

**FACTORS AFFECTING ON THE ADOPTION OF
INTERNATIONAL FINANCIAL REPORTING
STANDARDS: IRAQI EVIDENCE**

A thesis submitted to College of Business in partial fulfillment of the requirements
for the degree of Master of Science (International Accounting)
Universiti Utara Malaysia

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ABSTRACT

The purpose of this study is to identify the factors that could explain the adoption of International Financial Reporting Standards (IFRS) by Iraqi companies. This study explains why Iraq, a developing country still has not adopted the IFRS, even though adoption of IFRS would result in improving the quality of corporate reporting practices and enhances the comparability, reliability, and relevancy of financial statements. This study also points out that there is an urgent need for Iraq to adopt the IFRS instead of still continues to practice the Unified Accounting System. More importantly, this study attempts to understand the factors that could encourage the adoption of IFRS by Iraq. The following factors have been selected: government policy, capital market, education level, professional bodies, and company size. Our results indicate that there are significant relationship between four variables which are (capital market, education level, professional bodies, company size) and adoption of IFRS except government policy. This study carried out using the quantitative method used questionnaires to collect primary data and, using data from 50 questionnaires that were distributed on Iraqi companies that are registered on the Iraqi stock exchange was analyzed using the package of SPSS.

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ABBREVIATIONS

Abb	Full List
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IFRS	International Financial reporting Standards
IOSCO	International Organization of Securities Commissions

CHAPTER ONE

BACKGROUND TO THE STUDY

1.1 Introduction

With the growing internationalization of economic trade and the globalization of businesses and financial markets, financial information prepared in accordance with the national accounting system may no longer satisfy the needs of users whose decisions are more and more international in scope. In some ways, purely domestic information may even be a handicap for businesses as well as investors (Zeghal and Mhedhbi, 2006). Over the last 15 years, most debates have focused on the development of international accounting standards and, more recently, on the adoption or non-adoption of these standards by large industrialized countries, such as the United States, Canada, and members of the European Union. However, much less discussion has focused on developing countries' opportunities to adopt these standards. According to Quinn (2004), accounting and financial information originating from developing countries is still difficult to trust, despite the urgent need for these countries to attract foreign investment and foreign capital, and despite the pressing demands from individual and institutional investors, lending institutions, and multinational agencies. Thus, the adoption of the International Financial Reporting Standards (IFRS) would enhance the comparability of financial statements and make them more reliable. Abu-Ghazaleh (1986) stated, "with the growth in international trade and the development of international capital markets,

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