls, it can thus be concluded that Libyan companies suffer from the lack of experts in order to adopt IFRS. Approximately 13%, 5%, and 1% of the respondents are neutral, disagreed, and strongly disagreed. It is therefore undeniable that a lack of specialists on IFRS is one of the most significant obstacles to adopt IFRS in Libya.

Table 5.11 *Perception on Professional Bodies*

	Items	N	Strongly Disagree	Disagree	Neutral	Agree	Strongly Disagree
	PROFESSIONAL BODIES						
1	Lack of availability of competent specialists.	179	1%	5%	13%	17%	64%
2	Need for training in relation of IFRS adoption.	179	2%	4%	16%	58%	20%
3	Lack of proper instructions from regulatory bodies	179	1%	6%	21%	29%	42%
4	Capability of accounting staff to prepare financial statement under IFRS	179	4%	7%	16%	47%	25%

The need for training in relation to IFRS adoption (PB 2): Table 5.11 shows above that about 20% of the accountants strongly agreed that there is a need to conduct scheduled training to facilitate skill development of the IFRS adoption. 58% agreed that there is an urgent need to upgrade the accountant knowledge on the adoption of IFRS. A total of 78% thus agreed that there is a need to emphasize on training the accountant for IFRS adoption. Nevertheless, a minimal ratio is scattered between 16% of which respondents are being neutral with 4% of respondents disagreed and 2% strongly disagreed.

Lack of proper instructions from regulatory bodies (PB 3): Table 5.11 above shows that the responses on this item portrayed that there are 42% who strongly agreed, 29% who agreed, 21% who remained neutral, 6% who disagreed and 1% who strongly disagreed. Therefore, the total of 71% portrayed that there is indeed a lack of proper instruction from regulatory bodies. Regulatory body is the core body to support the adoption of IFRS where the issues are solved by their guidance and supervision. However, IFRS adoption must be regulated to suit the regulatory body in order to ease the achievement of IFRS desired objectives.

Lack of proper instructions from regulatory bodies (PB 4): Table 5.11 above shows that a total of 72% agreed that the accounting staff is rather incapable to prepare the financial statement based on the IFRS. Nonetheless, 16% of the responses are neutral with 7% of respondents disagreed in addition to the 4% who strongly disagreed that the effective adoption of IFRS requires proper instructions from regulatory bodies. Therefore, both the Libyan government and companies must take into consideration staff ability to prepare financial statement based on the IFRS.

5.3.3.4.4 Education Level (EL)

Lack of knowledge in interpreting IFRS (EL 1): Table 5.12 below shows that this is the third most significant item, with 60% of the respondents strongly agreed. Therefore, lack of knowledge to interpret IFRS is a dilemma that needs to seriously considered such as how IFRS would be adopted through Libya without the correspondent level of knowledge that allow accountants to interpret IFRS. In addition, from the total of all respondents, only 23% agreed and 13% were neutral. About 4% of the responses are negative (disagree).

Table5.12 *Perception on Level of Education*

	Items	N	Strongly Disagree	Disagree	Neutral	Agree	Strongly Disagree
	LEVEL OF EDUCATION						
1	Lack of knowledge of interpretation of IFRS	179	1%	4%	13%	23%	60%
2	Weak education level of accounting barrier to adopt IFRS	179	0%	3%	19%	50%	27%
3	Lack of references on IFRS	179	2%	6%	22%	37%	34%
4	Absence of proper translation of IFRS to Arabic language	179	2%	9%	21%	39%	27%

Weak education level of accounting barrier to adopt IFRS (EL 2): Table 5.12 above shows that approximately 27% and 50% of accountants respectively strongly agreed and agreed that weak education level of accountant is a barrier to adopt IFRS in Libya. Meanwhile, 19% of the responses were neutral in addition to the 3% of disagreements. Therefore, in order to adopt IFRS, Libyan accountants need to overcome the barrier of weak education level.

Lack of references on IFRS (EL 3): Table 5.12 above shows that nearly 34% strongly believed that lack of references on IFRS affects the adoption of IFRS. 37% agreed with the above sentence. Ignoring the 22% who were being neutral with no comments, there is around 6% who disagreed that lack of references on IFRS is a pertinent issue. Therefore, as has been applied in Malaysia and the references provided by Bank Negara Malaysia (BNM), this study discovered that there is need to rely on the references provided in order to adopt IFRS.

