Possible Application of IFRS standards in Libya

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Abstract- The industry thrived in the late 20th century as large accounting firms expanded their services beyond the traditional audit function to many forms of consulting. The scandals with Enron in 2001, however, had far-reaching consequences for the accounting industry. However, one of the paradoxes of the profession is that accounting scandals generate more work for accountants, and the demand for their services continued to grow during the early part of the 21st century. The accounting profession has importance and impact that can't be overlooked, so making the competent authorities keen on the importance of keeping up the International Accounting Standards, gives the good and effective basis on accounting and financial transactions. A commitment to these standards and in need to follow good accounting approach ensures success and continuity in light of significant economic challenges.

Index Terms- accounting standards, reporting standards, accounting information

I. Introduction

Commercial transactions between international business companies create the emergence of international accounting organizations in the process of their inclusion in international accounting. Encouraging investment between different foreign countries during previous periods and the possibility of doubling in subsequent periods between countries make it necessary to establish and guide international standards in business. In addition governments began to develop regulations and tax laws and the result of all this change is increasing need to have accounting report in such uniform methods of preparing these reports. It is clear that poorly developed accounting education policies and the dearth of academic research in this field, are incompatible with the economic development requirements of developing countries in general, and in the Arab world and Libya, in particular. This incompatibility between economic development requirements and accounting education policy and academic research is due to the deficiencies in the role of accountants and educators

Significance of accounting and reporting standards

Accounting standards are necessary to promote high quality financial reporting. The primary role of accounting is to convey economic information about companies and other organizations to a variety of stakeholders, including government, investors, shareholders, suppliers, lenders, customers, and the general public. These stakeholders use such information to make decisions and assess the management of the people appointed to manage such organizations. If this information is not of a high quality standard, then stakeholders would not be able to make effective decisions that will benefit them. Accounting standards are also necessary to protect the public. The financial statements of public companies must be prepared in accordance with national accounting standards so that current and potential investors can be sure that they can rely on the financial statements when making investment decisions.

The bankruptcy of Enron and other international companies has led to greater importance of sound international accounting and financial reporting standards, welcoming investors, demanding that financial statements become more transparent, allowing them to determine the cost-effectiveness of processes that posed a serious challenge to companies. report on the risks and benefits of their investments (Barlev, Haddad, 2003).

(Sharif, 2010, p. 49) looks at the process of preparing financial statements on transparency and integrity as more than just the application of accounting standards, which aims to ensure consistency and comparability and increase the ability of board members to represent the interests of shareholders and owners. companies. In the United States, there is communication with auditors to ensure that everything undertaken is guided by the application of accounting standards, to ensure transparency in reports that reflect the activities of the company that developed these requirements and guidelines, as well as the board of directors request to ensure that the auditors and management of the company perform properly and independently their work and the tasks entrusted to them, as an integral part of a good system carefully designed by the company's management.

