NOTTINGHAM TRENT UNIVERSITY

Challenges and Opportunities of Adopting IFRSs in Libya: The Case of Libyan Oil and Gas Industry

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A Thesis Submitted in Partial Fulfilment of the Requirements of Nottingham Trent University for the Degree of Doctor of Philosophy

Nottingham Business School

Nottingham Trent University

APRIL 1, 2022

ABSTRACT

This thesis is built around a scientific examination and evaluation of the potential feasibility of the adoption of International Financial Reporting Standards (IFRS) in Libya. Given the importance of petroleum in the economy, the study aims to examine the feasibility of IFRS for the oil and gas industry by exploring the opportunities and challenges of this transition. In achieving the aim of the study, a thorough analysis of the potential benefits and challenges has been conducted, using an exhaustive survey consisting of semi-structured interviews and structured questionnaires. The new institutional theory (NIT) has been used to understand the impact of external pressures on the adoption of IFRS in developing nations in the Middle Eastern and North African region which includes Libya. The external pressures explored in this work are from the institutions like the IMF and the World Bank. Furthermore, the lens of the NIT is also used to explore the challenging impact of internal pressures on IFRS adoption. These factors include administrative, legislative, and cultural environments. Based on the application of a mix of qualitative and quantitative approaches, the study has demonstrated a better explanation of the adoption of high-quality accounting practices like IFRS in the case of Libya. The examination and evaluation of the results obtained from the questionnaire and interviews, offered in several chapters, surfaced several interesting findings. Firstly, the scores attached to different benefits of IFRS adoption showed to be significantly higher than those of challenges; hence yielding a positive net benefit for IFRS, whereas, interestingly the language of the IFRS is not challenging anymore as IFRS has been adopted by many countries and it has been translated to many different languages. Furthermore, a comparison between the Libyan accounting system and IFRS is also presented highlighting the proximity of accounting practise in the extractive industries in Libya to that of international practises. Secondly, as primarily derived from the interviews, it became evident a complex number of cultural, political, and economic factors have been responsible for the severe delay in the decision on adoption of the international accounting standards in the country. Although factors such as legal issues were highlighted by some interviewees, almost all interviewees blamed the two professional bodies (LAAA and LAB) as the main sources of delay. Finally, having considered the responses by the interviewees, the issue surrounding incompatibility and inconsistency of the Libyan local laws was regarded as another vexing factor responsible for delays in the adoption of international standards. On the issue of inconsistency and lack of transparency of the Libyan commercial law, the survey revealed that the existing Libyan commercial law has been a severe burden in the way of the adoption of international standards.

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Majdi Mohamed A Abushrenta

ACKNOWLEDGEMENTS

Firstly, I am grateful to almighty Allah for giving me the strength and knowledge to finish my research work.

My deepest gratitude is to my mother and father, brothers, sisters and all extended family back in Libya and here in the UK for their unconditional support and encouragement to pursue my study. Thanks, are also extended to my wife and children for their patience during the period of this research.

I am very thankful to my previous supervisor Dr Hafez Abdo who helped me through my first years of this journey, and I am very grateful and thankful to my current supervisory team, my director of studies Dr Serah Akelola, my other supervisors Dr Vangelis Tsiligkiris and Mr Dhru Shah for their valuable feedback and suggestions which have undoubtedly enriched my thesis.

I am also indebted to colleagues who helped and supported me throughout my research journey to accomplish this thesis.

I would like to thank all staff in Nottingham Business School as well as the Doctoral School at Nottingham Trent University for their technical support without which this thesis would have been difficult to finish.

Finally, I am very grateful to all participants for their help and contribution to this study in the difficult times of the data collection process.

Dedication

I dedicated this work to:

My beloved Mother, my father (May Allah forgive him), my lovely wife, my two little angels Amira and Aya, my brothers and sisters, my best Friends in Libya especially (A.B, S.S and A.B) and my best friends here in the UK.

Who were my source of motivation, inspiration, and encouragement

Thank you ALL for your love and support

LIST OF ABBREVIATIONS

International Financial Reporting Standards	(IFRS)
Libyan Accounting and Audit Association	(LAAA)
International Accounting Standard Board	(IASB)
new institutional theory	(NIT)
International Monetary Fund	(IMF)
International Accounting standards	(IAS)
Libya Practices	(LP)
Libyan Audit Bureau	(LAB)
Generally Accepted Accounting Principles	(GAAP)
International Accounting Standards Committee	(IASC)
Libya Generally Accepted Accounting Principles	(LGAAP)
International Federation of Accountants (IFAC)	(IFAC)
Libyan Stock Market	(LSM)
Libyan Nation Oil Corporation	(LNOC)
International Organization of Securities Commissions	(IOSCO)
Securities and Exchange Commission	(SEC)
Geological and Geophysical	(G&G)
Financial Accounting Standards Board (FASB)	(FASB)
World Trade Organisation	(WTO)
Organisation of Economic Co-operation and Development	(OECD)
reserve recognition accounting	(RAA)
Foreign Direct Investment	(FDI)
World Bank	(WB)
Exploration and Evaluation	(E&E)
Successful Efforts	(SE)
Full Costs	(FC)
Gross Domestic Product	(GDP)
Organisation of the Petroleum Exporting Countries	(OPEC)
Libyan Petroleum Law	(LPL)
National Oil Corporation	(NOC)
Exploration and Production Sharing Agreement	(EPSA)
International Oil Corporation	(IOC)
Libyan Audit Bureau	(LAB)

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CHAPTER One : Introduction and Overview

1.1 The Background

With an intent to overcome inconsistencies in accounting worldwide, methodical and meticulous accounting principles were created by the International Accounting Standard Board (IASB) in 2003. Thus, the so-called International Financial Reporting Standards (IFRS) were made, offering a simple and easily understandable set of accounting principles (Almansour, 2019). Organisations operating in the European Union were instructed to use IFRS for their financial reporting by the end of 2005, followed by several developing countries (Cherti and Zaam, 2016). This meant that IFRS adoption would automatically supersede the local standards.

Apart from its comprehensiveness, the IFRS adoption is deemed to offer standards that are easily understood and accepted by investment markets worldwide (Alsuhaibani, 2012). This means that not only does the IFRS bring comparability, but such principles also help improve transparency, hence making developing economies more attractive to international investors (Laga, 2013; Bischof and Daske, 2013; Elhouderi, 2014; Masoud, 2016). On the other hand, many factors have been identified by several studies which may undermine or delay the process of adoption of IFRS in developing countries. Cultural, political, and economic factors can cause difficulties in harmonising accounting standards (Tyrral, Woodward and Rakhimbekova, 2007; Alkhtani, 2012; Zakari, 2014; Nurunnabi, 2017). Costs associated with adoption, redesigning, consultation, retraining, have also been regarded as challenging issues facing a large number of developing countries (Alsuhaibani, 2012; Elhouderi, 2014; Almansour, 2019). Last but not least, religion being a subset of environmental factors, has also been reported as one of the parameters that can impact the adoption of IFRS. Regarding the Arab countries, the presence of the Sharia Law, particularly those relating to *riba* and *zakat*, makes them incompatible with IFRS (Irvine, 2008; Alkhtani, 2010).

The relevant theoretical framework for the choice of adoption of IFRS falls within the domain of the so-called new institutional theory (NIT), which advocates that institutional pressures can play an important role in leading countries to adopt these standards (Irvine, 2008; Ibrahim, 2014; Nurunnabi, 2015). Thus, this study investigates the impact of enforcement from the institutions like the World Bank and accounting organisations using the lens of NIT in their role in adopting IFRS in developing countries in the Middle East and North Africa and Libya.

Furthermore, the purview of NIT is also used to investigate various internal components, which include administrative, legislative and cultural factors that can contribute to the possible challenges in adopting IFRS. A few studies have been conducted on the potential challenges and benefits of IFRS adoption in the context of Libya (Handley-Schachler, 2012; Lega, 2013; Elhouderi, 2014; Masoud, 2014; Zakari, 2014; Faraj and El-Firjani, 2014; Bayoud, 2015; Khaled; 2016 Binomran, 2021); whereas, the first four studies used just secondary data, on the other hand, the rest used primary data to get to a conclusion, but there was no theory used in all of them. However, based on the previous studies, the current research attempts to apply the NIT and use a comprehensive survey to explain and evaluate the potential benefits and challenges of IFRS adoption in Libya with special reference to the petroleum sector. These studies are critically discussed in detail in (section 2.12).

1.2 Research Motivation and Problem

Although the adoption of the IFRSs has been extensively investigated in developed economies (Masoud, 2014; Zakari, 2014; Bayoud, 2015), limited research on this topic has been conducted in developing economies (Laga, 2013; Faraj and El-Firjani, 2014). The problem of the study arises from the lack of IFRS adoption-based literature in the context of Libya. While more than 160 countries worldwide have already adopted IFRS, Libya still has not considered this.

Libya is a particular case; this is a developing country rich in oil and gas resources and focuses on foreign direct investments in oil and gas and other economic sectors. The literature points out that previous similar studies have focused on the general challenges of adopting IFRSs in Libya. However, the benefits of adopting IFRS by Libyan corporations seem to have been under-researched and investigated. Therefore, a closer look into the Libyan case with a focus on the largest economic sector, oil and gas, is vital. Furthermore, previous studies were not focused on certain industries and seemed not to have used a representative enough range of data. Therefore, this study seeks to offer a clearer picture of the benefits and challenges of adopting IFRS in the Libyan oil and gas industry and make recommendations regarding this adoption to both the Libyan oil and gas industry and other economic sectors.

Kosonboon (2004) stated that financial and accounting information is still difficult to trust in developing countries. There is a great demand for investors and foreign capital to be attracted to these countries. Therefore, determining the challenges and the opportunities that could affect the adoption or non-adoption of a uniform set of accounting standards such as International

Financial Reporting Standards (IFRS) and their principles requires a multi-faceted approach (Zeghal and Mhedhbi, 2006).

As Zeghal and Mhedhbi (2006) stated in their study, there is a lack of research and investigation regarding the adoption of IAS in emerging economies. On the other hand, the majority of research concerning this phenomenon has been conducted in developed countries. As a result, there is an urgent need for research and investigation in emerging economies to identify and understand the factors that encourage these emerging economies to adopt and implement IFRS to facilitate their markets for foreign investors and foreign capital.

In recent years, corporate financial reporting practices have been under development and changed worldwide, which is particularly significant in developing countries. Although there has been no agreement regarding using a unified accounting system for emerging economies, the adoption of International Financial Reporting Standards was viewed as an appropriate accounting system that could enhance the growth of the economy in contexts. Therefore, there is an urgent need for emerging economies such as Libya to adopt and implement those standards (IFRS).

Based on the above discussion, this research will be looking at a combination of different variables that are potentially likely to affect the adoption of IFRS in Libya. This study attempts to understand the basic reasons behind the late adoption and implementation of IFRS in Libya. This study will attempt to identify the challenges and opportunities that could explain the adoption of IFRS by emerging economies with Libya in focus. This understanding will help organisations and decision-makers, including governments, professional regulatory bodies and financial markets regulators, overcome obstacles to IFRS adoption and facilitate the way for foreign investors.

1.3 Scope of the Study

By the end of 2018, it was reported that up to 166 countries had either partially or fully adopted IFRS (Almansour, 2019). In 2006, through a parliamentary decree, the Libyan government and businesses were allowed to explore the possibility of adopting IFRS. It was initially assumed that the two main professional bodies, namely, the Libyan Accounting and Audit Association (LAAA) and the Libyan Audit Bureau (LAB), would openly and enthusiastically explore the opportunities and challenges of adopting IFRS. However, since then, nothing much has happened. The local businesses and professional accountants appear to have shown very little interest in deviating from the local accounting practices and moving to a higher quality financial reporting standard (Algeru, 2011; Aldrugi, 2013). In short, the internal forces have so far managed to exhaust the external pressures and hence delayed any serious attempt to explore the possibility of IFRS adoption in Libya.

In light of this information, the current study attempts, using a comprehensive survey, to open up new evidence in the examination of the potential opportunities/benefits and challenges of adoption of IFRS, with a special reference to the oil and gas sector. In doing so, the research pays a special reference to internal factors that have caused delays in the process of adoption of the IFRS in the country.

1.4 Research Questions

In order to fulfil the aim of the research, the following questions must be addressed, and relevant answers must be found:

1. How do the current Libyan accounting practices for the oil and gas industry compare with those under international accounting standards?
2. What benefits would IFRS adoption bring to the Libyan oil and gas industry and the economy as a whole?
3. What challenges would IFRS adoption face in the Libyan oil and gas industry and the economy as a whole?
4. What are the main causes of delaying the adaption of IFRSs in Libya?

1.5 Research Aims and Objectives

This study is mainly aimed to examine the existing accounting standards in the sector of oil and gas in Libya and critically analyse the feasibility of the shift from using the Libyan accounting standards to the adoption of IFRS. In particular, the study aims to examine the feasibility of IFRS for the oil and gas industry by exploring the opportunities and challenges of this transition. In achieving the aim of the study, the following objectives must be met:

- To critically examine the Libyan National Accounting practices and IFRS practices.
- To identify the benefits for Libya’s economy of adopting IFRS in one of the most important industries in Libya (oil and gas).
- To explore the challenges of adopting IFRS by the Libyan oil and gas industry.

- To identify the reasons for delaying the adoption of IFRS in Libya and the factors affecting the adoption.

1.6 Research Methodology

Research Methodology is generally referred to as a scientific process adopted in research to investigate the research problem under consideration (Saunders, Lewis and Thornhill, 2007). In satisfying the thesis's aim, objectives, and questions, the philosophy applied in this study relates to both inductive and deductive using a mixed approach. The application of mixed methods will offer a broader view regarding perceptions and attitudes towards the adoption of international accounting practices like IFRSs in the case of Libya (Masoud, 2016). Thus, in consideration of the research questions regarding perceptions about IFRS and important factors affecting its adoption in the context and nature of the research being inductive, the study generated qualitative and quantitative data collection methods, employing a survey consisting of both questionnaires to observe the wider perception and considered factors as well as interviews in understanding these perceptions and their motive.

Throughout the research process, the mixed technique allows respondents to have a greater say and share their opinions, which could help in emerging new perspectives and factors of investigation. Data from mixed methods could also provide strong evidence from in-depth investigation to answers to the research questions. Consequently, the application of mixed methods can potentially produce more reliable and enriched data and offer deeper and more reliable findings (Silverman, 2013).

In order to answer the first research question, an overview of the international and Libya accounting practices is discussed in the following chapter, then to gain a deeper understanding of the two practices and any similarities and differences, this is done by the interview data analysis and literature review discussion in chapter four.

Also, to answer research question two (to highlight the potential benefits of the adoption of IFRS in Libya) and question three (the challenges facing the country when considering the adoption) as well as to address (the main causes of delaying the adaption of IFRSs in Libya). The answer is derived from the analysis of the findings of the questionnaire and interviews. Relevant statistical techniques are presented in dealing with the conclusions of the questionnaire. Furthermore, the descriptive analysis of the interviews is also presented. All this is present in chapter five.

1.7 Significance of the Study

First and foremost, having reviewed the literature relating to IFRS adoption in developing economies, significant literature has been found to primarily dwell on the consequences and impact of the adoption of IFRS, leaving the factors impacting the adoption of the IFRS relatively unexplored (Madawaki, 2012; Almansour, 2019). Moreover, most of these studies appear to be descriptive in nature and hence offer very limited evaluative evidence of the costs and benefits of IFRS adoption (Zakari, 2014; Elhouderi, 2014; Almansour, 2019). Besides, the last genuine study of the adoption of IFRS in Libya was conducted in 2016; since then, some significant changes have occurred in the country's political, economic, and social environments.

Second, the current study attempts to use a comprehensive survey to explore the potential challenges and opportunities arising from the adoption of IFRS in general and in particular in the sector of gas and oil. Lastly, the findings derived from the interviews will comprehensively identify, examine, and evaluate the factors which have caused a severe delay in the decision on adoption of the international accounting standards in the country.

1.8 Overview of the finding

The examination of Libyan accounting practices highlighted the lack of a well-established method and rigour to make accounting decisions. On the contrary, the professional choice made by the individual preparing the accounting reports is seen as the general way of accounting. The comparison of LPL with IFRS with an intent to understand the accounting practises in Libyan extractive industries highlights that the information of the financial statements required by stakeholders of the oil and gas industry in Libya is different from that of developed countries as the investors are very different in two cases. One of the main differences between the two practices is that oil and gas companies are not permitted to deduct acquisition costs from their accounts as per LPL, but international methods (SE and FC) recommend such costs should be capitalised. Also, the evaluation of inventories in modern international accounting standards does not use the last-in-first-out method while it is still available to the accountants in Libya under Libyan GAAP.

A large majority of respondents are in agreement that IFRS will be beneficial for Libya. The highest score of 4.26 was assigned to the transparency and reliability benefits of IFRS. In addition, all respondents were unanimous in the view that there would be benefits to the country and the public as a whole. Whether from the LAB, LAAA, or the overall economy, the interviewees stated that the adoption of international standards could significantly improve Libya's inconsistent, unclear, inaccurate, and non-transparent accounting standards.

On the other hand, the main two challenges that which findings do strongly tally with the literature are the concern about the need for staff training to become familiar with IFRS. Concerns have also been expressed with the legal structure and commercial laws in Libya, with scores varying between 3.92 and 4.09 respectively. However, as evident from the adoption by many Arabic nations and the interview responses, language, which was once believed to be a primary barrier to adopting IFRS, is no longer a big concern.

Finally, the main sources of delay come from the two professional bodies (LAAA and LAB), these associations are blamed for having been the main source of a hindrance to the process of adopting and implementing the new standards. As they are incompetent, weak and out of touch with the real world. More details of these findings can be found in chapters four, five and six.

1.9 Structure of the Thesis

This thesis is divided into seven chapters. These chapters are explained in the following paragraphs.

Chapter 2 presents the Libyan environment covering several demographic, political and economic characteristics of the country. Furthermore, this chapter includes a significant background to the local accounting standards concerning the Libyan petroleum sector's standards and practices. Also, this chapter presents an overview of the accounting history and harmonisation, paying attention to the development of the IFRS by international bodies and its adoption in developed countries. Furthermore, this Chapter offers a detailed literature review surrounding the adoption of IFRS in developing countries, with a special reference to the case of Libya. Opportunities and challenges facing developing economies, particularly those relating to cultural, educational and legal aspects, have been explored. Furthermore, a detailed reference is given to the new institutional theory and its framework in formulating these issues.

The entire methodology of the study is presented in Chapter 3, which includes the philosophy, design, strategy, and approach of the research in achieving the thesis's goal, objectives, and questions. In addition, a pilot study is used to show the questionnaire structure and semi-structured interviews.