Absence of proper translation of IFRS to Arabic language (EL 4): Table 5.12 above shows that a total of 66% agreed and strongly agreed that there is an absence of proper translation of IFRS to Arabic language. 21% did not comment on this item while 11% disagreed. Meaningful translation changes the meaning even if synonymous in different usage is used. Despite the high similarity in meaning, translation would create gap of understanding.

In conclusion, the results of the analysis showed that the “lack of availability of component specialist” is the most agreed item with 114 strongly agreed responses (see table 5.11). This item which is located under the variable of professional bodies signifies that Libyan accountants believed that a lack of IFRS experts is the reason leading to the non-adoption of IFRS. Three other significant items are also evident.

Firstly, 112 respondents strongly believed that “capital market has an important role in the adoption of IFRS” which led to the emphasis on the importance of the role of capital market in the adoption of IFRS in Libya (see Table 5.10). Secondly, 107 respondents strongly believed that the “lack of knowledge of interpreting IFRS” signifies that it is the level of knowledge that unable Libyan accountants to properly interpret IFRS interpretation (see Table 5.12). Lastly, 104 agreed that the “need for training in relation to IFRS adoption” displays that the necessity of professional bodies in order to produce high skilled accountants is necessary in order to adopt IFRS (see Table 5.11).

The balance of questions show a balanced of answers; beginning with the scale strongly disagree which approximated in the score of 0 to 11. The most strongly disagreed item is “adoption of IFRS improves the efficiency of financial reporting”; nonetheless, as the scale consistently increased to a remarkable range of 0 to 20, in comparison to the previous scale, the greatest disagreed item again is “adoption of IFRS improves the efficiency of financial reporting” (see Table 5.8). The item “Libyan government encourages the companies to adopt IFRS” displayed a minimum of 15 with a neutral scale of 46 (see Table 5.9).

However, there are several items in which two missing answers are evident; “adoption of IFRS costly”, “capital market has important role in the adoption of IFRS”, and “absence of proper translation of IFRS to Arabic language”. Meanwhile, there are also one missing value for the items lack of proper instructions from regulatory bodies", "lack of availability of competent specialist", and "capability of accounting staff to prepare financial statement under IFRS". Although there are missing values, the results are satisfactory and thus the missing values are ignored.

5.3 Empirical Findings

In this section, this study shows the empirical findings of IFRS adoption from the perspective of Libyan companies' accountants.

5.3.1 Reliability of Measurement Test

Cronbach Alpha is used to test the reliability of study items. It is the most popular technique to determine the item's reliability that can be calculated through the SPSS software. According to Pallant (2010), Cronbach Alpha is usually expressed on a numerical scale of 0 (which represents lower reliability) to 1 (which forms great reliability in the internal reliability criterion). Ultimately, Cronbach Alpha value is classified as follows; 0.5 or less is considered as being poor, 0.6 and above is acceptable, 0.7 and above is good, 0.8 and above signifies very good, 0.9 denotes excellent, and 0.95 implies that the reliability is unquestionable (George & Mallery, 2003). Results of Table 5.16 show that all variables meet the reliability test except for CM (0.489). The results show that IFRS (0.812), is the highest score for reliability test among the variables.

Table5.13 *Reliability of Measurement Test*

Variable name	Cronbach's Alpha	Number of Items
IFRS	0.812	5
GP	0.607	4
CM	0.489	3
PB	0.683	4
EL	0.629	4

5.3.2 Factor Analysis

This study also performs factor analysis in order to reduce the large number of variables to a smaller set of underlying factors that summarize the essential information contained in the variables. Table 5.14 below show that value of Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) is 0.731 and Bartlett's Test of Sphericity test value is significant (P=0.000) which signify that factor analysis is appropriate.

Table5.14 *KMO and Bartlett's Test*

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.731
Bartlett's Test of Sphericity	Approx. Chi-Square	1051.274
	Df	190
	Sig.	0.000

Table 5.15 below displays the communalities of the items in this study. The highest communality is emerging capital market will enhance accounting transaction (CM2), 0.754. Whilst, the lowest communality is Adoption IFRS may remove financial corruption in Libya (GP3), 0.509.