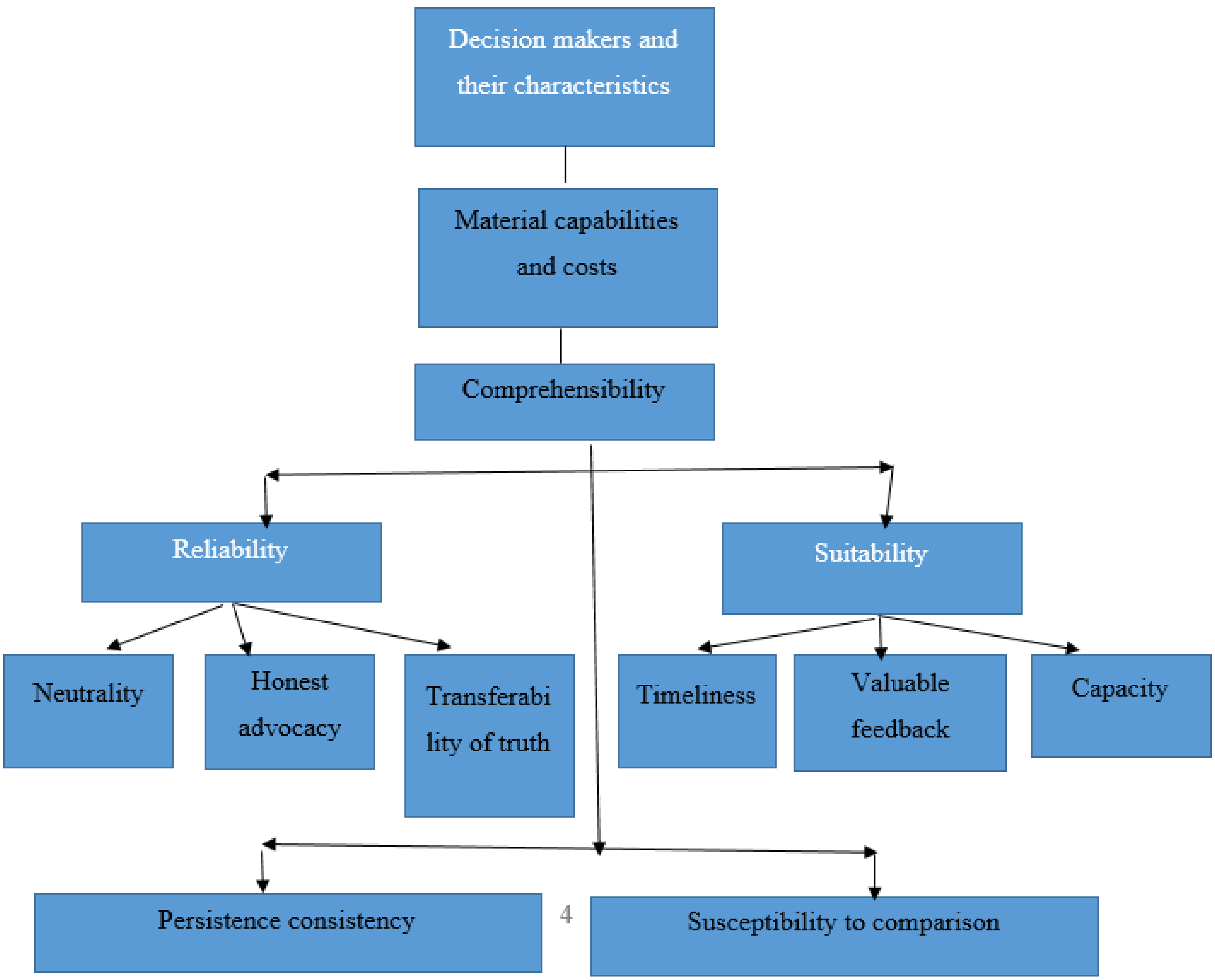
As countries around the world continue their efforts to develop their economies, it is becoming increasingly important to adhere to accounting and financial reporting standards. Without these standards, companies are less able to attract different funds due to the inability of investors to assess the risks and benefits associated with these investments. Assessing risk as a job is not easy.

Since Libya anticipates the accomplishment of economic development, it is necessary to devote attention to accounting systems which set up and provide accounting information. The development of a well educated accounting profession is an indispensable part of this process. The vision of global accounting standards has been publicly supported by many international organizations, including the G20, World Bank, IMF, Basel Committee, IOSCO, and IFAC.

Appropriate accounting and reporting standards help support accounting responsibility, integrity and transparency, and they also encourage optimal use of resources and work to attract capital at more reasonable interest rates, as well as support their ability to organize projects and create new jobs and significantly help in economic growth and the progress of democracy and economic reforms. Appropriate accounting standards support efficient financial management, welcoming an appropriate reporting system that provides creditors and capital investors with vital information to make investments more secure and profitable. Compared with the western accounting profession, which has existed for more than a century, the Libyan Accountants and Auditors Association (LAAA) is quite young, established in 1973. It is only 37 years since the “Certified Public Accountant” CPA system was introduced officially by Law No. 116 of 1973 (Libya State, 1974). After this date, the profession became more formally organized.