Chapter 4 looks at the analysis of the respondents to both the questionnaire and the interviews. In doing so, references are made to the examination of the main differences and similarities between the IFRS and the GAAP.

Chapter 5 discusses the potential benefits of the adoption of IFRS in Libya derived from the analysis of findings of the questionnaire and interviews. Relevant statistical techniques are presented in dealing with the conclusions of the questionnaire. Furthermore, the descriptive analysis of the interviews is presented. Also, this Chapter offers an analysis of the challenges facing the country with the adoption of IFRS. The findings have led to the evaluation of many significant challenges, particularly those relating to culture and politics.

Chapter 6 is devoted to presenting the overall evaluation of the findings by addressing the net benefits arising from the research. In particular, this chapter draws one's attention to major issues facing the country's decision on the adoption of IFRS, such as accounting education, the role of the professional bodies, the presence of Islamic Law, and the current political instability.

Finally, chapter 7 offers the final concluding remarks of the thesis. In doing so, it presents the final verdict on the findings, the implications and recommendations arising from the study and the limitations of the research. The chapter highlights several contributions of the study along with some areas upon which future research could concentrate on.

CHAPTER Two : Libyan Environment, Overview of Accounting history and Harmonisation and literature review.

2.1 Introduction

This chapter attempts to present the Libyan economy's characteristics and features, specifically the laws and practices in accounting in the oil and gas sector. In doing so, firstly, an overview of the general demographics of the country is presented in Sec.2.2, followed by a rather brief historical and political economy of Libya in Sec.2.3. Next, special attention is given to several aspects of accounting practices, laws, and accounting bodies in Libya. This part also discusses the main differences between the existing Libyan accounting standards and practices and those of the IFRS.

Also, this chapter discusses the evolution of accounting, its brief history and accounting harmonisation. Also, the history of IFRS and the international organisations and their roles in IFRS acceptance are explained in this chapter. Finally, this chapter presents the aspects related to adopting IFRS in developed nations, including the benefits and obstacles observed in the case of the developed countries that have embraced the IFRS.

Before addressing the theoretical and conceptual foundations behind the current study, this chapter reviews the existing literature on the adoption of IFRS in developing markets, including Libya. IFRS adoption in developing countries is explored in section 2.11, followed by the literature focusing on Libya and IFRS adoption. The opportunities and challenges of adopting IFRS in developing economies are presented in the sections followed (2.13 and 2.14) respectively. At the same time, the 2.15 section will explore the factors affecting the adoption of IFRS in developing economies. Finally, the theory and conceptual framework will be presented.

2.2 An Overview of The Libyan Demographics

Located in north-central Africa, Libya is the fourth biggest country in the continent by area. It is around 1.7-million-kilometre squares (World Bank, 2021). Whereas the west borders are shared with Algeria and Tunisia, the south and south-east with Niger as well as Chad, and the north-east with Egypt. The Mediterranean Sea and the Sahara Desert are two of the country's most striking natural features. Nearly 95% of Libya's terrain is desert or semi-desert, according to the World Bank (2021). As a result, the sea and the Sahara impact the climate.

The country's current population stands at around 6.9 million, giving a population density of 10 per square mile (World meters, 2021). According to the World Bank (2021), over the past 50 years, the population of Libya has grown at an average annual rate of 3.5%, significantly larger than the average among African countries. However, based on the United Nations forecast, the population is expected to grow at a much lower rate of around 1% per annum for the next thirty years (UN, 2019).

Figure 2.1**Error! Reference source not found.** demonstrates the historic and forecast size of the population since 1970.

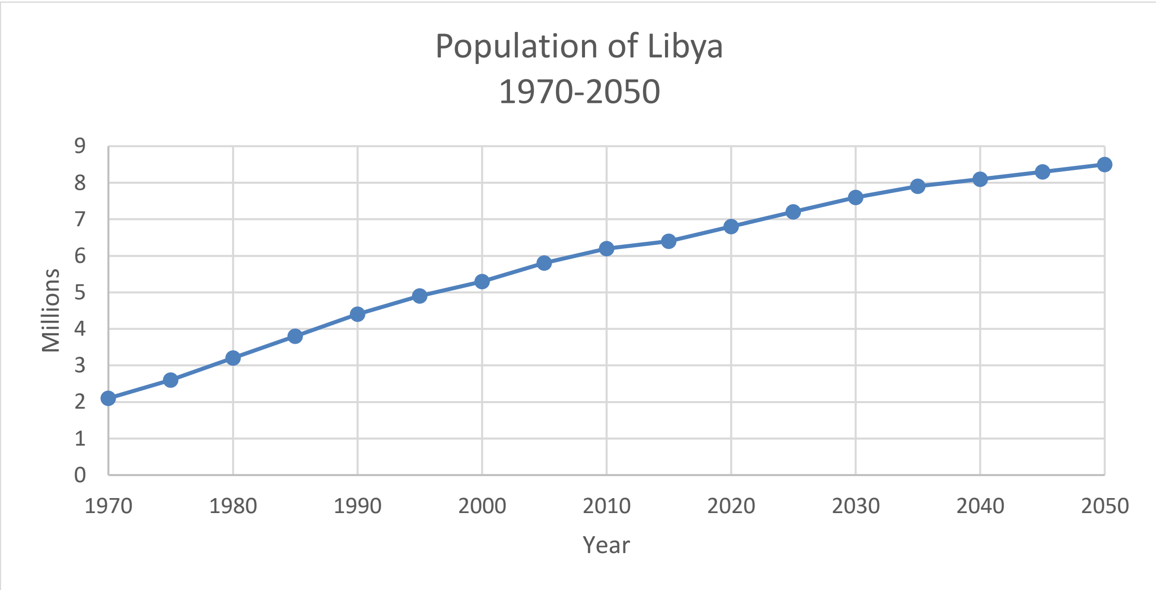

Figure 2.1 ***Population of Libya 1970-2050*** **(UN, 2019)**

Nevertheless, relative to the size of the country, the population density is one of the lowest in the region. Naturally, the major cities, such as Tripoli, Benghazi, Misratah and Tarhuna have a much larger population density of between 30 and 40 persons per square mile. Of the total population, nearly 78% live in major cities and the remaining form the nomadic tribal population (World FactBook, 2020). Men represent just over 51% of the population, with a life expectancy of 73 years.

It is reasonable to claim that Islam has shaped nearly all cultural values and attitudes in Libya; since the people of Libya appear to adhere strictly to Islamic norms and values, both at work and at home (Jones, 2008). The idea of one Arabic nation as a substitute for the Western way of living appeals to many younger generations since Arabic culture is still so firmly ingrained in society (Obeidi, 2001).

The country's formal language is Arabic, even though Italian and English are understood by a small percentage of the urban population (Alshbili, 2016). The colonisation of Libya by Italy meant that the Italian language became compulsory. However, since the defeat of the Italians in 1945 and the arrival of the Allied Forces to the country, the Italian language has demised across the country. On the other hand, due to the growth of businesses and links with international bodies, the English language has grown momentum in the country, particularly since the early 21st century (Aldrugi, 2013; Alshbili, 2016).

Due to its extremely strategic geopolitical location, Libya has always faced invasions and colonisers. Its colonisers include Ottomans, Italians, Carthaginians, Spaniards, Phoenicians, Greeks, Byzantines and Romans. In more recent history, Libya was ruled by the Ottomans from 1551 to 1911 and by the Italians from 1912 to 1943. Following the conclusion of World War II and the defeat of the Italians by the Allies in 1945, the country was managed by troops from the French and British. Libya was finally designated as an independent monarchy in late 1951 (Saad, 2015).

Libyan society is primarily founded on traditional and conservative values with a strong tribal influence. The tribal influence is seen in the composition of the society and communities which consists of a small independent family unit to the clans (Jones, 2008). In this societal composition, loyalty to one's region and tribes is paramount; therefore, this allegiance is expected in all spheres of society as favouritism towards one's tribe. This is described as *wasta* in the Libyan colloquialism Abdullah (1999).

2.3 Political Economy of Libya: A Short Historical Overview

Following the administration handover from the Franco-British to the Libyan government back in the early 1950s, the Kingdom of Libya was established. The early 1950s also saw the successful discovery and extraction of oil in the northern regions of Libya (Allan, McLachlan and Penrose, 1973). Following the joining of OPEC in 1961, Libya became one of the main oil exporters, enabling the country to generate an annual Gross Domestic Product (GDP) growth rate of around 20% for a decade (Wright, 1982). By the end of 1969, the oil revenues had reached just over $1.2 billion, turning Libya into the richest country in Africa (El-Fathaly and Palmer, 1980). Now around 47 companies and institutions operating in the Libyan oil and gas sector (see Appendix 5)

For better or worse, Libya began its new life following the military coup led by Colonel Muammar Qaddafi in September 1969 which echoed the end of the monarchy. The military government proclaimed the Libyan Republic, and the county was controlled by the Revolutionary Command Council. In addition, people's Committees were founded in June 1973 after Colonel Qaddafi gave a long speech in which he claimed to have taken control of the nation. As described by Qaddafi in his Green Book, where he profound what is called the "Third Universal Theory," the notion of Jamahiriya (Republic) sought to establish socialist people's Libyan Arab state through an organisational framework that provided and allowed for direct democracy to be practised by its citizens (Allan, McLachlan and Penrose, 1973).

Once the revolutionary government took power in 1969, it became clear how crucial oil production and exportation were to the country's economy as a whole. Although the regime appeared to be adamant about diversifying the economy away from oil dependency, the reality was that without oil revenues, the ambitious infrastructural investment and development plans would have been impossible to achieve (El-Fathaly, 1986). Following the nationalisation of many petroleum industrial activities back in the early 1970s, the demise of the private sector began to surface. Despite the emergence of several rather successful state-owned industrial and agricultural projects, the economy's underlying growth began to slow down by the early 1980s (Kilani, 1998).

In a nutshell, all businesses, small or large, were under the control of the government by the end of the 1970s. By the end of the 1980s, even the agricultural planning and food self-sufficiency projects - the jewel in the crown of the revolutionary government – had failed to deliver the success that the state had hoped. Billions of dollars worth of agricultural support to farming cooperatives and tribesmen settlers for over 15 years making the government's objectives unable to be achieved (Gwazie, 2004).

The 1980s decade brought misery to Libya. Firstly, the oil prices, which had been primarily responsible for the economic growth and development of the country, began to decline sharply. Second, in the late 1980s, the US accused Libya of involvement in terrorist and anti-US actions, including the 1988 Lockerbie event. The US and UN imposed severe economic and political sanctions on Libya for nearly 15 years. In 2003, Colonel Qaddafi committed to compensating all Lockerbie victims' relatives in a Libyan-Western deal; Consequently, Libya officially opened up to the West in 2003 (Aldrugi, 2013). However, a wave of protests and military uprisings backed by the world culminated in Qaddafi's collapse in October 2011. The autocratic administration of Qaddafi, which ruled Libya for just over 41 years, harmed society and halted development and progress (Saad, 2015).

The economy's overall performance before and after the 1969 revolution and up to the end of the Qaddafi era can be summarised in Table 2.1. Given that the main aims of the revolutionary government were to develop the industry/mining the agriculture and deviate gradually from the petroleum activity, the table demonstrates that in all aspects, the government of Qaddafi had failed to achieve these objectives. The pre-revolution share of agriculture is shown to have dropped once the oil exportation occurred in the mid-1960s. The post-revolutionary period up to 1985 saw slight improvements in shares of industry and agriculture from GDP. However, since 1990 the agriculture and industry sectors have been seen to be shrinking significantly whilst the petroleum sector has been steadily growing. These findings suggest that the regime failed to diversify away from petroleum-based activities and performed miserably in improving the industry and mechanised agriculture.

Table 2.1 Sectoral Distribution of GDP: Libya, 1960-2010

Year	Agriculture	Petroleum	Industry	Others
1960	25.2	7.0	4.2	63.6
1965	10.8	52.3	3.1	33.8
1970	4.5	82.0	2.6	10.9
1975	5.8	80.5	7.8	6.0
1980	7.5	65.5	12.2	14.6
1985	7.0	67.2	12.0	13.8
1990	6.8	66.0	11.8	13.4
1995	5.5	68.0	11.2	15.3
2000	4.6	69.2	10.5	16.7
2005	3.0	67.7	8.3	21.0
2010	3.2	74.0	7.7	15.1

Sources: Central Bank of Libya, several years.

The oil sector has been accounting, on average, for up to 90% of government revenues and well over two-thirds of GDP (OPEC, 2014). On 12 November 1970, under Law No24, the Libyan Government established the National Oil Corporation (NOC) to be responsible for oil and gas activities, for example: giving exploration licenses (Aldrugi, 2013; Allan, McLachlan and Penrose, 1973). However, due to its international networking and standards, the petroleum sector in Libya has benefited from a large number of international legal and administrative practices since the early 1960s.

Sadly, the post-Qaddafi era to date has been tainted with uncertainty, conflicts and civil war. As a result, the first government since 2012 has been paying much greater attention to the country's political stability and regional security. It has been unable to allocate resources to socio-economic development plans and organisational reshuffling in all aspects of business and public services (Chivvis and Martini, 2014).

2.4 Accounting in Libya: Standards, Regulations and Practices

The first attempt at introducing a set of commercial and financial laws began to emerge immediately after the independence of 1951. Prior to that, most practices in all aspects of commerce and accounting were based on some ad hoc and inconsistent standards in place by the foreign occupiers (Aldrugi, 2013). However, with the discovery of oil and the ever-growing need for domestic and foreign investment projects, the urge to develop internationally compliant accounting services became more evident. In meeting this requirement, the government had to issue temporary licences to firms in the oil and gas industry, enabling them to offer appropriate accounting services (Bait El-Mal, 1973).

2.4.1 Regulations and Standards

Since independence, many regulatory measures have been introduced in Libya, primarily to aid the social and economic standards. In particular, since the discovery of oil and gas, a large number of such regulatory measures have been designed to safeguard and improve the standard of oil-related activity in Libya.

2.4.1.1 Libyan Petroleum Law (LPL)

In 1955, the Libyan Government established the so-called Libyan Petroleum Law, containing 14 Articles. Where, petroleum is considered to be the property of the Libyan state, according to Article 1 of this law and all the exploration or yield must be conducted, authorised or permitted by the state (Alshbili, 2016).

The main pillar of LPL was deliberating the most effective way for the government to control the ownership and financial aspects of petroleum. Regarding the taxation on concessionary activity, Article 14 of LPL clearly states that operating companies are subject to income and other taxes under the Libyan tax structure but are exempt from any other municipal or government taxes (Otman, 2006). Furthermore, the 2nd paragraph of the Article permits such companies to allow one-sixth of the value of export of crude oil as royalty and all other expenses (fees, rent and income tax) in their statements. Finally, this Article permits concessions to depreciate their assets at a fixed rate of 10% and amortisation of capital at a rate of 5% annually (Eldanfour, 2011). The LPL has also paid special attention to general and specific production-sharing agreement (EPSA) items.

Furthermore, under this law, accounting requirements and rules are presented, clearly explaining the details regarding the presentation by firms of their profits and incomes after subtracting operating expenses and depreciation (Article 14: p. 18). Moreover, in bringing the accounting practices in line with the international principles in petroleum activity, the same Article requires firms to follow American and British standards (Saleh, 2001).

2.4.1.2 Nationalisation and EPSA

Following the revolution of 1969, the new government rushed with the nationalisation of all activities by early 1970. As a result, the National Oil Corporation (NOC) was created in March 1970, replacing the so-called Libyan General Petroleum Corporation (Pongsiri, 2004). The main mandate of NOC was to extend its participation with oil companies in the production and exploration of oil and gas fields (John, 2007). Following the establishment of NOC, new agreements were drawn, which in the case of Libya are referred to as EPSA (Exploration and Production Sharing Agreement).

In early 1974, following a surge in oil prices, the Libyan government realised that the old EPSA would only increase the international oil companies’ profits at no financial gain to the state. Therefore, the government decided to redraw the old agreements and develop a new contract with oil companies. Hence, the first forms of EPSA were issued with the main aim of drawing contracts with the international oil companies on a fixed percentage of output, negotiated on a case-by-case basis (Bruce St John, 2007). Since then, any EPSA issued by the Libyan government has been based on some developments in the international economic and political environment within the petroleum activity.

EPSA I became available between 1974 and 79 for international oil companies wishing to participate in exploration, production and exportation. The main objective of EPSA I was for the IOCs to transfer 51% of the share to NOC. Once the second oil shock happened, the Libyan government issued EPSA II in 1980, lasting up to 1987, primarily to control oil supply and reserve replacement ratio (Bruce St John, 2007). Moreover, the main difference between EPSA I and EPSA II was that the latter introduced varying profit shareholdings based on the location of the fields. Under EPSA II, for example, the share assigned to IOCs was a mere 15% for top locations, whilst the medium-low quality fields offered up to 25% share to IOCs (Otman and Bunter, 2005). Even though it managed to attract ten contracts consisting of 13 IOCs, EPSA II, on the whole, failed to solve the lack of basic exploration and extraction targets. Furthermore, the significant fall in oil prices in the mid-1980s, coupled with the imposition of the US sanction, meant that it would not have been financially viable for IOCs to invest in the Libyan petroleum industry (Otman and Bunter, 2005).

Following the painful experiences of the Libyan petroleum industry in the 1980s, the government introduced EPSA III in 1988, offering Western IOCs attractive incentives for cost recovery (Bahgat, 2004). In particular, EPSA III offered IOCs attractive profit shares of up to 30% for on-shore and 35% for off-shore activities. EPSA III, which existed between 1988 and 2003, managed to award up to 47 contracts (Vandewalle, 1998). Finally, with the lifting of the UN and US sanctions on Libya, NOC was encouraged to introduce another joint agreement, EPSA IV, in 2005. EPSA IV is an innovative form of agreement based on bidding. Under this scheme, the IOCs with the highest bids (shares of profits to NOC) would win the contract (Bruce St John, 2007). The EPSA IV, which has been in existence up to the present time, comes with an anti-corruption mechanism whereby IOCs are advised to submit their bids directly to NOC, preventing state-run companies from being involved in the bidding process (Bruce St John, 2007; Eldanfour, 2011).

Therefore, under the EPSA IV principle, the NOC receives the highest possible share of profit, and the IOCs pay for all the costs for five years. In return, the NOC maintains exclusive ownership of the fields and makes payments of royalty on behalf of the IOCs (Eldanfour, 2011). Another benefit accrued to Libya from EPSA IV is that it includes a clause whereby the IOCs involved must provide an on-site training programme for Libyan nationals, aiming to create a new generation of experts in exploration and production processes (Aldrugi, 2013). Between 2005 and 2011, EPSA IV managed to attract up to 170 companies to register their interests; secured well over 30 exploration and production contracts with oil companies worldwide, with nearly 30% of such contracts taken by the American firms (Aldrugi, 2013; Pereira et al. 2020).

