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Assessment of Accounting Regulation in Developing Countries, IASs/IFRSs Adoption: The Case of Libya

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Abstract

This paper aims to assess the nature of corporate accounting regulation in the developing countries in general and Libya in particular. The paper examines the development of accounting profession through the regulation approaches within different countries. It also aims to provide deep understanding about the IASs/IFRS adaption in these countries and the main differences between these standards. The findings of this paper is that; accounting in some countries are affected and developed by laws whereas in other countries the accounting has its self-regulation approach.

Keywords: Accounting Regulation, International Accounting Standards/International Financial Reporting Standards (IASs)/(IFRSs) Adoption, Developing Countries, Libya.

1. Introduction

Accounting regulations are important because published accounting information users need to be able to have confidence that the information is a fair representation and has not been manipulated by management (Elliott and Elliott, 2007). An effective regulation is affected by internal environment variables such as the stage of economic development; the goals of society; social and cultural values and the underlying legal rules and systems (Sawani, 2009; Ashraf and Ghani, 2005), or common external environmental variables include colonial ties that can transfer accounting systems; international movements of accounting professionals and firms; internationalization of world trade and stock markets and membership and participation bodies that set international required all banks and listed companies that have one million Libyan Dinars (LYD) capital or more are required to be listed on the LSM and follow IASs. However, El-Firjani et al (2014) found that the accounting regulation of public corporations and banks in Libya is strongly influenced by the Libyan Commercial Code and the Income Tax Law. Although listed companies and the banking sector in Libya are required to comply with International Accounting Standards (IASs), the majority of them still comply with the US Generally Accepted Accounting Principles (US GAAP).

7.The accounting regulation in Libya

As mentioned above the accounting regulation may be developed by accounting profession without any intervention from a government, or it can be developed by the laws with strong einvolvment from a government. Therefore, this section illustrates the development of accounting profession and influential laws on the accounting regulation of companies and banking sector in Libya.

7.1The accounting profession in Libya

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

With the increase of accounting graduates from Libyan universities and many Libyan graduates returned from abroad, many public accounting firms were established. There was a need to establish