Qualitative characteristics of accounting information and their role in decision making

The general objective of the accounting system is to produce and generate accounting information, formulated on lists, and to submit financial statements to its users for use in management decisions. Qualitative characteristics of accounting information can be illustrated in the following figure:



Appropriate information standards

Accounting information must be characterized by an appropriate property, in order to increase its influence in controlling the present and internalizing the past in order to objectively predict the future, make it easier for users to process this information and make decisions more accurately and highly efficiently.

The role of accounting information in performance assessment

For performance appraisal, there are different definitions of performance appraisal systems that you can bring to the level of efficiency of the actual performance of all activities and put before the units responsible a detailed picture of the results of this performance and allow detection during the decision to treat negativity. improved performance and increased productivity.

Accounting information plays an essential role in the performance appraisal system. The performance of any organization cannot be achieved only by the availability of high-quality information stating how or which value achievement should be achieved.

Information is one of the pillars in process control and performance assessment and decision making from the user's perspective, internal and external, where the outcomes of the performance appraisal process represent control inputs into decision-making processes both internally and externally.

In order for the company's management to be able to make the right, useful and positive decisions, they need to be based on high-quality information - a good decision requires, in order to be adopted, accurate and good information.

Prior to accounting information systems, there were different definitions of how data on components or elements, people and machines working together within an organization were grouped, in accordance with procedures and special rules for collecting and managing data on financial and non-financial transactions, in order to providing information to the management of the planning and control organization, as well as to external parties in making the appropriate economic decision.

From the second half of the twentieth century, interest in the development of accounting rules by professional bodies began to grow and there were no common scientific rules applied among countries by the accounting profession, and each body in all industrialized countries set its own accounting rules. The greatest benefits have been achieved by linking and adopting uniform standards, thus removing barriers to cross-border investment; increased reliability, transparency and comparability of financial statements; market efficiency also increases; and capital costs are reduced. However, the transition from local accounting standards to IFRS is a huge task and imposes a number of obstacles. In many countries, the gap between local accounting standards and IFRS is very large. Financial statements must be highly standardized, supported by a key role in the quality of business, because they are a source of data on ways of misconduct in accounting, which, on the other hand, are tools for providing information needed by management, decision-makers, interested users, control and administration, other tax and inspection services, as a basis for regular and extraordinary controls of the legal entity's operations.

The accounting standard is a general decision-making rule derived from both the objectives and the theoretical concepts of accounting. They guide the development of accounting styles because users of financial statements sometimes have identical and sometimes conflicting interests, so accountants prepare a group of general purpose financial statements to reduce the potential risk of bias and misunderstandings or ambiguities. The accounting profession has tried to develop standards of general acceptance and wide application, in order to avoid that without these standards every accountant develops his own standards, which would make this comparison impossible.

The Committee on Rules and International Standards has defined the accounting basis published in 1999 in International Standards. Professionals who support hard work and inspired wisdom have been consulted to guide the rules in these standards. That also describes professionalism and a high level of professional practice that is generally accepted and aims to reduce degree of difference in expression or practice in similar circumstances, also issue a framework for assessing work and its effectiveness and determining the nature and depth of professional responsibility.

Development of IFRS

International Financial Reporting Standards are a series of standards published by the ISAB, as a framework for global financial reporting. Publicly traded companies (listed), and sometimes non-publicly traded companies, must prepare their financial statements based on international standards adopted by their countries. The EU has passed a regulation that uses international standards, while the United States has not yet set international standards as a mandatory condition for its companies. From the moment the IASB replaced the IASC, it published standards across IFRS from IFRS 1 to IFRS 13 (http // fasb.org).

IFRS are guidelines and definitions that international companies should adhere to in preparing financial statements. IFRS were formerly known as International Accounting Standards (IAS), but in 2001 the International Accounting Standards Board (IASB) took over responsibility for setting International Accounting Standards. Since then, the IASB has continued to develop standards called IFRSs.