After years of neglect, civil war and weak governments, Libya has now begun to emerge with full control over the oil business. World Oil (2021) reported that the country is currently pumping up to 1.3 million barrels a day, intending to increase production to around 2 million barrels a day within the next four years (World Oil, 2021). In attracting more IOCs to invest in the petroleum industry, the NOC is expected to offer EPSA IV, which has proven to be fairer to bidders and the country as a whole, alike.

2.5 Accounting and Audit Regulations

The wave of nationalisation in the early 1970s meant that most accounting and audit offices were taken over by the government (Aldrugi, 2013). The first attempt at regulating and standardising the accounting and audit activities in the country emerged in 1973 under Law 116, particularly stressing practitioners to be qualified with appropriate academic qualifications and working experience (Shareia., 2014). Subsequently, in 1975, the two associations were established. Early 1975 saw the establishment of the Libyan Accounting and Audit Association (LAAA), overseeing the implementation of international accounting practices in the country. The second association, following Law 79, an independent audit body, referred to as the Libyan Audit Bureau (LAB), was also established in 1975 (Eldanfour, 2011). The LAB had the delicate task of inspecting the practices in accounting and auditing in public sector companies. This meant that the private sector, no matter how small or large, was left uninspected and unattended by the new accounting regulation (Aldrugi, 2013).

By the early 1980s, as the LAB was overwhelmed by unprecedented amounts of auditing and supervision, it decided to invite auditors from the private sector for assistance. In return, the Bureau agreed to classify and remunerate a large number of private businesses (Ali, 2005). To improve accounting and auditing standards, the Law 11 of 1996 gave LAB a new power to oversee and prosecute any public institution found to be engaged in financial corruption or irregularities Al-Arabi and Darwish (2003). From the late 1990s to 2005, the government introduced a series of Articles and by-laws aiming to enhance and further improve accounting and auditing standards in public and joint-stock companies. In particular, Article 25 of Banking Law 1 clearly states that both the Central bank and the commercial banks must conform to international standards, and their accounts must be available to the LAB for final auditing inspection (Shareia, 2014).

2.6 Practices and Performance

Accounting practices and performance must be carefully examined against the regulations and laws introduced in Libya since the 1950s. Many research outputs have been devoted to measuring and evaluating the extent of implementation of accountants and auditors in Libya, particularly concerning conformity with international accounting standards. Here references are made to a small number of such studies. One of the earliest studies by Bait El-Mal (1990) reported some significant differences between companies pertaining to the Libyan standards in publishing and reporting their accounts. This study also finds that a large majority of companies examined did not follow even the most basic rules in accounting and reporting. In short, the study's findings imply that a large number of Libyan companies had miserably failed to follow international financial standards and practices.

The study by Sratee (2002), based on an examination of 13 public-owned manufacturing companies, has reported malpractices in accounting, reporting and found inconsistent reporting dates to auditors. Furthermore, the study finds that almost all of these companies have failed to report their cash-flow accounts. On the other hand, Al-Arabi and Darwish (2003) have examined the appropriateness of accounting standards and practices in private companies in Libya. The study reports several inaccuracies and inconsistencies in the preparation of accounts, particularly concerning accumulated and merchandised inventories. In short, once again, this study also finds that such companies would fail to achieve any standards practised internationally.

Based on a number of interviews with the experts and professionals in Libya, Al-Sharif (2006) has concluded that, on the whole, a lack of consistency, poor preparation and reporting of accounts is due to a large number of fundamental shortcomings. The author is of the view that the underlying problem lies in poor accounting education, which has been in existence for decades. As the study indicates, this issue is coupled with professional bodies and associations, which are weak and ineffective. Shareia (2014) has also examined the problem with education and qualification in accounting in Libya. The author has concluded that the accounting qualifications offered by several institutions in Libya severely lack international authenticity and rigour. According to Eldanfour (2011), the LAAA has not required companies to adhere to standards in preparing their financial statements. Furthermore, as has been stated in Laga (2013), once becoming a member of LAAA, firms are not obliged to do any training or further education for their staff. Besides, as the author reports, there is still a pocket of practising accountants who have resisted changes, hold no appropriate licences, and do not necessarily follow the LAAA recommendations.

On the issue of commercial Law, as the backbone of the country’s accounting infrastructure, there has been no significant change or amendments to such legal issues since 1957. In particular, concerning income tax, the companies are still required to apply the straight-line method to calculate depreciation. Moreover, the law relating to financial statements restricts companies to carry forward costs only up to a maximum of five years. Furthermore, as mentioned in Buzied (1998), although the law provides a guideline on deductible and non-deductible expenses from taxable income, it provides no specific accounting standard in arriving at the taxable income. This means that the current tax law fails to distinguish between operating and extraordinary incomes (Laga, 2013).

On the performance of the accounting bodies, Hawashe (2014) has stated that since the revolution of 2011, the LAAA, though still in existence, failed to improve the social position of accountants and auditors in the country. Shareia (2014) further highlights the failure of this Association, stating that it did nothing to improve the basic principles of accounting, particularly those relating to the code of ethics. The author further states that the Association has even failed to organise international seminars, research or training programmes to demonstrate its willingness to improve the status of the accounting profession in Libya. Following the Interim Transitional National Council (ITNC) resolution in March 2011, due to LAAA ineffectiveness, the activities of all professional associations linked to the previous regime were suspended, hence leaving the Association with no lawful role to play.

All these studies examined here tend to have arrived at one conclusion: despite a series of laws and regulatory measures introduced over many years in Libya, the accounting profession and associations have miserably failed to adhere to international accounting standards and practices in both the private and public sectors.

2.7 Accounting Practices in Petroleum around the world

The oil and gas industry is classified under the extractive sector that uses accounting methods different from the other industries. Few accounting methods are permitted and widely followed by oil and gas companies. This study will describe three methods in detail: full cost (FC), successful efforts (SE) and area of interest methods. The first two methods are well known and permitted to you under IFRS. When using a full cost (FC) approach, all operating costs incurred in searching for new oil and gas deposits are capitalised, regardless of whether or not the search is successful.

On the other hand, the alternative approach, the Success Efforts (SE) technique, permits an organisation to capitalise on costs connected with effectively finding and locating new reserves. However, the related operating expenses are promptly charged for unsuccessful operations against incomes made during the same period. The area of interest is the third one in the accounting method used in oil and gas industries, generally for an identical environmental region. In this case, this region is assumed to be formulating the best environment with an oil or gas reservoir and mineral store. There are multiple levels of stages for investment and related expenses with all those investment stages, and companies need to deal with this. This study will also look at the accounting practice, in which Libyan Petroleum Law (LPL) requires oil and gas companies to treat different costs.

2.7.1 Accounting upstream Methods

There are two conventional methods mostly used in many countries: Full Cost (FC) and Successful Efforts (SE) to record oil and gas upstream activities. These two methods are well established and approved to use by accounting authorities in many countries. The successful efforts (SE) method was widely used for upstream oil and gas activities until the 1950s and a new accounting approach was introduced named Full cost (FC). After the 1950s, some small and medium companies used this newly introduced FC method (Jennings, Feiten and Brock, 2000). However, there are some basic differences between these two approaches, including their different results.

The full cost (FC) approach allows all expenses incurred from finding or locating any natural gas field or oil reserve to capitalise regardless of whether the company is successful in finding assets. That means all expenditures for successful or unsuccessful attempts to find any minerals will be capitalised and treated as long-term assets in the balance sheet under the asset item and will be depreciated over time (Abushaiba and Eldanfour, 2014). According to this method, all costs regarding the exploration and development of oil and gas resources will be capitalised on because it does not matter whether the companies can find out new resources or not, as this is their major purpose. Consequently, these incurred costs associated with unsuccessful attempts are cancelled over the full operating cycle.

Successful effort (SE) method companies capitalise only on those expenses, resulting in successful projects finding new oil and gas resources (Eldanfour, 2011). Additionally, the operating costs for unsuccessful projects are allocated against revenues. The successful effort (SE) method treats the costs of unsuccessful attempts to explore the minerals as an expense. Therefore, the successful costs will be considered as assets which will reflect in the future as financial benefits. As the main objectives for oil and gas companies are to find new resources instead of extracting oil and gas, according to this method, only the expenses and operating costs for their successful attempts will be capitalised (Akenbor and Agwor, 2015). Equally, as there is no change in assets with these unsuccessful attempts, the incurred costs will be treated as expenses in the income statement.

It is confirmed that both FC and SE methods are accepted and authorised by accounting principles with their main difference in the size of the cost centre used to charge the operating costs during oil or gas exploration into either capitalised costs or expenses (Klaver, 2008). According to the full cost (FC) approach, the cost centre will be either a country or a continent. As a result, all the operating costs in the exploration or development of oil and gas resources will be capitalised on irrespective of the success or failure of the exploration attempts (Klaver, 2008). On the other hand, in the case of the SE approach, the cost centre could be a property, oil or gas reservoir or field. In this case, all the operating costs associated with the exploration of oil or gas resources will be charged as expenses when the exploration attempts are unsuccessful.

Despite these two methods being used by oil industries, there are other methods like area of interest and reserve recognition accounting (RRA). Costs associated with an area of interest will be taken away when acquired, with the expectation of transferring tenure rights (Antill and Arnott, 2000). Costs incurred in exploration and development are either taken down or carried forward independently for each area of interest.

In the case of the accounting method named area of interest, all the costs from the exploration and exploitation of oil or gas reservoirs will be regarded as written off. But they can be carried forward as long as the contract of the area is in progress, and some conditions need to be met in this case:

a) By exploring and exploiting the oil or gas reservoirs, these costs should be completed within the area of interest.

b) In the area of interest, all the exploration and exploitation tasks which have not been at their reporting date will be extended to a stage that will then be authorised for a rational assessment. If not, then the economically recoverable reserves and other active and operationally active reservoirs will be continuing concerning the area of interest.

Moreover, reserve recognition accounting (RRA) was founded by the securities and exchange committee SEC in 1978, and it has been used for almost two years by many oil and gas companies (Mangel, 2006). The concept behind the RRA is to estimate future revenues and costs based on the current price and use a fixed rate of 10% to discount the net revenues to the present. This method capitalises the costs of upstream activities based on whether the well is dry or producing any oil. If latter, the costs directly related to finding the reserves are expensed. As it has been mentioned above, this method has not been used for long because it was very controversial; it has many limitations raised when using RRA, for example, it is based on estimates of proved reserves and considers just the successful wells, also used fix discount rate without considering the location (Johnston and Johnston, 2006).

2.7.2 Investment Stages in Oil and Gas Industry

The nature of the oil and gas industry is long-term, and the industry goes through several investment stages, including identification, exploration, appraisal, development and production (Grigorchuk et al., 2014). In addition, different expenses occur from upstream activities in each investment stage. These investment stages and their associated expenses are explained below in some detail.

2.7.2.1 Stage 1: Identification (Acquisition expenses)

An oil and gas company first identifies the plant's potential area by assessing the social, safety, and environmental factors. In this stage, companies acquire the right to own the assets needed by the company, licence payment and fees, and other acquisition activities. Acquisition of mining rights can be granted via one of the different oil and gas agreements: concession, production sharing contracts, or service contracts.

All the expenditures occur from purchasing or leasing the right to own assets that are not possessed by an oil and gas company. Legal costs and broker fees for acquiring them are classified under the cost of acquisition activities (Jennings, Feiten and Brock, 2000). Lease bonus payment paid by the asset owner, title search cost, recording cost and broker cost are included in acquisition costs. Acquisition cost is capitalised, adding in the balance sheet under both FC and SE accounting methods (Wright and Gallum, 2008).

2.7.2.2 Stage 2: Exploration (exploration expenses)

In this stage, a company collects and analyses geological and geophysical (G&G) data of the potential area through geological survey techniques to explore whether oil and gas reserves exist. Exploration costs are related to collecting and analysing geological and geophysical (G&G) data of the area an oil and gas company targets and setting up a plant in that location. The expenditures occur in looking for places to drill for oil and gas, drilling and testing exploratory wells, and other operating costs rise from exploration activities classified as exploration costs (Jennings, Feiten and Brock, 2000).

Intangible and tangible costs are associated with this activity. Intangible costs include expenses required before installing the equipment for the plant, such as the legal papers and the cost of studying the feasibility of the well. In contrast, tangible costs are related to the installation and operation of this equipment (Vitalone, 2016). Intangible costs are included in the income statement as operating expenses under the SE accounting method. In contrast, tangible costs are capitalised if it is successful in setting up a new plant and also added as operating expenses if the effort is unsuccessful. On the other hand, both tangible and intangible costs of setting up a new plant are capitalised in the balance sheet under the FC accounting method as long-term assets (Wright and Gallum, 2008).

2.7.2.3 Stage 3: Appraisal (evaluation expenses)

When exploration is successful, a company performs an appraisal drilling to learn about the new plant's size and characteristics and forecast the plant's output (Larsson, 2012). An oil and gas company usually invests in infrastructure development, capacity building, social investment, local employment and pays fees and taxes.

Appraisal costs are the expenses associated with assessing the scope of the area, the reserves, the production output, and the overall property of the oil and gas plant. These costs add value to the oil and gas company by providing employment to the locals and opportunities for local suppliers, developing infrastructure, social investment in education, small enterprises and microfinance and local taxes and fees (Biltayib, 2006). Therefore, appraisal costs are included in the income statement as operating expenses under both FC and SE accounting methods (Wright and Gallum, 2008).

At this stage, the companies will decide whether the well is successful and has a future benefit, or if it will be classified as a dry hole (unsuccessful project). In addition, the expenses that occur will be treated differently under the FC and SE methods. Regardless of the result, all the expenses relating to finding new oil and gas reserves will be capitalised under the FC. However, under the SE, expenses will capitalise only for successful wells, the costs of unsuccessful wells will be expensed, and the related operating expenses are promptly charged against income for that period.

2.7.2.4 Stage 4: Development (Development expenses)

If the appraisal outcomes are viable for the oil and gas company, they prepare a development plan and submit it to the authority for approval. Then, the company invests in building gas lines, drilling and clearing locations, and relocating public roads. This is the most capital-intensive stage (Vitalone, 2016). In this stage, an oil company validate the viability of its oil and gas resources and is determined to extract the resources.

Development expenses are the expenses associated with the preparation of discovered reserves. The preparation includes the development of roads to have proper access to the plant, installing necessary equipment and infrastructure, and other additional costs to complete the work (Vitalone, 2016). In addition, the costs of development activities include building gas lines, drilling and clearing locations, relocating public roads if there areany, building a place for equipment and production storage, and any costs arising from development operations (Jennings, Feiten and Brock, 2000). Development cost is capitalised, adding to the balance sheet under both FC and SE accounting methods (Wright and Gallum, 2008).

2.7.2.5 Stage 5: Production (production expenses)

The final stage of upstream oil and gas investment is the production. This stage usually lasts for several decades as long as the oil and gas company can produce. In this stage, companies invest in the production and maintenance of the plant, worker wages, pay production royalties and monitor social and environmental performance (Mohn and Misund, 2009).

Production costs are associated with the expenses of extracting oil and natural gas from the reserve (Vitalone, 2016). These costs include workers' wages and electricity and generator costs to operate the plant. In addition, the expenses occur to start up the production and maintain wells, payments for transporting the output, and all other expenditures take place to operate and run the production (Jennings, Feiten and Brock, 2000). Therefore, the production cost is included in the income statement as operating expenses under both FC and SE accounting methods (Wright and Gallum, 2008). After viewing the different investment stages in the oil and the gas industry, thenext sections will review the evolution of accounting, its brief history, and accounting harmonisation. Also explained in this chapter are the history of IFRS and the international organisations and their roles in IFRS acceptance.

2.8 Brief history of accounting

As per Edwards (1989), accounting as a profession has ancient roots in the Babylonian, Egyptian, Greek, Sumerian and Assyrian civilisations. Krzywda, Bailey and Schroeder (1995) explained that the primary goal of accounting, in the beginning, was to keep accurate records of the owner's transactions so that they could maintain stewardship over their properties. Accounting was created in response to societal demands (Krzywda, Bailey and Schroeder, 1995). Charge/discharge accounts were the early names for accounting in the ancient world. In other words, the earlier societies needed to ensure accurate records of all products purchased and sold and expenses incurred (Jonsson, 1996).

In the 14th century, Italian merchants' charge/discharge accounts were considered inadequate for their sophisticated business activity with commercial branches in various regions of the world during the emergence of industrial Italy (Bribesh, 2006). As a result, there was an obvious necessity for the development of accounting systems and procedures. The introduction of double-entry bookkeeping demonstrated this need and has been dubbed the "foundation stone" for the transition of accountancy from the ancient to the contemporary age (Macye and Hoskin 1986; Edwards 1989; Carruthers and Espeland 1991).

The goal of bookkeeping, according to Luca Pacioli (Richard and Rambaud 2021), who produced the first debt and credit record in 1494, was to provide the trader with quick information about his assets & liabilities. Hence, Pacioli was dubbed the "founder of modern accounting" by other researchers (Pribowo et al. 2021). This bookkeeping system (double-entry bookkeeping) extended around the world after Pacioli's book in the later centuries (Smith 2018). In the 19th and early 20th centuries, the Industrial Revolution (IR) shaped modern accounting and its developments. The IR and the expansion of international trade expanded the number and size of organisations (Bribesh, 2006). The movement in the fundamental form of commercial organisations from individual ownership to limited stock companies encouraged this trend. Changes in ownership and the separation of ownership and management put a lot of pressure on accounting to deliver more information to a wide range of users interested in the company's operations. Several important reasons for the need to standardise accounting procedures, according to Das, Pramanik and Shil (2009) include international commerce growth, company internationalisation, increased international rivalry, and technological advancements in communication. The overall accounting framework should include standardisations and regulations to attain usefulness, dependability, and comparability. Bloom and Naciri (1989) believed that the standards of accounting were created to improve financial reporting comparability and uniformity.

Furthermore, Leuz and Wysocki (2016) suggested that mandating financial report uniformity, incentivises data management and streamlines the process of drawing comparisons. Using a common standard also helps with alleviating the concerns of disclosure levels and guarantees homogeneity and saves costs for businesses (De George and Shivakumar,2016).

On the contrary, Irvine (2008) argues that the cost of changing and committing to standardised and transparent accounting practices if mandated can have detrimental financial implications for small and medium-sized businesses. Furthermore, the diversity of accounting practices is a consequence of several specifics such as legal environment, culture and the economy's state (Nobes, 1998; Nobes, Parker and Parker, 2008). The standardisation of these practices could make them somewhat inefficient as they are no longer customised to the same ecosystem in which they are being employed.