Table5.15 *Items Loading*

Communalities

	Initial	Extraction
Adoption of IFRS costly.	1.000	.613
Adoption of IFRS achieves the objectives of financial reporting.	1.000	.670
Adoption of IFRS consolidates individual accountants of the parent company and subsidiaries.	1.000	.649
Financial statement based on IFRS is reliable and comparable.	1.000	.618
Politics is one of the major barriers to adopt IFRS.	1.000	.679
The Libyan government has undertaken obligation to adopt IFRS	1.000	.725
Adoption IFRS may remove financial corruption in Libya.	1.000	.509
Libya government encourages companies to adopt IFRS.	1.000	.642
Capital market has important role in the adoption IFRS.	1.000	.632
Emerging capital market will enhance accounting transaction.	1.000	.754
Need for training in relation of IFRS adoption.	1.000	.683
Lack of proper instructions from regulatory bodies	1.000	.659
Capability of accounting staff to prepare financial statement under IFRS	1.000	.518
Lack of knowledge of interpretation of IFRS	1.000	.644
Weak education level of accounting barrier to adopt IFRS	1.000	.575
Lack of references on IFRS	1.000	.617
Absence of proper translation of IFRS to Arabic language	1.000	.649
Adoption of IFRS improves the efficiency of financial reporting.	1.000	.510
Weak capital market in Libya cause to non- adopt of IFRS.	1.000	.584
Lack of availability of competent specialists.	1.000	.514

Extraction Method: Principal Component Analysis.

5.3.2 Correlation and Regression Analysis

5.3.2.1 Correlation Analysis Result

In the statistical world, the correlation and regression analysis or test is associated with each other in terms that both deal with relationships amongst variables under investigation or test. The correlation coefficient is a measure of linear association between two variables. Values of the correlation coefficient are always between -1 and +1, where the correlation coefficient of +1 indicates that two variables are perfectly related in a positive linear sense while a correlation coefficient of -1 indicates that two variables are perfectly related in a negative linear sense and a correlation coefficient of 0 indicates that there is no linear relationship between the two variables. For simple linear regression, the sample correlation coefficient is the square root of the coefficient of determination, with the sign of the correlation coefficient being the same as the sign of b1, the coefficient of x1 in the estimated regression equation. However, neither regression nor correlation analysis can be interpreted as establishing cause-and-effect relationships. They can indicate only how or to what extent variables are associated with each other. The correlation coefficient measures only the degree of linear association between two variables. Any conclusions about a cause-and-effect relationship must be based on the judgment of the analyst. The results of this study showed that there is a significant association between IFRS adoption and professional body of which is (0.330, $p<0.01$). It is also evident that the adoption of IFRS adoption is significantly associated with capital market (0.092, $p<0.01$). The results further indicated that the adoption of IFRS is significant associated with government policy (0.393, $p<0.01$) and education level (0.196, $p<0.01$). The results showed that there a strong and significant correlation exists between IFRS adoption, professional body, capital market, government policy and education level. All the variables have a significantly positive association with the adoption of IFRS and the lowest is capital market which located near (0.01) by (0.092). The details of the correlation analysis are shown in Table 5.16.

Table5.16 *Correlation Analysis Result*

	IFRS	GP	PB	CP	EL
International Financial Reporting Standards (IFRS)	1				
Government Policy (GP)	. 393**	1			
Professional Body (PB)	.330**	.307**	1		
Capital Market (CM)	.092*	.259**	.115*	1	
Education Level (EL)	.196*	.271**	.404**	.150*	1

**. Correlation is significant at the 0.01 level (2-tailed)
*. Correlation is significant at the 0.05 level (2-tailed)

5.3.2.2 Regression Analysis Result

As has been explained above, the regression analysis is carried out to test the effect of independent variables on dependent variable. From the previous analysis, this study identified that two of the independent variables are significantly associated to the level of adoption of international financial reporting standards in Libya; whilst the other two insignificant or least significant to level of adoption of IFRS. Each independent variable also shows level of significant relationship with the dependent variable based on the r and p value obtained from the correlation analysis.

The result of multiple regression analysis summarized in Table 5.18 below shows that Professional Bodies (PB) is the most significant achieves unquestionable rate at 0.00 with ($t= 0.186$, $\beta= 2.966$), also the Regression shows that Government Policy (GP) is significant at level 0.03 with ($t= 0.248$, $\beta=4.369$). Whereas, the multiple regression shows that Capital Market (CM) insignificantly related to IFRS adoption at level of 0.7 with ($t= -0.019$, $\beta= -0.297$), in addition, Education Level (EL) insignificantly related to IFRS adoption that shown by the regression result that at level 0.7 with ($t= 0.019$, $\beta= 0.279$).

The results of this study showed that government policy, capital market, education level, professional bodies and capital market jointly explained the 45.1% of the total variance in IFRS adoption. The value of F-statistics (11.110) for model fitness and joint hypotheses are also significant. This outcome empirically indicates that the independent variables in study are the major determinants of IFRS adoption.