IFRS are guidelines and definitions that international companies should adhere to in preparing financial statements. Reasons for the emergence of International Accounting Standards; (Elisha, 2009, p. 2) points out that two main directions in the work of international accounting organizations can be identified:

First: the need to find mechanisms for the development of accounting It was necessary to carry out consolidation processes in accounting treatments in different countries, in order to exclude the existing contradictions in the accounting reports that regulate these transactions in the mid-seventies of the twentieth century. The multiplicity and contradiction of accounting procedures in the company, as well as solutions that are contradictory and incompatible between companies at the national level violate the principle of portability of accounting reports for comparison.

Second: There is a need to identify differences in financial concepts in financial statements, which further means that there is no acceptable accounting language at the national and international levels. Examples of differences in defining the concept of assets or expenditures or losses lead to inconsistencies in the preparation of the budget and income statement. Non-standardization and comparison affected the budget data and then led to wrong decisions and therefore almost simultaneously influenced the formation of three professional accounting organizations (shown in the table):

Accounting Standardization Committee	AS	United kingdom 1969
Financial Accounting standard Board	FASB	United state of AMERICA 1973
Accounting Standardization Committee	ASC	1973

Table: Accounting professional organizations

Recent accounting standards considered in Libya

Emerging economies face challenges if they want to implement IFRS. Libya, one of many emerging countries do not adopt IFRS yet, faces challenges of culture, regulation and transparency and fraud, all of which threaten to damage the process of the implementation of IFRS.

The adoption of IFRS in Libya faces several challenges and obstacles including, lack of technical skills and inadequate knowledge of Libyan professional accountants,the difficulty to develop its existing accounting systems, and a regulatory framework to cope with economic and social development, recent evolution in accounting profession including international financial reporting standards application, and inadequateeducation and training of accountants (Schachler et al., 2012; Laga, 2012; Masoud, 2014).

Laga(2012) suggested several steps that may serve as useful inputs for implementing of IFRS and for accounting profession evolution in Libya. Theses including:

- Adequate professional education and training,
- Strengthen Professional accountancy body Libyan Accountants and Auditors Association(LAAA), and
- Review consistency of existing laws and regulations framework of accounting.

Libya need to develop its legislation, professional bodies, accounting education, infrastructure and application of practice as this will lead to greater confidence of external International Investors thus creating new opportunities while providing greater access to technology, skills and knowledge that could help in adoption of IFRS. By improving professional practice and meeting the challenges of the new developing economic market structure the recent development such as the stock market can be encouraged to develop and provide greater benefits to the population.

II. Conclucion

For periodic financial statements such as the balance sheet and income statement and the statement of cash flows and shareholders' rights, similar forms of presentation of these reports and disclosures have also been identified. In line with the policy of continuous improvement, international accounting standards have been re-created, which in the scientific strategy are based on a theoretical framework agreed between the three organizations with the common goal of improving knowledge in accounting. This is a cornerstone in the development of international accounting standards.

In effort to be included and not put aside within rapid globalization of the trade and industries, the financial information prepared with the help of some local accounting systems does not satisfy the requirements of the international users. Also, this type of information would prove to be an obstacle for international investors and multinational companies (Zeghal and Mhedhbi 2006).

The role of accountancy is to provide data that help in controlling the performance of different units and make data available for leaders to help them take correct and informed decisions. Informed decisions are those enhance the continuity and feasibility of economic units as they are contributing to the support and empowerment of national economy (Shigufta, 2016). Libya is one of the developing countries which lacked special standards. It is difficult to adopt accounting standards for another state because of national sovereign barriers, but adoption of IFRS issued by a neutral body (IASB) would be welcomed, especially after the opening of the stock market and the desire of state to encourage domestic investment and foreign and access to global markets (Syed et al., 2017; Mohammed, Mazni, and Ervina, 2018).

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