Accounting standards are intended to provide extensive direction on how to handle specific difficulties and areas where there is a lot of disagreement. Standardised accounting methods can assist businesses in recording and monitoring their actions and ensuring homogeneous, dependable and accurate data. The Generally Accepted Accounting Principles (GAAP) form the basis for most modern financial accounting systems (Cortese and Walton, 2018). Even though these principles incorporate several common assumptions, regulations and rules, there are still variations in accounting standards across different countries. These standards are designed to meet local accounting objectives. Stakeholders ought to strive for the unification of accounting standards as it will help compare the financial figures generated by different companies; this will guide in making good investment decisions based on the multinational companies' cross-border activities and the listing of companies of various nationalities on other stock markets.

2.8.1 Accounting Harmonisation:

The terms 'standardisation' and 'harmonisation' are not interchangeable. The standardisation process can be defined as a procedure where all parties agree to employ similar or identical accounting practices (Wingard, Bosman and Amis, 2016). According to Fritz and Lämmle (2003), accounting harmonisation is a procedure that improves the consistency of accounting processes by minimising discrepancies. Harmonisation refers to a system that strives to enhance the uniformity and comparability of financial statements by reducing disparities in various financial reporting practices among countries (Yosra and Hela, 2017). According to Majeed, Zhang and Wang (2017), accounting harmonisation has four major components:

process, influence, outcome and output. Accounting harmonisation involves meeting the investor's information needs that aid in the adoption of a resolution. The diversity in local accounting systems has enhanced the need for accounting harmonisation, which has hindered international investment and is a source of worry for global financial market activity (Angeloni, 2016). It also provides accurate information, ensures credibility via a standardised format for financial statements and confers acceptance. The adoption of a uniform standard across borders can facilitate the movement of resources and capital; it can also reduce the required cost to participate in the preparation of financial statements (Hoinaru et al., 2017).

IFRS (2017) noted that IFRS harmonisation assists a corporation in preparing financial statements that are comparable to those of overseas competitors, making financial data comparisons between companies in different nations easier. It also aids in adopting the same accounting language by parent firms with subsidiaries in other countries. According to Das, Pramanik and Shil (2009), accounting standards harmonisation benefits global businesses in many ways, including facilitating inter-state transactions and lowering the exchange cost; it also provides decision-makers with standardised information that will improve the quality of data. Furthermore, Iqbal et al. (1997) suggested that harmonisation will make it easier for overseas investors to comprehend finance reports and evaluate foreign enterprise activities. Furthermore, harmonisation can help international firms by allowing them to prepare their financial statements for different nations using the same procedure, thereby easing external investment (Nobes and Parker, 2010). However, the same authors in their publication (2020) pointed out that harmonisation faces several challenges; first, there are variations in the accounting procedures between countries; second, some countries lack accounting agencies that organise professional accounting; and finally, different governments have diverse economic and political systems. Furthermore, quality financial reporting is necessary for both capital markets as well as corporate governance. Still, conflict of interest in the business and governance aspects makes it difficult to arrive at a consensus on the constituents of a reporting standard (Alkhtani., 2010). Overall, harmonising accounting was meant to create unify accounting framework both internally and externally. As a result, international organisations will function more efficiently and attract foreign investors by making it easier for them to comprehend and evaluate company performance.

2.9 The Development of International Financial Reporting Standards (IFRS)

Most companies used to prepare their financial statements locally, using the old accounting systems that were customary in their nations. However, the world has recently witnessed a huge movement towards globalisation, with cross-border trade now outpacing local activity levels. As a result, standard accounting systems, originally built to manage local data, cannot process the financial data generated between countries (Zehri and Chouaibi, 2013; Montani et al., 2021). This development necessitated the International Financial Reporting Standards (IFRS) proposal to unify the principles of accounting (Shil, Das and Pramanik, 2009). The next section will go through the history of these standards and the organisations that assisted in their development.

2.9.1 International Financial Reporting Standards: A Brief History (IFRS)

Regarding IFRS development, the significant differences between local accounting standards across nations necessitate the creation of a unified set of international principles of accounting that will address the comparability issue that arises when comparing financial reports across countries, particularly for countries that rely on other countries, international organisations, or stock markets for capital (Ali, 2005). Following this, the International Accounting Standards Committee (IASSC) issued the first set of International Accounting Standards (IAS) in 1971 (De George, Li and Shivakumar, 2016). The IASC issued around 40 International Accounting Standards. Later in 1977, a new group called the International Federation of Accountants (IFAC) was established to help the ISAC by persuading IFAC member countries to embrace IAS (Sercemeli, 2016) since almost all of the IASC members were also IFAC members (Sawani, 2009).

The IFAC was created in 1977, and it collaborated with the IASC to release various statements related to international accounting standards (Skotarczyk, 2011). Many nations implemented standardised accounting practises to improve the quality of their financial accounts after the Asian crisis of 1997 (Outa, 2013). The IASs were endorsed by the International Organization of Securities Commissions (IOSCO) in 1998 as a single set of IAS to improve the quality of financial reports (Skotarczyk, 2011). In addition, Hamidah (2013) claimed that most of the early adopters of IFRS were a part of and actively involved in international bodies, such as the International Organization of Securities Commissions (IOSCO), the International Financial Accounting Standards Board (IFASB), and the G-20 group of countries.

In 2001, the International Accounting Standards Board (IASB) took over the IASC and issued the IFRS to improve the overall quality of financial reports across nations (Binomran, 2021; Ball, 2006). Between 2001 and 2004, the IASB tasked a committee of experts with improving the quality of international accounting standards to improve their universal acceptability. The European Commission came up with legislation in 2002 mandating companies registered on EU stock exchanges to implement the International Financial Reporting Standards (IFRS) from the beginning of 2005 (Othman and Kossentini, 2015; Nurunnabi, 2021). Furthermore, to satisfy the Securities and Exchange Commission (SEC) and bring IFRS in line with US GAAP, the IASB and the Financial Accounting Standards Board (FASB) reached an agreement in 2002. But despite the improved collaboration between the IASB, FASB and SEC, much work has to be done to produce new accounting standards that satisfy all parties (Camfferman and Zeff, 2018).

However, the (SEC) repealed the financial statements on harmonisation prepared under IFRS and US GAAP for international companies listed on US stock exchanges in 2007 (Tan et al., 2016). Furthermore, the 2007-2008 Financial Crisis had little impact on many nations' adoption of IFRS. Despite this, the IASB has been under intense pressure from various groups to raise the international standards on auditing (ISAs) to compromise the impact of any future financial crisis (Mala and Chand, 2012). Furthermore, there was a constraint in the business profit during the 2008 Financial Crisis for nations that had not yet embraced the IFRS and not those implementing the IFRS during the crisis. Nonetheless, both adopters and non-adopters of IFRS saw significant improvements in earning quality following the global financial crisis (Slaheddine and Fakhfakh, 2017).

Furthermore, while the Financial Crisis may have resulted in some financial ratios, such as profitability and liquidity ratios, being reduced for countries that have already adopted the IFRS during financial crisis, there was a rapid return on confidence in financial information after the crisis due to increased transparency in financial reports; this, in turn, improved the stability of stock markets (Abu Alrub, Ağa and Rjoub, 2020; Kikuya, 2001; Wallace, 1990; Frey and Chandler, 2006). The new IASB structure has also seen much criticism despite its acceptance by the American authorities as it was first rejected (Oliverio, 2000) in the European region. As per Buchanan (2003), the US strives toward holding leverage and control on the IFRS, thereby raising questions regarding the suitability of these standards for developing markets.

2.9.2 International Organisations' Role on IFRS Adoption

Various global organisations worked with the IASC to enforce the adoption of the IFRS, particularly among companies registered on stock exchanges. The IOSCO, IFAC, OECD, the World Trade Organization (WTO), and the European Union are among the international organisations that collaborated to achieve this aim (Lasmin, 2012; Triyuwono et al., 2015; Rodrigues and Craig, 2007). As a result of the partnership between the IASB and other international organisations, such as the G20, IOSCO, and IFAC, IFRS adoption has significantly increased (Whittington, 2005). For instance, the International Organization of Securities Commissions (IOSCO) mandated that all companies in IOSCO member nations implemented IFRS (Triyuwono et al., 2015). Due to the efforts exerted by the Worldwide Organization of Securities Commissions, the adoption of IFRS by international stock markets has expanded dramatically, intending to improve the integrity on information of finance offered by corporations registered on global stock markets (Lasmin, 2012; Burca and Cilan, 2013).

Nevertheless, there are significant disagreements between some national and international accounting principles. Consequently, the IASC and IOSCO must give more accounting information to both foreign and local investors. Moreover, such information must be relevant to the application of the IASs to help them understand the financial reports prepared in conformity with the IFRS (Adams, Gray and Weetman, 1993).

The EU decided in 2002 to make IFRS mandatory from the beginning of 2005 to strengthen its validity and boost financial reporting consistency among European countries (Koning, Mertens and Roosenboom, 2018). Due to the pressures exerted by the EU, many European countries have adopted the IFRS to strengthen the EU's institutional credibility. As a result, foreign direct investment (FDI) inflows into accepted countries have increased significantly since the EU required them to implement the IFRS in 2005. This is because the implementation of IFRS has increased the comparability and openness of financial accounts, attracting more overseas investors (Lasmin, 2012; Akman, 2011).

Furthermore, the World Bank and the IMF have played a crucial role in urging many countries to adopt the IFRS, particularly those seeking financial aid from these bodies (Traistaru, 2014; Pricope, 2015; Hasan, Karim and Quayes, 2008). Consequently, these international bodies have played a key role in pushing developing nations to adopt IFRS by highlighting the benefits of pertinent financial performance and stronger stock exchanges in these financially restricted markets. This is specifically for countries seeking financial help from these bodies to solve their financial and economic problems (Thompson, 2016).

Furthermore, the adoption of IFRS has been driven by the IFAC's pressures, which have prompted several IFAC member nations to integrate IFRS into their domestic accounting standards (Ali, 2005; Alsuhaibani, 2012). Furthermore, the IFAC backed up the IASB's work by establishing standards for using the IFRS in practice and promoting the global accounting profession. However, IFAC membership was limited to countries with at least one professional accounting association (Mwaura and Nyaboga, 2009). Following the demand from professional accounting organisations, several developing countries have embraced the IFRS to enhance the financial statement's quality (Pricope, 2015) and emulate other successful accounting organisations to obtain greater institutional credibility (Hassan, Rankin and Lu, 2014; Hassan, 2008).

The IASB, since 2002, has agreed with the US standards-setting authorities, such as the SEC and the FASB, to issue financial statements that meet quality standards and are based on the IAS (Camfferman and Zeff, 2018). The US is yet to embrace the IFRS although it controls many international organisations. That is to keep its power to rule these institutions, which can promote its interests (Thompson, 2016). IFRS adoption by the EU was easier than in the US, despite the US having an Anglo-American culture and an English common legal origin. The US believes that IFRS adoption is unnecessary for US companies because it encourages many countries to prepare their financial reports using the US GAAP, but not the other way around (Eroglu, 2017). However, one idea of accounting regulation that appears to be overlooked in contemporary IFRS literature is that IFRS is not static (Trimble, 2017). The IASB is constantly developing and amending the IFRS at the time of this study. Before embarking on a project to produce new IFRS Standards or major revisions to existing IFRS Standards, the Board conducts a research effort to gather evidence regarding the problem to be solved and determine whether a suitable solution can be found. The Board may advance research to standard-setting to create a new standard or significantly change an existing one (IFRS plan, 2021). The current schedule of the ongoing projects and programs considered by the Board is in Appendix 1.

Furthermore, since 2002, efforts to align principle-based standards with the U.S. GAAP have eliminated several of the standard's reporting alternatives and increased transparency requirements such as revenue recognition criteria. As a result, IFRS adoption is not easy even over time as it can be concluded from comparing between the pre-and post-reporting quality.

According to Capkun, Collins and Jeanjean (2012), excessive adjustments to IFRS were made between 2003 and 2005, reflecting an increase in the standards' flexibility. The authors listed 18 amendments to IFRS, including permitting the capitalisation of restoration and removal charges for Properties, Plant, and Equipment (PP&E). They also point out that six new standards were issued over that period, with the first one taking effect in 2005. As a result, research examining IFRS adoption before 2005 compared standards vastly different from those focusing on 2005 and later adoptions. Special attention is paid to the IFRS 6 oil and gas standard which is described in the upcoming section.

2.9.3 Overview of accounting practises in the extractive industries (IFRS 6)

The accounting practises involved in the extractive industries with the exploration and evaluation of mineral resources are attempted to be harmonised by IFRS 6 issued in 2004 (Cortese and Irvine, 2010). It is worth emphasising that this standard covers the expenditure of the activities pertinent to the exploration and evaluation (E&E) phase (Abdo, 2016; Ferguson, Kean and Pündrich, 2021). The expenses of the activities in the pre and post-E&E stages are not covered (Abdo, 2016). The point of start for IFRS6 is marked by the legal permissions for explorations and extends till the conclusion on the commercial feasibility of the extraction of minerals.

The expenditure of an E&E asset under the IFRS 6 is measured and recognised by selecting an accounting policy applied consistently throughout the process. The pre-E&E activities associated with the exploration of mineral reserves can be accounted for in two ways based on the successful viability of explored minerals (Abdo, 2016). The first approach is similar to the Successful Effort (SE) method, predominantly applied for situations in which the exploration phase leads to unsuccessful or commercially non-viable mineral reserves. In this case, pre-E&E activities cannot be tagged to any pertinent mineral reserves and, therefore, are written off (Ferguson et al, 2021). On the other hand, if the exploration phase yields an E&E asset, pre-E&E activities can be expended on this E&E asset, and therefore, a revaluation model can be adopted for these assets (Abdo, 2016).

Consistent classification of assets as tangible and intangible is required for accounting policy implementation purposes. Furthermore, IFRS6 mandates the disclosure of information pertinent to E&E assets, including accounting policy choices, income, expenses and operating cash flows (Abdo, 2016). These methods in the context of the Libyan ecosystem are further elucidated early in this chapter.

Luther (1996) argued the accounting principles and standards used in the extractive industries are more swayed by political factors than accounting and may not be altogether balanced or definite. Furthermore, the political underpinnings associated with the adoption of IFRS 6 were explored by Noel, Ayayi and Blum (2010) from an ethical standpoint. The authors concluded deviation from the discourse ethics in the operation of IASB.

Cortese, Irvine and Kaidonis (2009) found that extractive industries used economic concerns to set favourable accounting methods and financial reporting standards. Oil and gas industries primarily employed two methods for accounting principles viz. successful efforts (SE) and full costs (FC). The Authors pointed out that despite efforts to harmonise these accounting practices, legal and regulatory oversight has been minimal, leaving a flexible accounting practice as a reporting norm.

Cortese, Irvine and Kaidonis (2010) further discussed the overlapping interests and connections implicated in setting the IFRS for the extractive industries throughout their research. It was found that parts of authoritative extractive industries have apprehended the regulatory process of setting IFRS 6. Using critical discourse analysis, the authors concluded that the existing accounting practises of the sector were rearranged and codified as part of adopting IFRS 6. This observation is in line with the deductions of Gallhofer and Haslam (2007) on the adoption of IFRS 6 as means to flexible accounting guidelines for reporting. Consequently, the authors concluded the role of IFRS 6 to legitimise existing accounting practices instead of aiding transparent reporting that could enable various stakeholders to compare the entities and make informed financial decisions.

However, adopting IFRS has shown to better financial reporting, specifically disclosure reports in several sectors of Nigeria which includes financial, non-financial and oil and gas sectors. IFRS will improve investor confidence and facilitate cross-border stock exchange listing (Mgbame, Donwa and Agbonkpolor, 2015) by making financial reporting efficient and transparent.

Cherti and Zaam (2016) studied three petroleum companies’ financial and account statements under IFRS and deduced that the adoption had a positive impact on financial and accounting information quality as compared to the financial and accounting information under the national GAAP. Therefore, as IFRS adoption is observed to be useful in the petroleum sector, it is possible to positively impact Libya's oil and gas sector, where many opportunities are waiting for the Libyan oil and gas sector to take the IFRSs system in their accountancy standard.

IFRS has been implemented or approved in 144 countries worldwide, including some of the world's most powerful nations (such as the EU member states and Australia) (IFRS, 2018). Moreover, several large organisations have accepted these guidelines, especially those listed in the capital market, international banks, global development agencies, professional accountants and politicians (Botzem and Quack, 2009; Botzem, 2012).

2.10 International Financial Reporting Standards (IFRS) adoption in developed countries

Despite the widespread acceptance of IFRS, Zehri and Abdelbaki (2013) believed that IFRS is better suited to developed countries, stating that the first edition of IAS/IFRS was primarily designed for developed countries. Furthermore, the IASB's board members come from only nine countries, five from the US and the EU, with the remaining members coming from South Africa, Canada, China, and Japan (Chandra, 2011).

Whittington (2005) highlighted that the IASC has pushed for IFRS adoption by developed economies since its inception in 1973, especially in 1995. As a result, the International Organization of Securities Regulators adopted the set of standards designed by the IASC for use by their members in 2000. Most international stock exchanges currently accept IFRS for foreign entrants; however, in the United States, they are permitted, but accounting must also conform to GAAP. According to Whittington (2005), many countries develop local accounting standards using international norms as a foundation; those that have none already are planning to require or enable IFRSs for listed firms soon (IFRS, 2018).

2.10.1 IFRS adoption and European Union (EU)

The EU Commission finally acknowledged the inadequacy of the financial statement directives in 1995 and launched efforts to achieve better international standardisation, both inside and beyond the EU. Since that time, the EU has emphasised IASB standards by EU businesses (Walton and Aerts, 2009). The Commission, in 1999, recognised the practicality and benefits of increased international harmonisation and concluded that the IFRS looked to be the best appropriate standard for worldwide financial reporting demands (Yu, 2006). In June 2000, the Commission called for more harmonisation in accounting and that all EU companies should submit consolidated financial reports following IFRS (Walton and Aerts, 2009; Whittington, 2005). In 2001 and 2003, the EU updated its 4th and 7th directives to correspond more with IAS 39 to encourage cooperation and reduce inconsistencies between IFRS and EU directives (Walton and Aerts, 2009). All publicly traded firms in the EU since January 2005 are IFRS compliant in preparing financial statements (Irvine and Lucas, 2006). The implementation of IFRS, both mandatory and optional, has sparked a flurry of research in industrialised countries (De George, Li, and Shivakumar, 2016). The study by Leuz and Verrechia (2000) looked at the accounting decisions made by German companies listed in the German stock index in 1998. The authors show that an organisation's financing needs and size play a role in embracing international standards.