Table5.17 *Regression Analysis*

Model	**Unstandardized Coefficients** **Beta**
PB	0.186** (2.966)
CM	-0.019 (-0.297)
GP	0. 248* (4.369)
EL	0.019 (0.278)
R-square	0.451
F-Value	11.110

t-statics are in parentheses (* denotes significance at 0.00)
t-statics are in parentheses (** denotes significant sat 0.03)

Table 5.18 below illustrates the hypotheses summary. It provides a summary on which of the hypotheses results. The examination discovers that the hypotheses (H1 and H3) positively significant, whereas, (H2, and H4) are insignificant. It should be noted that the result is limited to only Libya in which the evidences of this study are based on. The results are explained in the next chapter (chapter five).

Table 4.18 *Hypotheses summary result*

	Model	Remarks
H1	*There is a significant association between the influences of professional bodies and the adoption of IFRS.*	Significant
H2	*There is a significant association between capital market and IFRS adoption.*	Insignificant
H3	*There is a significant association between government policy and IFRS adoption*	Significant
H4	*There is a significant association between educational level and IFRS adoption*	Insignificant

5.4 Chapter Summary

This chapter have presented and discussed the results of this study which is backed by statistic, data, reliability, factor analysis using correlation and regression analysis. The results show that there are significant relationship between the independent variables of government policy and professional bodies and the dependent variable of the adoption of IFRS due to the significant results, while there is insignificant relationship between Capital Market and Education Level with the IFRS adoption due to insignificant results. Two of the hypotheses (H1 and H3) are significant, whilst, the other two (H2 and H4) are insignificant. Contextually, the following chapter discusses the recommendation and conclusion of this study.

CHAPTER 6

CONCLUSION AND RECOMMENDATION

6.1 Introduction

In this chapter, the results are discussed based on supported literatures. Recommendation for future studies is also discussed in this chapter. This study employs the use of questionnaire to prove the relationship between variables. The main objective of this study is to examine the factors influencing the adoption of IFRS in Libya; why or why not IFRS has yet been adopted in Libya. The quality of financial statement represents the major motivation for Libyan companies to adopt IFRS. This research identifies the need to adapt IFRS in Libya and the significant factors that need to be considered are also addressed.

The method used to conduct the research is by analysing the questionnaire that contains the sufficient information that need to be tested. There are several independent factors (government policy, capital market, professional body, and education level) as well as the dependent factors of IFRS adoption.

Moreover, reliability test and factor analysis as well as correlation and regression between IFRS adoption and independent variables are also compared against the hypotheses, which are aligned to the research objectives.

Government Policy (GP) and Professional Bodies (PB) showed that the significance of the relation between IFRS and independent variables exist; whilst the relationship that is insignificant with Capital Market (CM) and Education Level (EL).

Essentially, this study found that a significant relationship between the independent variable of professional bodies and IFRS adoption in Libya exists. The result is supported by Choi et al. (1999) and Gyasi (2010). They found that professional bodies play an important role in the adoption of IFRS in the United Kingdom. The regression analysis shows that there is a significant association with professional bodies and IFRS adoption.

In view of capital market, this study found that this is there is insignificant relationship between capital market and the adoption of IFRS in Libya exists. The result is in agreement with Byard et al (2011) who stated that capital market little affects the adoption of IFRS in European Union firms.

With regards to government policy, this research found that there is a significant relationship between government policy and the adoption of IFRS. This result is supported by Ayuba (2014) which is conducted in Nigeria. The study found government policy plays an important role to encourage the companies to adopt IFRS. Based on the results of this study, the hypothesis positively proved the relationship with government policy.

This study also found that there is an utmost insignificant relationship between education level and IFRS adoption. This study measures the education level as to be more in translation and knowledge; this result reflect the perception of the accountants that the translation of IFRS is not that most effective barrier. The references as well, are one of the measures that may consider as simple to provide imported and translated.

In accordance to the significant result of IFRS adoption with professional bodies and government policy, two of the hypotheses of this study are thus supported.