Affes and Callimaci (2007), for their part, have underlined the motives behind the German and Austrian listed companies' early adoption of IAS/IFRS. The likelihood of early adoption of IAS/IFRS improves with firm size, according to a logistic regression done on a sample of 106 German and Austrian firms. On the other hand, the relationship between anticipated IAS/IFRS adoption and debt seems inconsequential to highly leveraged enterprises as their creditors may seek debt covenant compliance based on specific calculations. Furthermore, Dumontier and Raffournier (1998) found no significant association between debt ratio, voluntary adoption of IAS, and company performance in a sample of 28 companies listed on the Swiss stock exchange. Even though this would further the argument on IFRS adoption, the comparison between countries is not considered in this work. The next section will focus on some existing challenges and opportunities associated with adopting IFRS.

2.10.2 Benefits of and Challenges of IFRS adoption in the developed countries

The utilisation of a uniform accounting system worldwide makes it easier to analyse financial accounts from different countries and compare them more efficiently (Choi and Levich, 1991). As a result, the reports of numerous companies can be examined by potential investors to determine where to invest in such a time of commercial globalisation (Larson, 1993). In addition, a unified accounting system will make it easier to move cash and other resources between nations and bring down the cost of preparing financial reporting (Tyrrall and Woodward and Rakhimbekova, 2007).

Australia and the European Union were among the first developed countries to comply with the IFRS standards. The establishment of the IFRS aims to minimise irregularity (Agostino, Drago and Silipo, 2010) in accounting information and garner the confidence of investors (Tarca, Morris and Moy, 2013; Florou and Pope, 2012). However, several issues are to be concerned about, including IFRS (endorsement, translation, interpretation, implementation costs), a lack of continued education and training, active lobbying, and various enforcement methods (Hellmann, Perera and Patel, 2010). Harmonisation of accounting practises is anticipated to increase the quality of financial reporting statements, but it might fail to achieve its envisaged impact (Alali and Cao, 2010) due to government pressures, funding restrictions, openness to multiple interpretations or legal enforceability. In nations where the enforcement system is important, incentives dictate the impact of mandated adoption of IFRS at the firm level (Byard, Li and Yu, 2011).

Following the implementation of IFRS, the UK developed its accounting quality, resulting in enhanced accounting statements (Tsoligkas and Tsalavoutas, 2011; Latridis, 2010). Nonetheless, IFRS hasn't had a similar influence in Poland, since they haven't had a big impact on value relevance (Dobija and Klimczak, 2010). Furthermore, according to Callao, Jarne and Lainez (2007), early indicators in Spain imply that the value relevance of accounting data has not improved much due to IFRS. This is significant because it implies that each country's local accounting enforcement, when combined with IFRS values, has a detrimental impact on the comparability of financial statements and IFRS implementation.

In a study of 16 IFRS-adopting countries, it was discovered that 11 were still using native GAAP; companies in IFRS-adopting countries reported a greater increase in trading volume and return volatility than companies in non-IFRS-adopting countries (Landsman, Maydewa and Thornock, 2012). Nonetheless, the main incentive for transitioning to a single set of standards has been the ability to compare financial reports across countries under IFRS. It is expected that convergence to IFRS rather than domestic GAAP can improve the comparability of the financial report and benefit global investors. IFRS harmonisation offers superior accrual quality than local GAAP, according to two-stage research findings throughout 13 nations as well as 20 industries (Aubert and Grudnitski, 2011). While the effects of voluntary and forced adoption of IFRS varied significantly, the average liquidity and capital cost remain unchanged. In contrast, liquidity grows, and capital cost decreases in the latter case (Daske et al., 2013). According to the study, IFRS adoption did not develop profit comparability across Europe regarding cash flow and accruals immediately (Beuselinck et al., 2010). They also believe that harmonisation of accounting is ineffective in learning from inter-firm comparisons as IFRS adopters have to experience immediate improvement in their context (Lang, Maffett, and Owens, 2010). Foreign investment in IFRS enterprises, on the other hand, has increased; this may not have occurred in the absence of greater comparability between these firms (DeFond, Hu, Hung and Li, 2011).

It was observed that mandatory application of the International Financial Reporting Standards boosted the information quality in capital markets in 46 countries between 2001 and 2007. Companies in the same jurisdiction adopting IFRS lose some of their comparability with their domestic counterparts (reporting under GAAP) once IFRS is implemented (Cascino and Gassen, 2015). In addition, after the adoption of IFRS, book values in France and Germany are less comparable because of the variety of accounting options available (Liao, Sellhorn and Skaife, 2012). For the first time, the French enterprises' adoption of represented evidence of the enhancement of quality in financial statements. Thus, IFRS equity adjustments, which are voluntary, had a value relevance dependent on the information release (Cormier et al., 2009). A study conducted by Devalle, Onali and Magarini in France, Italy, Germany, and the United Kingdom (2010) represented growing evidence of the value and importance of book value and information content on earnings after implementing IFRS (Agostino et al., 2010). Another study by Manganaris, Spathis and Dasilas (2015) observed the coexistence of lower conservatism with higher-value accounting information among 15 European nations before & after mandatory IFRS implementation.

According to studies, the adoption of IFRS has been linked to a reduction in equity costs (Li, 2010; Dargenidou, Mcleay and Raonic, 2006). On the same lines, in Germany, businesses that are dominated by significant public debt and are seeking foreign financing are likely to embrace IFRS (Tarca et al., 2013) to have more options. However, the influence has been felt in debt finance as well. With robust enforcement, mandated IFRS adoption has a good economic outcome for corporate debt financing, particularly bond and loan financing (Florou and Kosi, 2015; Chan, Hsu and Lee, 2015; Moscariello, Skerratt and Pizzo, 2014). The study by Li (2015) noted that IFRS adoption reduces capital cost and the level of conditional conservatism in countries with robust enforcement. To compare the cost of transition, Taylor (2009) studied 150 public businesses in their first year of adopting IFRS in the UK, Singapore and Hong Kong. According to the findings, the adjustment cost for businesses in the United Kingdom was higher than for companies in Hong Kong and Singapore. In a similar study, the cost associated with the implementation of IFRS, Fox et al. (2013) found that the costs of implementing the standards in the Republic of Ireland, the UK and Italy were higher than the reporting benefits under IFRS. Recent studies on various nations outside the EU that have implemented IFRS reveal diverse effects depending on the countries' peculiarities. In certain countries, using IFRS has shown better quality in financial reporting and reduced the levels of earnings management for companies (Ji and Lu, 2014; Cai, Rahman and Courtenay, 2008), whereas in others, IFRS has failed to improve the accounting data quality outside the EU (Ji and Lu, 2014; Cai et al., 2008; Khanagha, 2011).

Furthermore, IFRS adoption will decrease the cost and time associated with releasing new standards in emerging nations; it will enhance stock market efficiency and make financial reporting more understandable (Asharf and Ghani, 2005). On the other hand, researchers claim that accounting harmonisation comes at a high cost associated with the implementation, despite the numerous advantages a country will gain from adopting a unified accounting system. Furthermore, various factors must be considered, such as the political systems, culture and economy; all these differ significantly from one country to the next and pose potential challenges to creating an accounting system that works well across countries (Nobes and Parker, 2006; Moscariello et al., 2014). The specific factors pertinent to developing countries may warrant that the IASB overlook their needs (Perera, 1989). Some countries may also have weak professional accounting bodies.

Consequently, they could be among the barriers to accounting standards harmonisation. This is factual in underdeveloped nations since the effective implementation of these 31 requirements necessitates a significant amount of effort. Furthermore, the fair value technique is one of the IASB's guiding principles, which is why IAS 41, 40 and 39 all use it for assets and liabilities. The purpose of this approach, that has been proposed, is to enable accounting users to make decisions based on the company's assets and liabilities (Kosonboon, 2004). However, fair value can be difficult to determine in some developing countries as most assets lack an active market. This, according to Barth (1994) and Kosonboon (2004), is among the disadvantages of the fair value approach which decreases the evidence of the history of cost reduction.

Although the adoption of IFRS in developed countries is well studied in the literature, the challenges and opportunities that could influence the adoption of IAS in developing nations are relatively unexplored. Some authors have stated that developing countries must adopt international accounting standards (IAS) (Tyrrall and Woodward and Rakhimbekova, 2007). In this light, this research will identify the challenges and opportunities that affect and explain the adoption or non-adoption of IAS and the development of accounting literature in one such emerging economy, i.e. Libya.

The previous sections discussed the history of domestic and international accounting standards. Also, the endeavour toward accounting harmonisation was discussed with the benefits and challenges faced by developed countries. Furthermore, these sections focused on the literature from the perspective of developed countries on IFRS adoption; however, developing countries are believed to face different sets of challenges regarding IFRS adoption. This research focuses on the applicability of IFRSs for Libya and the potential problems and benefits that adopting IFRS may bring. It also focuses on the elements that may impact accounting systems in developing countries. In this effort, existing literature on the adoption and relevance of these standards from the perspective of developing countries is reviewed in the next sections.

2.11 The adoption of IFRS in developing countries

Generally, developing nations are currently in the early phases of economic growth and lack a stable source of income (World Bank 2019). IFRS has gotten huge attention among developing countries; some developing countries adopted IFRS fully or partially, whereas others have yet to do so, such as Libya. Although various issues may affect country specificities and period, it is agreed among the researchers that the countries' environmental conditions play a paramount role in the decision of developing nations to adopt or not to adopt IFRS (Othman and Kossentini, 2015; Shima and Yang, 2012; Judge, Li and Pinsker, 2010; Bogdan et al., 2010; Clements, Neill and Stovall., 2010; Zeghal and Mhedhbi, 2006; Hope, Jin and Kang, 2006). Several scholars have questioned the relevance of IFRS to developing countries; while some consider it vital to economic development (Cairns, 1990; Larson, 1993), others think that the IASB is only interested in the economies of the West (who are the major IFRS adopters) and ignores the needs of the developing nations (Alkhtani, 2012; Kosonboon, 2004; Alsulami and Herath, 2017).

Many developing countries employ the IFRS as one of their standard-setting tactics (Belkaoui, 2002; Perera and Baydoun, 2007). On the other hand, Hassan et al. (2014) considered the Middle Eastern region's adoption of IFRS as a bigger effort to safeguard the confidence of investors and reform accounting governance. Hassan et al., 2014 warned that if it is not done well, its risks may be perceived as purely symbolic. According to Aghimien (2016), progress toward IFRS compliant could provide reliable financial information by improving transparency and thereby, foster investment in Arab countries. However, for some nations, such as Iran, the emphasis on transparency can be troublesome as the disclosure requirements may be culturally unacceptable (Rostami and Hasanzadeh, 2016). IFRS adoption results in lower accounting standards development costs, access to a variety of aids and international subsidies (as later discussed in this chapter), improved development of the financial market, and faster economic growth (Assenso-Okofo, Ali and Ahmed, 2011; Hassan, 2008; Ramanna and Sletten, 2009, Almansour, 2019).

According to Irvine (2008), adopting a transnational set of accounting standards, such as IFRS, confers legitimacy to emerging economies, improves information quality between countries, and encourages cross-border investment. In contrast, a single set accounting standard as IFRS might not provide other controls due to differing political, economic, social and cultural features. Bala, (2013) and Abd-Elsalam and Weetman (2003) showed that the concept of international accounting standards encompasses extremely distinct cultural norms, the study revealed that Egyptian businesses had a tough time transitioning to IFRS.

Some countries like Pakistan, Thailand, Bangladesh, Nigeria and the Arab Gulf Countries Co-operation Councils (GCC) rely on local GAAPS alongside IFRS, while others, such as Zimbabwe and Iran, demand the legislative consistency of IFRS with legal structure (Mashayekhi and Mashayekhi, 2008; Chamisa, 2000; Faraj and El-Firjani, 2014).

Even though many developing countries adopted IFRS fully or partially, it is clear that most of these nations are adopting the standards under pressure from international organisations like the World Bank, WTO and IFM (Ibrahim, 2014; Abeleje, 2019; Almansour, 2019). However, Libya still did not take this step; consequently, the delay in adopting IFRS is a gap investigated in this work.

2.12 Libya and IFRS adoption

IFRS adoption in the context of Libya has been recently explored in literature. For instance, (Handley-Schachler, 2012; Lega, 2013; Elhouderi, 2014; Masoud, 2014; Zakari, 2014; Faraj and El-Firjani, 2014; Bayoud, 2015; Khaled; 2016 Binomran, 2021) investigated IFRS adoption in Libya. However, while these studies have set the scene, there are still numerous limitations that formed the basis for this study.

Handley-Schachler (2012) assessed arguments surrounding the suitability of IFRS adoption and demonstrated difficulty in adopting IFRS in Libya. Similarly, Laga (2013) concentrated on the possible obstructions that will confront the procedure of executing IFRS in the case of Libya, even though the adoption of IFRS in Libya will have numerous advantages, including expanding the level of equivalence and giving a more dependable, precise, transparency and legitimate monetary accounting data. There are several limitations in adopting and implementing IFRSs into the accounting standards in Libya, including identifying language barriers as the main challenges, lack of technical expertise and accounting knowledge among the accounting professionals. In addition, implementing IFRSs in Libya will be fraught with difficulties due to several flaws in the country's accounting foundation. As a result, these practical roadblocks should be recognised and addressed to ensure a seamless implementation process and maximise the benefits of using IFRS (Laga, 2013). Although (Handley-Schachler, 2012; Laga, 2013) research should be treated as critical in identifying issues relating to IFRS in Libya, these studies are based on an extended literature review without any primary data offered in support of the claims.

Thoughtful insights about the adoption of IFRS in Libyan businesses were provided by Elhouderi (2014). In his inquiry, he looked at the existing situation and looked at some of the best practises in financial disclosure requirements. Libyan financial reporting companies may be able to attract FDI thanks to their use of international financial reporting standards (IFRSs). Libyan foreign investments could be facilitated and bolstered as a result of this reform. This study relies on primary data, while Elhouderi's 2014 work relies on a review of previous studies. According to Elhouderi (2014), no extensive research has been conducted on the application of IFRS in Libya, even thought that such standards are needed and desired.

Elhouderi (2014, p9) added, "*Drawing from the planned carefully selected pool of Libyan companies in the research sample across various industries, but with some stress on oil and gas extraction, it is necessary to cover in future research*". Libya's mining industry would be the focus of the current project to address this void. IFRS implementation in Libya is expected to have positive effects on the stock market, according to a study by Masoud (2014). These benefits include improved financial reporting quality, reduced earnings management, increased comparability, and increased trustworthiness, precision, and transparency. "*Due to the lack of high-quality published databases, this study uses secondary data, which were based on a literature review*" (Masoud 2014, p135). However, the author recommended further studies on the context of Libya based on a triangulation method (questionnaire and interview) to obtain a comprehensive understanding of factors that have a positive or negative impact on adopting IFRS in Libya.

Zakari (2014), on the other hand, studied Libyan companies' obstacles in implementing IFRS. According to the author, IFRS adoption in Libya was affected by the legitimacy of monetary, accounting training and cultural frameworks in the country. Academics at Libyan universities were asked to complete a questionnaire about the impact of specific challenges on the implementation of IFRS in Libya. According to the survey, IFRS implementation by Libyan businesses was not free of challenges, such as a lack of accounting knowledge and training (Zakari, 2014). An assessment of the problems of IFRS in Libya, focusing on the impact of legitimate accounting rules, financial and society on the implementation of IFRS, is presented in this paper. Even though primary research was conducted, the study's findings are based solely on one person's perspective' (academics).

In contrast, the current research will consider additional perceptions from Accountants, Auditors, and Financial Managers. Along similar lines, Faraj and El-Firjani (2014) examined the factors Libyan-listed companies might face in adopting IFRS. The study showed that most companies follow the existing regulations and laws, such as Libyan commercial law and Libyan tax law. While these findings could be seen as vital, the observations cannot be generalised to other industries that are not operating in Libya’s stock market, such as oil and gas companies.

Bayoud (2015) investigated the importance of IFRS adoption in Libya by using the perceptions of the Libyan accounts. This research confirmed that IFRS adoption would help stakeholders achieve the importance and benefits of IFRS adoption in Libya; however, there is a weakness in Libyan Accounts' knowledge of IFRS. Additionally, the study focused exclusively on the factors and obstacles associated with implementing IFRS, with no consideration given to the motivations for postponing implementation.

Khaled (2016) pointed out the benefits of adopting IFRS in developing countries like Libya. In this work, questionnaires were distributed to various fields. The study suggested that the implementation of IFRS improves the quality of accounting information, increases disclosure effectiveness and enables the comparison of financial reports (Khaled, 2016). However, the researcher distributed a total of 50 questionnaires, which arguably limits the scope of their findings. Also, several participants might be inadequately familiar with the IFRS as they are students. However, the researcher recommended that further study should be carried out to reveal the benefits and challenges of adopting IFRS.

Binomran’s (2021) survey explored the motivated factors affecting Libya’s adoption of IFRS using a questionnaire. Binomran highlighted that the milestone motivated factor of the adoption of IFRS in Libya is economic growth. Furthermore, the advantages of adopting IFRS constitute a powerful motivator for Libya to take that option. On the other hand, accounting education plays a smaller influence in pushing Libya to adopt IFRS. Despite the interesting outcome of the research, its scope is very limited as only 56 participants were used. Also, the researcher did not provide the reasons behind the findings because he used a single method. However, the study recommended using the exploration methods in future studies. Therefore, Binomran's (2021) recommendation has been adopted in the current research with an approach focused on the factors that motivate the adoption and the potential causes for the delay.

Although adopting a uniform set of accounting standards such as IFRSs in developed countries has been given due attention, there is still a lack of research and investigation concerning the convergence of emerging economies with those standards developed and adopted in developed countries. The literature review indicates the emergence of similar patterns in developing countries: adopting and implementing IFRS could be highly challenging, expensive and time-consuming. Whilst several studies have been conducted within the Libyan context, research has not examined the effect of IFRS adoption or the advantages of the accounting reform extensively (Masoud 2014; Elhouderi 2014; Faraj and El-Firjani 2014; Masoud 2016), especially in the oil and gas industry (Elhouderi 2014). Consequently, this study relies on a mixed mode to fill this gap by providing better information and understanding of the current challenges facing the implementation and adoption of IFRS into Libyan accounting standards. Furthermore, this research aims to evaluate whether there will be any opportunities arising from the implementation of IFRS in Libya. This work relies on the existing literature as a base but differs on the objectives as the aim is to find out why Libya did not adopt IFRS yet (reasons for the delay).

Since this part focused on adopting IFRS in developing countries, the researcher focused on the case study of Libya. The next part will focus on the benefits and opportunities developing countries like Libya could get from adopting IFRS; the challenges/obstacles to adopting IFRS are also be discussed.

2.13 Benefits of IFRS adoption in developing economies

Many developing nations lack the economic and technological wherewithal to generate accounting and reporting standards. Furthermore, they may lack the regulatory authorities and strong professional bodies to produce and maintain indigenous accounting standards; hence, such countries can simply adopt IFRS (Fino, 2019). The potential benefits of this adoption will be discussed next.

2.13.1 Accounting information

The adoption of international accounting standards would offer a reasonably homogeneous, comparable, and credible information product to the decision-makers, both national and international (Nulla, 2014). Foreign market investors may not seriously want to invest in a country with internationally incredible financial statements produced by the enterprises. The implementation of the IFRS will help in overcoming such problems for international investors (Fino, 2019). Among the benefits of IFRS adoption include transparency, improved reporting quality, accounting, market efficiency, international comparability, and cross-national investment flow (Sunder, 2011, Elhouderi, 2014 Zeghal and Mhedhbi 2006, Al-Mannai and Hindi, 2015, Alon and Dwyer 2014; Li and Yang 2016; Nurunnabi, 2017). Financial reports generated according to IFRS are usually considered more standardised and trustworthy than those prepared in compliance with domestic standards of accounting; such as being more informative to decision makers (Alsuhaibani, 2012). Compared to statements prepared according to local standards, empirical studies show that adopting the IFRS increases relevance and reduces the risk of earning management (Nulla, 2014). According to Tarca (2004), competitive market pressures encourage global enterprises to embrace IFRS, a standard accounting language, making it easier to compare financial reports and allowing corporations to easily benchmark their financial statements (Zakari, 2014; Nurunnabi, 2017A).

Even countries that have previously adhered to their national accounting standards are now realising the importance of understanding the accounting of their international counterparts (Almansour, 2019). Even if adopting IFRS is important, it is not enough to simply implement the standards (Masoud, 2014A; Nurrunabi, 2017). The establishment of regulations for improving the comparability of IFRS-based reporting is necessary since both mandatory and voluntary disclosure play a critical part in the comparability function of the accounting system.

For example, according to (Barth 2007), countries can expect to reduce the information processing cost by adopting a widely accepted international standard; financial report auditors are also expected to become more familiar with such international accounting standards rather than a variety of local standards. However, there is considerable empirical evidence that the quality of information is still influenced by country and company factors and variations between local standards and IFRS even after IFRS implementation (Lourenco et al. 2015).

Although accountancy rules and laws play an important role in the improvement of financial reporting, factors such as the cultural context and legal environment also play a role. It has been questioned if common accounting standards could fulfil the international level of quality in accounting for all nations in the world (Bischof and Daske, 2013; De George, Li, and Shivakumar, 2016). Cerne (2009) and Masoud (2014A) argue that accounting information based on existing financial accounting may have little impact on emerging markets' decision models or frameworks. According to Iyoha and Faboyede (2011), IFRS adoption has benefited Nigeria in a variety of ways.

The convenience of employing one standard format reporting improves the quality of presented information as professionals can easily understand such reports. The implementation of the IFRS will improve access to the capital markets. Furthermore, national regulatory authorities will see a greater quality of financial reporting and data provided for new and varied aspects of the business.

2.13.2 Economic growth

According to Enthoven (1977), accounting helps form the investment climate by establishing processes and controls that inspire investor trust, which leads to healthy growth. IFRS are used by countries and enterprises to improve financial reporting, remove barriers to cross-border investing, increase market efficiency and lower capital costs. According to (Albu and Albu, 2012), The Romanian motive for adopting IFRS is typically couched in broader terms and is primarily related to economic development. Adoption of IFRS lowers the capital cost, enables international capital mobilisation, promotes market development, improves value, and boosts market liquidity (Dask and Gebhardt, 2006; Daske et al., 2008; Elhouderi, 2014; Al-Mannai and Hindi, 2015; Nurunnabi, 2017; Almansour, 2019). According to Iyoha and Faboyede (2011), the primary objectives were to accelerate the transition to a market economy and to attract FDI by establishing a credible and transparent accounting system that provides users, particularly managers, with accurate accounting information for decision-making. It has also been claimed that adopting IFRS is a legitimising move for emerging countries to promote themselves as organised, and well-regulated modern place to do business (Hamawandy et al., 2021).

By shifting from local GAAP to IFRS, various scholars (Odia and Ogiedu, 2013, Elhouderi, 2014, and Nurunnabi, 2017) believed that IFRS adoption enhances the influx of FDI and allows businesses to expand globally. In addition, IFRS advocates frequently argue that harmonised accounting standards benefit market operators and economies as such improved financial reporting and transparency would improve investor demand for equities and minimise capital cost (Delcoure and Huff, 2015). The quality of financial data is a critical factor in capital markets development and effectiveness (Baiman and Verreccchia, 1996; Verrecchia, 2001).

Abdulrahim (2015) argues that FDI improves the receiving country's growth and competitiveness, benefiting from domestic and foreign businesses. This will benefit Libya to diversify its national income, which is currently 95% dependent on the oil and gas industry. According to Jermakowicz and Gornick-Tomaszewski (2006), countries with foreign investor-friendly financial markets are more positioned to adopt IFRS. Daske et al. (2008) noted that IFRS adoption improves stock market liquidity and Tobin's Q while lowering corporate capital costs. According to Lahmar and Ali (2017), adoption can boost the economy if strong regulatory authorities and regulations accompany it. Li (2010) observed that the influence of voluntary and mandatory adoption of IFRS on equity cost showed that countries with strong legal enforcement gain from IFRS adoption as it lowers a company's cost of capital, as earlier reported by Zehri and Chouaibi (2013). In the view of Cameron (2014), corruption and tax evasion can be minimised only when there is accountability and tax transparency. In some African countries, the adoption of IFRS in a hostile environment can help achieve private and public accountability for revenue losses. Citizens will ask for transparency, credibility, and accountability of tax documents compatible with IFRS after its adoption, which may deter some taxpayers from engaging in tax fraud (Kurauone et al., 2021).

The norms, culture, government servants and general public expectations will all be less inclined to engage in corrupt acts if a country has regularly attained the good governance requirement of adopting IFRS, according to Rose and Peiffer (2019). According to Zeghal and Mhedhbi (2006), the implementation of International Financial Reporting Standards (IFRS) does not have a significant impact on the economic progress of developing countries.

Furthermore, as per Larson and Kenny (1995), the adoption of IFRS is not the only element that can help countries achieve faster economic growth, as trustworthy financial statements are needed to improve investors' confidence. Other factors like legal aspects, cultural aspects and education play significant roles as they might be an obstacle to achieving economic growth; this challenge will be discussed next.

2.14 Challenges of IFRS adoption in developing economies

Scholars have noted that IFRS adoption leads to the generation of high-quality accounting data, increased value-relevant information, improved firm comparability and economic growth.

However, some studies claim that IFRS adoption is ineffective in economically underdeveloped countries with subpar law-enforcement authorities as the resources are limited and there are fewer incentives for auditors and managers (Agostino et al, 2010, He Wong, and Young, 2012, Papadamou and Tzivinikos, 2013). Indeed, IFRS is appropriate for capital market-based organisations that are regulated, particularly in industrialised nations with strong legal enforcement, tight monitoring, and oversight. Many challenges to implementing IFRS have been found, but they are not completely similar and the degree of a challenge has not been experienced equally across countries (Wong, 2004; Ashraf and Ghani, 2005). Understanding these challenges will probably help countries (like Libya) adopting IFRS or intending to adopt IFRSs, to realise a better way of achieving international accounting practice (Wong, 2004). Some of the challenges of IFRS adoption from the perspective of developing nations are reviewed in the next section.

2.14.1 Accounting education

The literacy level is shown to correlate (Zehri and Chouaibi, 2013) with IFRS adoption decisions. While analysing the findings of 120 nations on IFRS adoption among listed businesses, Archambault and Archambault (2009) corroborated this notion on the impact of literacy level on IFRS adoption decisions. Other scholars (Zeghal and Mhedhbi, 2006, Zehri and Chouaibi, 2013) observed that countries with greater literacy levels showed more interest in IFRS adoption while researching the factors impacting IFRS adoption in developing nations. Furthermore, the choice to adopt the IFRS positively correlates with the literacy percentage of the countries surveyed. According to Nurunnabi (2017B) and Alsulami and Herath (2017), one of the most significant problems in implementing IFRS is a lack of professional judgment-making skills. This, according to both authors, is due to flaws in the educational system. The lack of a mature accounting profession capable of interpreting and applying the more critical components of IFRS could jeopardise the accounting profession's credibility. This can lead to blunders and errors, especially in the early stages of adoption (Fino, 2019). In precise terms, a lack of accounting education may hinder the proper application of the IFRS. Some of the accounting profession's issues include obsolete curricula, insufficient faculty members and old teaching methods; all of these can impede the application of IFRS in various ways (Laga, 2013; Faraj and El-Firjani, 2014; Abeleje, 2019). Fino (2019) reported that the adoption of the IFRS is an expensive procedure. Examples of such costs include translation costs, human training costs, software system modifications, the purchase of new accounting books, and the needed consultancy services. IFRS implementation in poor countries can be hindered by a lack of information and comprehension. Several authors have asked for more education on the topic as a result of this (Nurunnabi, 2015; Almotairy and Stainbank, 2014). According to Fino (2019), standards overload, firms' efforts toward complying with IFRS that are more complex than their business requirements, and the inability of local professionals to operationalise them are all challenges to IFRS adoption. However, these expenses may be considered a necessary investment in developing a country's financial system and accounting and auditing education will aid in the smooth adoption of IFRS. Though teaching about the shift to IFRS can be difficult, the increasing number of tools accessible to accounting educators should help IFRS be taught successfully worldwide (Kurauone et al., 2021). In a similar vein, Al-Akra, Ali and Marashdeh, (2009) suggest that good accounting and auditing education helped in the smooth adoption of IFRS in Jordan.

There has been some debate as to whether the incompetence of professional accounting groups, which the IASB relies on for guidance in the application of accounting standards, could be a further obstacle to a unified approach (Yapa, 2003, Joshi, Yapa, and Kraal, 2016). Adoption alone has been suggested, as insufficient to ensure development; much depends on the institutional and enforcement procedures of the country (Leuz, 2013). The study by Hassan et al. (2014), for instance, concluded that IFRS adoption in Iraq did not result in improved accounting quality due to the institutional instability in the country; however, Kolsi and Zehri (2013) argued that adoption is worthless if it is not companied by a strong legislative and regulatory framework.

In some developing nations, the quality of governance institutions is generally low, which poses significant problems in adopting IFRS, and so are important factors of choice to adopt IFRS (Ball. Kothari and Robin, 2000; Ball, 2006; Leuz, Nanda and Wysocki, 2003). According to La Porta et al. (1999), countries with poor governance institutions are more likely to have slow-moving, corrupt, or ineffective governments incapable of or resistant to change. Because the switching and opportunity costs are lower in such countries, the possibility to adopt a foreign set of accounting standards may be advantageous. As a result, nations with less developed institutions, such as Libya, are more likely to embrace IFRS due to reduced switching and opportunity costs.

2.14.2 Culture

To construct an accounting system that fits their needs, developing countries should evaluate the importance of the cultural, social, economic, and political environment. They may, however, profit from using IASB-issued IFRS, while taking into account local environmental and cultural constraints is critical (Fino, 2019). The International Accounting Standards Board (IASB) was founded to reduce the ensuing differences between national systems (Alsulami and Herath 2017; Alkhtani, 2012). According to Lasmin (2012), adopting IFRS in emerging nations is driven more by culture than by economic pressure since cultural values differ significantly among countries (Skotarczyk, 2011, Alkhtani, 2012, Alsulami and Herath, 2017). This has prompted others to study the impact of international frameworks like the IFRS that are perceived and applied. Implementation of IFRS is influenced by cultural values such as language, local cultural elements, the state's economic power, and legal systems. Also, they can be a major challenge in implementing IFRS (Weaver, 2014; Cardona, Castro-González and Ríos-Figueroa, 2014; Nurunnabi, 2015; Parker, 2016; Edeigba, 2017; Wadesango and Ncube, 2020).

A big problem for developing countries in adopting IFRS is the language of the standards. The IASB issues standards in the English language. The translation of IFRS is a costly and time-consuming process. According to Nurunnabi (2017), language barriers are one of the most significant barriers to IFRS adoption in the country. For example, research on the transition to IFRS in Romania (Istrate, 2015) found inconsistencies in the translated Romanian version. Contrarily, Aljifri and Khasharmeh (2006) noted that financial information written in the English language might be considered a strong element in the decision of the United Arab Emirates to adopt IFRS. The advantage of utilising English as a reporting dialect in accounting standards comes as the firm opens itself to potential investors, raising its financial specialist base and diminishing its quality markdown. A few variables underlie the positive relationship between the utilisation of English and the amplification of the base of potential speculators (Aljifri and Khasharmeh, 2006). Stock trades situated in English-speaking nations are up to 65% of the world securities exchange capitalisation, and 93% of budgetary experts who are individuals from the Chartered Financial Analyst (CFA) organisation are situated in English-speaking nations. So, reporting their financial data in English using IFRS is very beneficial for such countries (Jeanjean, Lesage and Stolowy, 2010). The harmonisation of accounting standards represents a big step forward in the effort to make financial statements from various countries more intelligible. However, scholars have argued that simply keeping the financial statements similar is not enough to assure international comparability; applying the IFRS is also critical (Edeigba, 2017; DeFond et al., 2011; Nurunnabi, 2017B).

Zehri and Chouaibi (2013) claimed that developing countries with the highest literacy rate, high GDP growth rate and effective legal systems are the most motivated countries to adopt IFRS, while on the other hand, cultural pressures, the political system, the existence of a capital market and internationality does not affect the adoption of IFRS.

2.14.3 Legal

Unified rules and a lack of regulatory methods, according to Mande (2014), are other potential issues to IFRS adoption. The country's political and legal system influences the quality of financial accounting and auditing as to many researchers (Salter and Doupnik, 1992, Leuz, Nanda and Wysocki, 2003, El Ghoul, Guedhami, and Pittman, 2016). Furthermore, Almansour (2019) reported that the implementation must comply with existing rules and regulations, which include Sharia law in the case of Islamic countries.

While English and French laws prevail in some African countries, Islamic culture has had a significant influence on the development of IFRS in other African territories. A hybrid legal structure in some states such as Nigeria and Mauritius makes it even more difficult to execute the International Financial Reporting Standards (IFRS). Due to religious rules that limit the amount of money a borrower can earn from a loan; Islamic lending does not allow for interest to be charged (which is the case for Libya that is governed under Islamic law). While it may seem like a good idea at first, this is in direct conflict with the International Financial Reporting Standards (IFRS) (Revenue).

Since IAS 24 (related party disclosure) is outlawed in some countries, such as Egypt, the goal of providing adequate financial information to key parties such as shareholders (for the financial markets) and the government may not be met by IFRS; hence (for tax purposes). However, Osemeke and Adegbite (2016) argued that considerable discrepancies between the domestic legal system and IFRS may indicate that firms are more likely to overcome obstacles posed by the variety of legislation involved with IFRS implementation. Also, as Tyrrall and Woodward and Rakhimbekova (2007) have found, the adoption of IFRS provides more standards dealing with specific accounting issues, but they do not cover all of them. Thus, other national accounting standards or laws are needed to fill the gaps. Research also shows that the adoption of IFRS in many countries was modified to utilise the domestic GAAP (tax legislation) for taxation computations since variations among general financial information of tax purposes (tax laws) are significant. In Madagascar, for example, enterprises are allowed to create two financial reports (Alesina and Perotti, 1996; Chan, Lin and Mo, 2010; Chen and Gavious, 2017).

Although IFRS adoption alone will not improve a country's financial reporting quality, with strong legislative and judicial mechanisms in place, accurate and relevant financial reports may be created for financial reporting and taxation (Kurauone et al., 2021). IFRS adoption may come with many concerns and obstacles for developing nations; hence, addressing these issues one at a time would enable these countries to apply the standards (Fino, 2019) properly.

2.15 Factors and pressure affecting IFRS adoption in developing economies

In addition to the possible opportunities associated with adopting IFRS which can sway adoption decisions, some countries have found it mandatory due to external pressure from international organisations like the IMF, World Bank, etc. (Hooper and Morris, 2004 Nurunnabi, 2017). According to Sucher and Alexander (2004), international accounting firms (IAFs) play a crucial role in encouraging IFRS adoption by developing nations to list their companies globally.

Zeghal and Mhedhbi (2006) investigated the factors that might influence whether or not 64 emerging countries adopt IFRS. Scholars analysed economic development, the degree of external economic liberalisation, educational levels, the existence of a financial market, and cultural affiliation with a group of countries. Countries with high literacy rates and strong capital markets are willing to apply IFRS, the study found.

Another work by Archambault and Archambault (2009) examined 120 nations' (developed and developing) decisions regarding the adoption of IFRS for their public trade companies based on a variety of contextual factors. The study noted significant roles of culture, political systems, and economic systems in their empirical model. The findings revealed that when countries' levels of education and import operations rise, they are more likely to allow IFRS to be used. Furthermore, the amount of economic development appears to have a major impact on allowing public companies to implement IFRS. Political systems, inflation rates and international stock market listings, on the other hand, were found to have no impact on countries' decisions to allow or disallow IFRS use (Abeleje, 2019). However, Kurauone et al. (2021) argued that a lack of political stability could delay IFRS adoption. This could be the case for this study since Libya is currently undergoing a period of political instability.

IFRS adoption is driven either by business groups or by the government. For instance, IFRS adoption was compelled by the EU, Bangladesh, and Pakistan (Abeleje, 2019), while in countries like the UAE and Bahrain, IFRS adoption was driven by corporations operating within their borders (Zeghal and Mhedhbi, 2006; Mufid, 2019). Owing to the inefficiency of the accounting profession in the UAE, the country saw IFRS adoption as an opportunity (Mufid, 2019). The crucial issue is determining whether a country tends to deal appropriately with international standards when there are challenging applications and enforcement of those standards. On the other hand, Nnadi (2012) examined the British influence on IFRS adoption in Ghana, Kenya, Nigeria, Zambia, South Africa and Uganda. The study found that most of these countries follow their colonial rulers in IFRS adoption.

As to the participation of international enterprises, certain corporations in underdeveloped countries are motivated to apply IASs. A rise in the number of foreign banks in Saudi Arabia and Qatar adopting International Accounting Standards (IASs) voluntarily led their authorities to enforce the standards' applications. As a result of pressure from international corporations, authorities in the Gulf Cooperation Council (GCC) accepted the International Accounting Standards (IAS). The improved financial reporting in Iran, for example, has attracted greater FDI as a result of the country adopting the International Accounting Standards (IASs) (Mashayekhi and Mashayekh, 2008). As Dobija and Klimczak (2010) stated, the adoption of IFRSs/ IASs resulted in a narrowing of the gap between the country's GAAP and IAS in Poland, which in turn improved financial reporting harmonisation. FDI has therefore grown more tempting.