6.2 Suggestions and Recommendation

According to the result included from the data collected in shade of the variables the study suggests the follow;

- ✓ Government policy is the most important, must provide supported policy and decisions which suits the IFRS to be adopted creating positive imaginations about adopt IFRS.
- ✓ Create a profession entity which simplify and monitor the IFRS to be adopted by companies as well as punish the non-adopted company, also provide chance to companies to trains the employees to synchronize with IFRS adoption practices.
- ✓ Push the capital of the business in Libya to invest in Capital market with guarantee provided reduces the risk of loss in order to make effective Capital Market.
- ✓ Provide the suitable quantity of IFRS books and other references and add courses in universities to be educated which provide better environment to adopt IFRS and accountant could interpret the standards smoothly.

In the pursuit to adopt IFRS in Libya, both the government and companies must first recognize the worth of adopting IFRS. The guidance on the strategy to go global needs to be provided. A number of literatures have included several factors pertaining to the adoption of IFRS; this study however only focuses on the main factors which apparently prove to be the most significant factors.

Among the many developing countries, Libya which is strategically situated in North Africa plays an imperative role to sustain the economic growth across the Africa continent and IFRS is the first step to achieve economic growth strategically. Fundamentally, Libyan accountants and professional bodies must be knowledgeable about IFRS in order to provide suitable trainings.

While the questionnaire distributed to relevant responsible parties in the Libyan Central Bank (LCB) discovered that “we did adopt IFRS but still under process to provide ended IFRS to be applied in reality", it thus stresses that expertise is required so that the issues with the application of IFRS can be reduced to provide a more appealing environment to attract foreign investors.

This study proposes and provides several factors (government policy, capital market, professional bodies, and education level) that have been proven in accordance to the perception of Libyan accountants. This study emphasizes that Libya most consider the above four factors in order to adopt IFRS.

This study attempts to examine the adoption of IFRS through the use of questionnaire method. It provides worthy information that enriches the literature on this topic from the perspective of a developing country such as Libya. The control variable company size needs to be included in future studies to provide a more comprehensive results considering that this study only includes companies of the same size.

For time and cost saving purposes, the primary data were distributed directly to respondents. It usually takes two to three days or even more to collect the questionnaire. According to the results of this study and the observation of the responses, especially in Libyan Central Bank (LCB), the distribution is simplified as the LCB assisted in the distribution process. The IFRS is becoming more well-known among Libyan professional bodies. However, respondents perceived that there is a lack of government support in relation to the adoption of IFRS.

6.3 Conclusion

The main aim of this study is to test the relationship between IFRS adoption and the four variables (government policy, capital market, professional bodies and education level). The objectives of this study are achieved and the hypotheses are supported.

The quality of financial statement is the main issue facing the companies. Therefore, employees need to be trained in order to improve the quality and IFRS must be adopted. With regards to this, education level plays a major role considering that most of the responses were emphasizing on education level. In addition, government policy is also one of the most important factors that exert significant influence on the adoption of IFRS. This signifies that excellent education level coupled with excellent policy leads to excellent IFRS adoption.

This study found that there is an urgent need for IFRS to be adopted in Libya since countries that have adopted IFRS have benefitted from it. Libyan companies needs to harmonize the standards to provide high comparability in the effort to reduce the unreasonable issues and to simplify the accounting process. Despite the complicated issues among companies, there are still companies which are motivated to adopt IFRS. Meanwhile, government bank (LCB) needs to first adopt IFRS before they can encourage companies to adopt IFRS.

The added value obtained through this study and the contribution of this research is highlighted as follows:

- It is sufficient to determine the significant relationship between capital market, education level, government policy and professional bodies with the adoption of IFRS in Libya based on the data collected.

- Some of the more notable responses stressed that “government political matters is the most important dilemma to efficiently applying IFRS in Libya, especially under democracy which make the adoption of IFRS under political pressure that the application begins from finance ministry rolled by minister of finance or Vic-minister”.

- Responses obtained from this study provide further support to the significance of professional bodies in the adoption of IFRS. In summary, “professional bodies which represented by LAAA is the main institution in the past, now there is new institution which strongly exist Libyan Audit Bureau (LAB) (created in 2011) which is specializes in audit issues, the research covers this professional body (LAB) that the responses emphasize on the role of this institution which saves huge amounts which earned by corruption” (Shokshok ahmed, 2014).

Therefore, this research proposes several potential implications that to cope with the issue of adoption of IFRS. The four variables conducted represent the challenges that a country may possibly face when adopting IFRS. This study is especially to the Libyan government since the shortcomings of the adoption of IFRS are illustrated in this study. Concisely, this study recommends that the four most significant variables should be addressed when adopting IFRS. Hence, through this study, certain issues can be prevented in the effort to adopt IFRS in Libya.

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