According to Lasmin (2011), many were compelled to embrace the criteria by international authorities. The IMF and the World Bank are the controllers of the international financial markets. Their major goal is to boost economic development by providing money to countries that qualify for loans. They are deeply rooted in the capitalist economy (Nurunnabi, 2015A; Annisette, 2004). International organisations such as IMF and the World Bank (WB) can freely deal with countries that follow the IAS/IFRS accounting standards. The World Bank and the International Monetary Fund have continuously insisted on IFRS adoption as a condition for lending to countries (Chamisa, 2000 Alsaqqa and Sawan, 2013; Ibrahim, Stanton, and Rodrigs, 2014; Nurunnabi, 2015; Abeleje, 2019). According to Mir and Rahaman (2005), this requirement is a major motivator for governments and accounting bodies to embrace the IFRS, particularly in emerging nations.

The WB and IMF, according to Cooke and Wallace (1990), are the primary promoters of accounting coordination in developing and emerging countries. International accounting organisations are hired to assure compliance with IAS/IFRS. The Big Five businesses (now Big Four), according to Rahman, Perera and Ganesh (2002), play a crucial role in the global standardisation of accounting methods. The literature indicates a link between IASs adoption and the auditing profession, as seen in Bahrain, where auditors advise their customers on IASs adoption (Al-Basteki, 1995). Furthermore, Joshi and Ramadhan (2002) noted that small business accountants see a direct link between the function of Big Four external auditors and IASs adoption by companies in Bahrain. In a similar vein, Prather-Kinsey and Meek (2004) investigated the compliance level of companies from various nations and noted that companies that international firms audit have greater disclosure of accounting information and better compliance with the standard's requirements. Hence, international accounting firms are believed to play a significant role in IFRS adoption since they are seen as trailblazers in the auditing profession in many countries. Gallhofer, Haslam, and Kamla (2011) pointed out the negative impact foreign accounting firms could have on the local accounting businesses' viability, citing the high expense of training already existing accounting professionals to implement IFRS in their work. However, in some developing nations, the isolated operation of the accounting practises and accounting regulators can be easily seen in the high expense of conversion to an internationally recognised system, as well as the potential negative consequences of this adoption. As a result, such international systems will necessitate a certain degree of transparency, which could jeopardise the conservatism and tight control those political systems in several developing nations have adopted. Finally, Lasmin (2011) revealed accounting firms can simply replicate each other based on IFRS standards, with a demonstrated track record of profitability and long-term growth. The study showed that IFRS implementation is driven not just by economic forces, but also by concerns about social legitimacy.

2.16 Theoretical Foundation

This chapter provides the theoretical foundation of the financial accounting and reporting standards, supported by the pertinent research output as the literature. To this avail, the theory and the conceptual framework are explored. First, an overview of the relevant theoretical foundation and justification is presented, followed by a conceptual framework based on these theoretical underpinnings.

2.16.1 The Theoretical Foundation

In search of an appropriate theory to explain and assist firms and countries in dealing with the dynamic nature of accounting systems, one needs to evaluate several options. Perhaps economics is the most applicable and appropriate discipline within the social sciences. The neo-classical economic theory postulates that due to the presence of perfect competition, firms must present accurate, consistent and honest accounts of their activities to the public. In short, according to neoclassical economists, competition is the driving force in bringing about transparency, consistency and accountability (Meeks and Swann, 2009). Although it may appear appealing, the neo-classical approach is based on several highly restrictive assumptions. The assumptions of perfect competition and perfect information are hard to digest in the real world (Colander, 2000). Furthermore, as predicted by the neo-classical theory, perfect competition leads to a self-adjusting mechanism that would render any government regulation unnecessary and ineffective (Colander, 2000).

Another attempt in justifying the application of accounting standards within economics is a rather recent agency theory postulating that for the sake of protecting shareholders, corporate managers are encouraged to implement accurate and consistent accounting standards. Therefore, according to agency theory, presenting such quality accounting standards is also beneficial to management for demonstrating their performance and bids for any compensation/bonus arrangements (Phan and Mascitelli, 2014). The main problem that may arise from the agency theory is that for the sake of maximising their compensation/bonus, managers may end up exaggerating their performance, hence presenting inaccurate accounts to shareholders. In line with agency theory, the so-called stakeholder theory also provides an explanatory account based on normative and ethical pillars to justify the implementation of accurate and consistent accounting standards (Broker, 2013).

However, since the late 1970s, with the emergence of the so-called institutional theory, it has become more appropriate to use the theory to justify the evaluation and implementation of international accounting standards in most countries. Dugger's pioneering work (1979) demonstrated that although the neoclassical method is more relevant to pricing mechanisms, the institutional theory offers a more realistic methodology for explaining why and how businesses tend to change over time.

2.16.2 Institutional Theory

An institution is a registered and recognised social entity with objectives, guidelines and homogenous activities (DiMaggio and Powel, 1983). According to Scott (2013), the institutional theory provides the appropriate methods to explain why businesses respond to institutional change to maximise their legitimacy. Although the institutional theory was initially established and applied in developed economies, numerous studies have proven that it has a favourable effect on the development of international accounting standards in developing and emerging nations (Mir and Rahaman, 2005; Irvine, 2008; Gallhofer, Haslam and Kamla, 2011; Nadia and Cătălin, 2014; Sellami and Gafsi, 2019). The attraction of the institutional theory is that it offers a much broader scope within the social sciences by bringing about economic thought within cultural, social, political and technological disciplines (Dugger, 1979; Scott, 2013; Greenwood *et al.,* 2017).

The institutional theory offers two derivatives: old institutional economics (OIE) and new institutional theory (NIT). Together these three variants enable researchers to acquire full knowledge of institutions, regarding their accounting procedures and adaptation practices (Ibrahim, Stanton and Rodrigs, 2014). In light of the current work's goals and objectives, the research seeks to apply a new institutional theory to explain the application of international financial information reporting standards in Libya. The theory offers the processes in which guidelines, standards and final practices are formed as a valid procedure for an institution’s social conduct and responsibilities (Scott, 2013).

2.16.2.3 New Institutional Theory (NIT)

Unlike the old institutional theory, NIT offers an environment through which institutions’ causes and effects are examined. To put it another way, NIT provides managers with the tools they need to recognise and assess the effects of external expectations on their organisation's structures and practices and the goals the organisation sets for itself to be considered valid (DiMaggio and Powel, 1983). The concept of validity is referred to as institutional isomorphism, through which the institution seeks to conform to its environmental changes and hence is socially established and responsible. In essence, NIT attempts to demonstrate that external influences are more important to an institution's survival than mere cost-minimisation or profit-maximisation objectives. Furthermore, according to NIT, these external environmental influences vary significantly from one activity to another. On the other hand, institutions operating in similar environments tend to follow a similar design and implementation of their internal accounting practices and standards (Moll, Burns and Major, 2006; Albu *et a*l., 2011; Ibrahim, Stanton and Rodrigs, 2014).

NIT, therefore, predicts that due to the presence of isomorphism within a given environment, institutions tend to follow the same practices and standards in their documenting and reporting accounting statements (Rodrigues and Craig, 2007). This means that institutions are seen to converge in their values, strategies and policies in dealing with their external influences (Annisette, 2004; Mir and Rahaman, 2005; Nurunnabi, 2015). As has been elaborated in DiMaggio and Powel (1983), convergence in values makes institutions gain access to available resources easier, hence enabling them to survive and flourish within their community. In short, convergence in values, practices and standards, according to NIT, comes from isomorphism. In addition, isomorphism may be driven by several forces.

One valid source of isomorphism is called mimetic isomorphism, whereby institutions mimic and closely copy the internal structures of other institutions – preferably the successful ones – to gain similar credibility and legitimacy (Ibrahim, Stanton and Rodrigs, 2014). Such a mimetic approach may well be seen to be adopted at a macro level. For example, governments tend to follow similar standards and policies across their public institutions to convey and maintain consistency in estimating performance and delivery of information (Oliver, 1997; Albu et al., 2011). Countries too are found to follow similar regulations and standards, according to mimetic isomorphism, so that to be able to compete more effectively in global markets and hence sustain international legitimacy (Irvine, 2008; Ibrahim, 2014).

Therefore, mimetic isomorphism may well be regarded as a reaction to organisational questionability in search of the best course in practice. This is to say, imitative action can potentially lead to standardisation across a given activity or industry, hence enhancing quality (Grecco et al., 2013). Furthermore, this action appears to be a factor in protecting organisational reputation and existence (Kostova and Roth, 2002). However, despite its validity and significance, mimetic isomorphism across different cultures may be irrelevant and destructive at times (Alshbili, 2016).

Competition can also be the driving force behind pushing institutions to adopt their competitors' strategies and standards. In a given industry, companies tend to compete with one another not only on the price or quality but also on enhancing their standards and corporate social responsibility (DiMaggio and Powel, 1983). In effect, consistency in standards and procedures (regulation, framework, policies) may be interpreted as the very aspect of sustaining quality (Oliver, 1997; Ibrahim, Stanton and Rodrigs, 2014). In particular, competition means that organisations must adhere to procedures and standards to maintain legitimacy (Irvine, 2008). In particular, competitive forces have pushed institutions to adopt and fully implement international standards in accounting, primarily in developed economies (Ibrahim Stanton and Rodrigs, 2014).

Normative isomorphism is another form of influencing values by bringing about a series of conventions and practices that are supposed to be legitimate and accepted by society, hence conforming to ethical considerations (Scott, 2013). This kind of isomorphism tends to arise when institutions are incentivised to improve standards to avoid possible sanctions or punishment (Greenwood et al., 2017). According to DiMaggio and Powel (1991), professionalism can lead to isomorphism through two channels: networking and education. The authors elaborate that universities and training centres act as factors that motivate and pressure certain values and norms to exist among workers and managers. Normally, these professional bodies/associations are found to determine professional and ethical behaviour (DiMaggio and Powel, 1991). However, in some cases, the values and norms dictated to members by an association may not necessarily be in line or in conformity with other organisations or professional bodies. For example, the Libyan Accountants and Auditors Association's tendency toward safeguarding the traditional values appeared to have been destructive in accepting and adopting the new international accounting standards. In essence, adopting IFRS in Libya would be beneficial for business and the economy as a whole, yet the norms and values imposed by the associations appear to be at odds with such developments. This seems to be an ongoing problem in Libya and several other Middle Eastern countries, working with international and joint venture firms, as highlighted in Alshbili (2016), as the partner's values tend to vary significantly.

The final source of isomorphism may be associated with the so-called coercive pressure, which may be enforced formally or informally. The informal pressures may come in the form of following some codes of conduct and guidelines or behavioural norms and conventions

(Alshbili, 2016). On the other hand, the formal pressures may include the regulations and laws and how they are implemented and imposed (Kim and Shi, 2012). Under formal coercion, in avoiding possible punishments or sanctions, organisations are found to respond to these pressures and closely follow the necessary organisational practices (Greenwood et al., 2017). Therefore, an organisation that is found to follow these regulatory measures is expected to achieve ultimate legitimacy and social credibility. Both formal and informal pressures may be exerted by international organisations such as the multinational organisations, the World Bank and IMF in moving towards global harmonisation of standards. In particular, since the early 1980s, such international organisations have been exerting pressure on developing and emerging countries to harmonise or adopt international financial reporting standards in their accounting practices (Barbu and Baker, 2009; Albu et al., 2011).

In some cases, the IMF has been adamant to offer financial and technical support for developing countries ready and willing to adopt the international accounting standards. These strategies by international institutions have been regarded as means of modernisation towards unifying standards globally (Meyer and Rowan, 1977, Albu *et al.*, 2011). Several studies have shown that such incentives and pressures by IMF and the World Bank have been beneficial for the implementation of IFRS in several developing countries, hence increasing their global competitiveness and legitimisation in attracting foreign investment (Mir and Rahaman, 2005; Hassan, 2008; Irvine, 2008; Lasmin, 2011; Albu et al., 2011; Andelkovic and Zubac, 2019).

To summarise, institutional theory and the various facets of theoretical underpinnings are explored from the lens of institutional theory in the aforementioned section. However, investigations on the adoption of IFRS using NIT in emerging nations are observed to be lacking (Albu et al., 2011; Ibrahim, 2014). Therefore, the author has aimed to bridge this gap by employing an NIT-based framework in this work.

2.16.3 Conceptual Framework

Following the examination of the theory and the literature review based on the NIT, Figure 2.2 demonstrates the full conceptual framework of the research. According to Figure 2.2 Conceptual Framework given the existing accounting standards in Libya (Libyan GAAP), two groups of factors push toward adopting international accounting standards, viz. external pressure and potential opportunities associated with adopting IFRS. The external pressure is from the organisations such as the World Bank, IMF, international trading partners and accounting firms like the Big Four. On the other hand, the potential benefits, as explained before (see Section 2.13), includes comparable and transparent accounting reports along with economic benefits such as foreign investment. As a result, Libyan institutions can gain further opportunities to achieve validity and integrity in the international arena, hence becoming competitive to bid for capital markets and attract inward foreign investment.

Similarly, two sets of factors are the causes of pulling away from adopting IFRS. These factors are internal pressure and the possible challenges associated with implementing IFRS in Libya. These internal factors are inherent to Libya and include legal and regulatory hurdles and cultural predispositions, accounting education, and the country's political landscape. The previous chapter (see section 2.14) deliberates these factors and associated challenges. Each of these factors has a varying adverse impact on adopting IFRS. However, it is worth noting that the internal pressure has been rather limited and inconsistent, while the external pressure by international bodies has been significant, exerting a series of incentives and support favouring the adoption of international accounting standards.

Libya varies significantly in political, legal, social and cultural aspects from the countries involved in the design and development of IFRS. In addition, limited research is seen in the literature on the Libyan state's multivariate aspects of IFRS adoption. In this work, NIT-based workflow is employed to investigate the adoption of IFRS. The institutional pressure asserted by international organisations is reviewed in this work, followed by the opportunities and challenges associated with IFRS implementation. The pressure to adopt international standards has been explored through the lens of isomorphism, wherein coercive push by international organisations such as the monetary fund and the World Bank and mimetic pressure from international accounting firms have been reviewed. Also, normative pressure from professional bodies such as LAAA has been considered.

To this end, the author has first attempted to explore the characteristics of both Libyan GAAP and IFRS practising, specifically for extractive industries. This is followed by an exhaustive exploration of the potential benefits of implementing international standards as well as challenges in their implementation. Further, the causes for the delay in implementing IFRS in Libya are also explored. These are illustrated as research questions (RQ) in Figure 2.2 Conceptual Framework

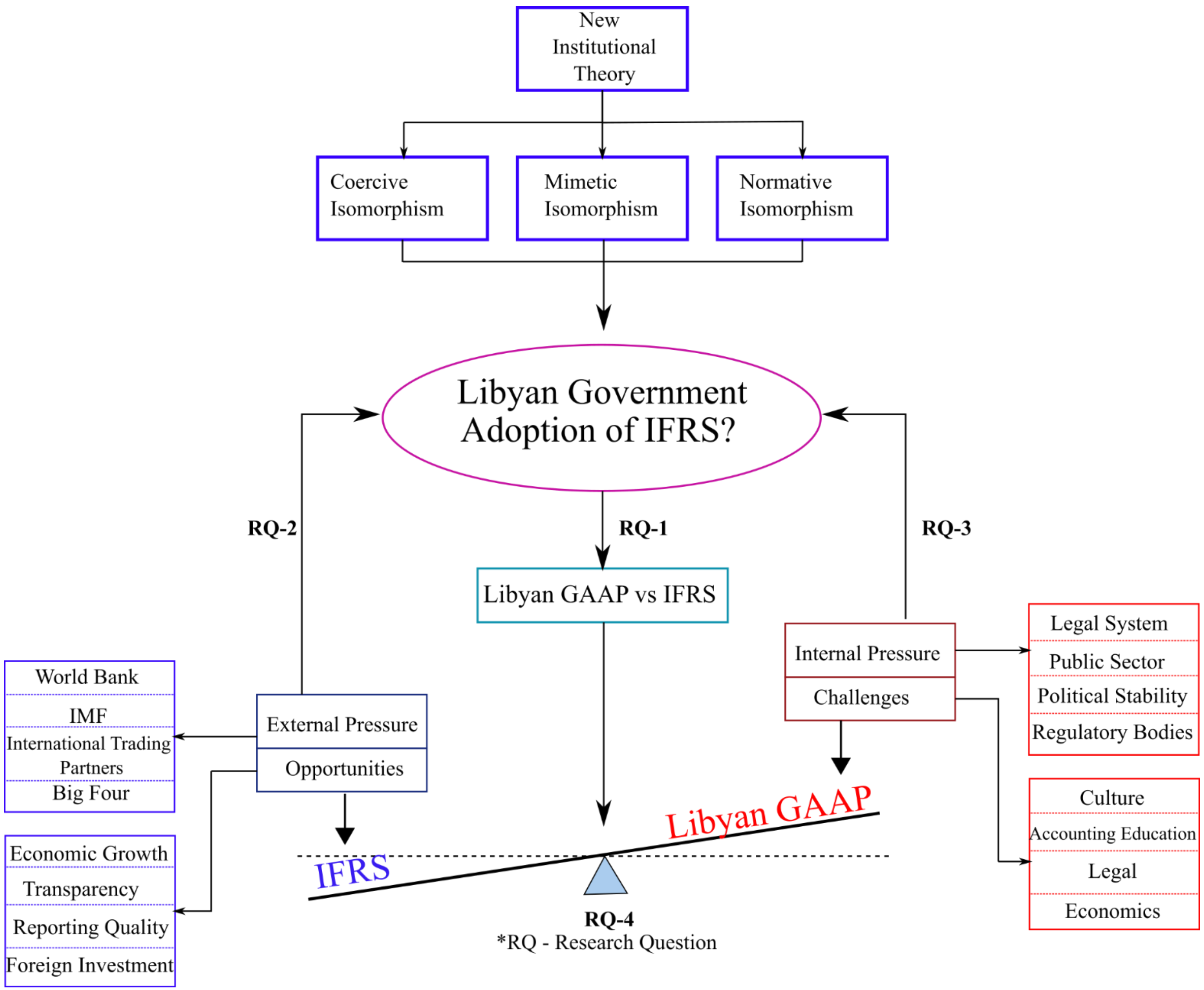

Figure 2.2 Conceptual Framework

2.17 Summary and Research Gap

The current chapter provided an overview of Libya's environment, considering the country's demographic political-economic aspects over the past few decades. In particular, references were made to the post-independence period up to the present time. One should expect the economy to flourish in a massive land with a relatively small population endowed with enormous oil and gas resources. However, due to mismanagement of the economy at the expense of some trivial political gains, the previous regime which ruled Libya for over 40 years failed to enhance the educational and professional standards of the people. In particular, as highlighted in several parts of this chapter, the accounting profession was no exception: the supposedly regulatory measures and Articles, the establishment of professional bodies and associations, and the watchdogs all failed to deliver the promise.

The author has identified several problems facing the adherence of accounting practices to international standards. Libya is predominantly a tribally-based country with Islamic and tribal values still playing important roles in all activities and ways of life. This deeply rooted culture may have been one of the pivotal factors hindering the adoption of international standards and practices into the current poorly practised Libyan accounting. Furthermore, the accounting associations and unions established by the previous regime were highly politically-minded and hence had no interest in enhancing the accounting standards and practices. Decades of their activities as the watchdog of the accounting profession, these associations failed to bring meaningful positive changes. Hence, accounting qualifications and training/education programmes were either weak or non-existence. In short, the entire economic activities in the country were highly politicised and had very little respect for the emancipation of professionals in the country.

The previous sections discussed the history of domestic and international accounting standards. Also, the endeavour toward accounting harmonisation was discussed with the benefits and challenges faced by developed countries. Furthermore, these sections focused on the literature from the perspective of developed countries on IFRS adoption; however, developing countries are believed to face different sets of challenges regarding IFRS adoption. This research focuses on the applicability of IFRSs for Libya and the potential problems and benefits that adopting IFRS may bring. It also focuses on the elements that may impact accounting systems in developing countries. In this effort, existing literature on the adoption and relevance of these standards from the perspective of developing countries was reviewed.

According to the review in this chapter, the International Financial Reporting Standards (IFRS) are becoming a key factor in emerging economies. An overview of the debates about whether IFRS can be applied to developing countries is presented first, followed by a look at the results of a study into whether IFRS can be used in Libya. IFRS adoption has been shown to boost a country's global market access and attract foreign direct investment (FDI) by ensuring potential foreign investors. According to the literature, IFRS implementation in developing nations holds great potential as well as significant challenges.

Next, the researcher discussed the effective factors when adopting IFRS in emerging economies, such as the enforcement of international organisations like the World Bank and the IMF. Researchers have noted that IFRS tended to improve financial reporting quality, transparency and economic expansion; however, others have argued that these benefits are only possible if there are strong enforcement mechanisms in contexts. Major obstacles to IFRS implementation include a lack of such procedures and training to raise local awareness and understanding, as well as concerns about cultural incompatibilities with IFRS regulations.

These investigations have improved the knowledge of the potential benefits and constraints of IFRS adoption in developing nations; this study adds to knowledge by concentrating on Libya’s decision to use IFRS for extractive industries as a previously unexplored context. The study also pioneers the use of new institutional theory (NIT) to better understand the internal and external variables driving the transition of sectors to IFRS. These factors are largely driven by coercive, normative, and mimetic pressures, as stated in this work's conceptual framework, which is based on primary data as opposed to the secondary data used in the literature (Irvine, 2008). The next chapter will review the method used to answer the research questions and highlight the research philosophy underpinning.

CHAPTER Three : Methodology and Method

3.1 Introduction

Research Methodology refers to a logical and scientific process that is adopted by the researcher to investigate the research problem under consideration. It has been defined differently depending on the different classification of the social research terminology. For instance, Saunders, Lewis, and Thornhill (2007, p. 44) defines research methodology as the way of "*how research should be undertaken, including the theoretical and philosophical assumptions upon which research is based and the implications of these for the method or methods adopted*". Others such as Crotty (1998, p. 3) defined methodology as "*the strategy, plan of action, process or design lying behind the choice and use of particular methods and linking the choice and use of methods to the desired outcomes*".

This chapter describes the used research processes of generating and analysing the research data concerned with the research phenomenon of examining and evaluating the benefits and challenges of IFRS implementation within the Libyan sector of oil and gas. It presents the justification for adopting a particular research philosophy and methodology in this research to achieve the research aims and objectives.

To begin, the chapter is going to discuss the research philosophy explaining positivism, interpretivism and pragmatism. Then, it discusses the current research study's design, approach, strategy, data generation (questionnaires and semi-structured and group interviews) and analysis (thematic data analysis) techniques. It also describes the technique of sampling, the characteristic of participants and the conducted piloting study. Further, the test of reliability and normality and Cronbach Alpha were discussed in the chapter. Finally, it presents the associated ethical consideration in social science research. The chapter is concluded by summary and conclusion to the discussion.

3.2 Research Philosophy

The choice of research philosophy / paradigm is an essential step need to be taken into consideration by researchers while piloting their research objective (Collis and Hussey 2014). Philosophy is a crucial element in the research since it influences the design of the research as well as the knowledge that is gained. According to Hughes and Sharrock (2016), research philosophy can be defined as the assumptions and beliefs regarding the nature and the construction of knowledge. Saunders, Lewis, and Thornhill (2009, p. 124) provided a more profound definition of research philosophy: *"it is precisely what you are doing when embarking on research: developing knowledge in a particular field"*.

There are two major research philosophies in the research context: positivism and interpretive/phenomenological research (Easterby-Smith, Thorpe and Jackson 2012). However, Saunders, Lewis, and Thornhill (2016) argued that researchers should be able to combine the two philosophies to overcome any insufficiency that may occur from applying a single perspective in order to minimise disadvantages whilst maximising strengths of the research validity and reliability. They referred to a mixed approach such as pragmatism. The application of pragmatism can also help improve data collection for analytical purposes (Creswell, 2014). This research project has been conducted based on pragmatism paradigm. Detailed definitions and characteristics of these three paradigms are discussed in the following sections.

3.2.1 Positivism

Positivism is based on the view that the world is external (Carson et al 2001) and that regardless of the researcher's point of view or conviction, all research phenomena have a single objective reality (Hudson and Ozanne, 1988). When it comes to guiding investigation, this philosophy follows an organised and fundamental process that begins with identifying an unmistakable study subject, producing plausible hypotheses and employing an efficient research technique (Churchill, 1996; Carson et al., 2001). As illustrated by Carson et al. (2001) in conducting their research, the positivists exclude themselves from the participants to avoid any impartiality between reason and feeling. Additionally, they attempt to maintain a reasonable boundary between individual experience and science, as well as between value judgement and reality. It is equally critical in positivism to maintain objectivity and to employ consistent and logical methods to address the study phenomena on continuously (Carson et al., 2001).

To achieve the target reality, factual and scientific systems become the pivotal key to positivist research (Carson et al., 2001). Thus, positivist researchers attach high weight to a reasonable distinction between reason and feeling when dealing with individual experiences; hence recognising certainty and esteem judgment. Hence, positivist researchers tend to apply quantitative approaches in testing their hypotheses or finding answers to their questions. By this, they aimed to generalise their finding on the wider society as proof of reality in the context. In this research, the positivist paradigm was considered with the aim to build a ground for the understanding of the research phenomenon since it has not been examined in this context. A survey study was conducted to get the general knowledge, views and perceptions of the research phenomenon. However, such investigation was not enough to achieve the aims of the research study. Since interpretivists have a different point of view, as discussed in the following section, the author decided to consider another paradigm to unfold the complex phenomenon under research to a more deep level to understand the dynamics of the context, perceptions and practices.

3.2.2 Interpretivism

The reality for interpretivists is relative and multifaceted (Hudson and Ozanne, 1988). In other words, Lincoln and Guba (1985) disparate realities as having ramifications that are difficult to identify in terms of settled substances since they are based on disparate frameworks. Hence, rather than factually determined, the information gained through this philosophy is socially constructed (Carson et al., 2001; Hirschman 1985; and Hudson and Ozanne 1988). Unlike positivists, interpretivists are usually engaged in describing, understanding and making interpretations, which leads them to concentrate on the meanings that the study subject has associated with the social phenomenon (Saunders, Lewis and Thornhill 2019). In other words, an interpretivist researcher is regarded as being attached and dependent on the research subjects, and hence what is seen as reality (Carson *et al*., 2001; Black, 2006). In the words of Houston and Ozanne (1988), the interpretivist researcher usually begins their research with some, no matter how limited, prior yet deficient knowledge. However, through mind blogging and numerous observations, the researcher reports what is observed as reality. Nevertheless, the researcher remains open to new learning as more observations are surfaced, accepting the fact that research subjects can change or re-adjust their views or actions over time (Saunders, Lewis and Thornhill 2019). Interpretivism tries to explore the impact of human behaviour on research phenomena rather than simply summarising and forecasting events and results (Saunders, Lewis and Thornhill 2019). For an interpretivist researcher, understanding intentions, meanings, causes and other subjective interactions that take place at a certain time and place is critical (Hudson and Ozanne, 1988; Neuman, 2000).

In short, it can be said that the positivist philosophy is more objective and tends to use mostly experimental and qualitative approaches while the interpretivist philosophy tends to be more subjective and uses naturalistic and qualitative approaches in context to inductively understand human experience and how respondents make sense of their circumstances. In the current research approach, it was important to understand the motive and reasons behind the general attitudes and perceptions regarding the IFRS in the Libyan context. Since adopting any concept or practice could rely on personal and contextual factors, considering the interpretivism paradigm in the current research project was of great importance besides the positivism paradigm. Consequently, the author adopted the pragmatism paradigm as the overall research philosophy, as it is an inclusive paradigm for positivism and interpretivism philosophies. Pragmatism is discussed in the next section.

3.2.3 Pragmatism

The very foundation of pragmatism is that the world is not perceived as a complete unity and that the truth can only be valid at a given time. This is to say that pragmatists are of the view that truth and reality are dynamic concepts and that they can change from time to time (Creswell, 2014). Pragmatists are therefore not necessarily devoted to any specific philosophy or reality, rather they offer the freedom to pick and mix any paradigm to achieve the research objectives (Creswell, 2014). In terms of ontological, epistemological, and axiological positions, pragmatism is a coherent and comprehensive paradigm that can be conceptualised. Pragmatists are particularly concerned with the nature of the research, its processing, and its interpretation. Nonetheless, pragmatists acknowledge that reality is a by-product of the information obtained through their approach. The conceptualisation of the philosophy in the pragmatism paradigm facilitates the possibility of achieving the aims of this research within the research nature and frame.

Methodologically, pragmatists are those researchers who promote to get the benefit of research paradigms to understand reality in context. In this way, they argue that one would be able to minimise any potential bias or weakness arising from the use of one or the other paradigm (Collis and Hussey 2014). Based on this way of thinking, pragmatism, therefore, breaks away from the duality between realities and the mind; hence encouraging the use of quantitative and qualitative data to gain a better understanding of a particular study subject. Therefore, instead of attaching a weight to the method of investigation, pragmatists regard the research problem as more significant. In doing so, pragmatism promotes the use of any available methods or approaches in solving the problem, hence discovering unbiased answers to the research problem (Nudzor, 2009; Tsang, 2013). The reality cycle, double-faced knowledge, and the required bias principle are three new terms coined by researchers to describe their findings. These philosophical stances combine the points of view of both the qualitative and quantitative paradigms in a way that is complementary rather than contradictory. This point of view is very important for this research since it aims for understanding the effect of the IRF in the context rather than making a comparison with other contexts or focusing only on the broad view, perception and attitude towards IFRS in the context.

To achieve the research aim, the researcher adopted pragmatic research philosophy as a paradigm to inform the research methodology. Since this study examines Libyans' attitudes about IFRS and its implementation in the country, this part of the research requires qualitative data to be analysed deeply through the interpretivism paradigm. The research part about the factors that affect IFRS in the Libyan context requires a positivist point of view and different sources of data (broad and deep data) to examine these factors inclusively. Pragmatism enables the researcher to become engaged in a deeper approach to validating the research data and finding through allows the opening of a wider scope and scale for the use of different means of data collection and examination (Creswell, 2014). The value of mixing design is to allow a deeper and broader understanding of reality through triangulating and validating the research methods and findings. According to Deacon et al. (1998), adopting mixed techniques in data collection and analysis might reveal difficulties that are more complex than initially thought, allowing researchers to construct more convincing and strong social explanations of the social processes being studied. The current study pursued pragmatism as the positivist philosophy comes from the quantitative data of interviews and open-ended questions of the questionnaire; whereas, the interpretivist philosophy uses the qualitative data from the close-ended questionnaire where the researcher derived meaning from participants' responses.

There have been several concerns and criticism attached to the use of pragmatism for its promotion of mixed methods. Saunders, Lewis and Thornhill (2016) have warned that the use of the pragmatist approach may well require the researcher to collect data using both qualitative and quantitative approaches. Such a research process may prove to be expensive, time-consuming and difficult to conduct (Bryman and Bell, 2015; Saunders, Lewis and Thornhill 2016). Nevertheless, despite all these concerns and criticisms, and in consideration of what has been stated so far and the questions of the study, it is therefore fair to argue that the application of pragmatism can promote a more positive side to the research finding. The highlighted deficiencies were minimised through the effective management of the time framework and the design of the research. The research got enough time to apply all the research processes efficiently within the proposed time framework.

3.3 Research Design

The research design consists of two components: the research approach and the research strategy. Together these two components help drive the researcher to understand the topic under investigation and the method(s) applied to find answers to the research questions (Saunders and Lewis 2012). Since the research design is a combination of art and science, it may be considered a means of ensuring that the most definitive results can be achieved (Saunders and Lewis 2012). It can be argued that the research design is highly pivotal in the whole research, as it has a substantial impact on the study's overall direction and focus (Collis and Hussey, 2014). Furthermore, constructing and finalising the research design should offer a detailed plan, which assists in overcoming any difficulties that may arise during the research. Hussey and Hussey (1997) point out that it also produces a plan outlining how the study objectives can be met.

3.3.1 The Research Approach

Researchers have two empirically based approaches available to them when conducting an investigation: deductive and inductive. Collis and Hussey (2014) as well as Elliott and Elliott (2011), articulated that the deductive approach is a study that attempts to develop and test an already established concept or theory using empirical observations. They clearly described it as an approach concerning testing and verifying a theory, shifting from a general to a specialised perspective (Collis and Hussey, 2014). It is also known as the hypothetico-deductive method where the researcher formulates certain expectations or hypotheses derived from an established theory to investigate and test the validity of these expectations (Abdolmohmmadi and McQuade, 2002). Therefore, it is suitable for researchers who intend to derive hypotheses from known facts (theories) and then transform them into practical language for the goal of testing using statistical methods (Bryman, Lewis-Beck and Liao 2004; Sunders, Lewis and Thornhill, 2016).

Conversely, inductive research begins with a collection of observations to develop a theory. In this method, a theory is introduced by presenting several broad concepts regarding what has been seen during a given period. Cavana, Delahaye and Sekaran (2001) defined inductive research as a "*process by which we observe certain phenomena and arrive at certain conclusions*" (p. 36). Thus, inductive research begins with actual evidence and concludes with the creation of concepts, models, and ultimately theories (Collis and Hussey, 2014). The inductive approach, as has been illustrated and defined by Abdolmohammadi and McQuaid

(2002), is based on designing a technique to investigate on how to lead to generalisation, progressing from the particular to the general/theoretical (Collis and Hussey, 2014).

The summary of the two approaches' definitions and features has been demonstrated in Saunders, Lewis and Thornhill (2016) and can be presented in Table 3.1 where the comparison between the two approaches is shown.

Table 3.1: Comparison between inductive and deductive approaches

Inductive Approach	Deductive approach
Understanding the human's behaviours	A scientifically structured set of principles
Understanding the research context	Theory (general) to data (specific)
Collection of qualitative data/observation	Defining variables and relationships
Flexible structure to allow for changes	Collection of quantitative data
The researcher is part of the research process	The application of validity of data

The nature of the current research study is more of a nature of inductive approach as it seeks the understanding of participants' knowledge, perceptions and attitude toward the IFRS. It also concerns perceptions about how IFRS can be adopted in the Libyan context as well as the factors that could hint at or encourage its adoption in the Libyan context. Therefore, there was no hypothesis or suggestion to be examined. However, the features of the deductive approach were of important consideration throughout the research design and process. This research collected quantitative data to take the broader aspect of the phenomenon and examine the effective factors and relationship between them as well as ensure the validity of the data through data triangulation.

3.3.2 Research Strategy

In general, a research strategy outlines a step-by-step process of conducting research that enables a researcher to conduct the research based on the understanding and resources available. Bryman (2008) defined research strategy as *"a general orientation to the conduct of research" (*p. 698*)*. Similarly, Saunders, Lewis and Thornhill (2009) define strategy as *"the* *general plan of how the researcher will go about answering the research questions" (*p.660). Various research strategies can be adopted by the researcher based on the understanding of the research problem, available literature and previous research in a similar context and available time and resources available. These strategies can be named according to different divisions such as case study, survey, experiment, grounded theory, action research and ethnography. Another division identified quantitative, qualitative and mixed research strategies (Naoum 2012; Saunders, Lewis and Thornhill, 2016). This division was considered for this research study since it is compatible with the chosen research paradigm. Thus it would be discussed in detail.

However, underlying quantitative and qualitative methods lie in three different types of research purposes which can be adopted for each research strategy: exploratory, descriptive and explanatory (Yin, 2012). Exploratory research intends to explore the research questions and does not provide any outcomes or solutions related to the research problem. Exploratory research is an attempt to create the groundwork that will serve as a foundation for future studies or to determine whether the subject matter under investigation may be clarified by an existing hypothesis. (Saunders, Lewis and Thornhill, 2016). As a result, a researcher who has an idea or has witnessed something and wants to know more about it is described as conducting exploratory research. Descriptive research focuses on describing the research setting (Robson and McCartan, 2016). These two techniques do not reflect the aim of the current research.

Finally, explanatory research seeks to understand a condition to explain the connections between variables (Saunders, Lewis and Thornhill, 2007). The primary goal of explanatory research is to determine why particular occurrences occur and to predict what will happen in the future. It is possible to describe explanatory studies by investigating hypotheses that reveal the nature and course of the relationships between or among the components under consideration. Explanatory research permits the researcher to impart extensive knowledge on a specific issue, hence generating additional subjects and opportunities for the researchers to ponder fresh ideas and inquiries. This research strategy is compatible with the aim of this research study as it seeks a deep understanding of the factors that mediate perceptions and attitudes as well as those affecting the implementation of IFRS in the Libyan context. Such an aim could not be fulfilled by exploratory or descriptive research.

A quantitative research strategy is an exploratory/explanatory-based structure around the very foundation of measuring information. This structure enables researchers to arrive at a generalisation of results from a single example to a larger population of instances, as well as to estimate the frequency of distinct views and feelings in a specific example (Saunders and Lewis, 2012). Qualitative studies, on the other hand, are primarily based on descriptive nature and tend to direct their attention to subjective, non-numerical data, examining and evaluating numerous positions to gain an understanding of both individual and social views (Poggenpoel, Myburgh, and Van der Linde, 2001). Moreover, as opposed to creating numerical generalisations, the qualitative approach focuses on obtaining in-depth, rich data rather than generating numerical generalisations. Thus, it is assumed that the investigator's previous knowledge and expertise will be crucial in the collection, processing, and interpretation of data and any relevant observations that may be made (Creswell, 2014).

Whilst quantitative research aims to utilise highly organised, inflexible methods for gathering data, qualitative research gives the freedom to respondents to explain and elaborate on any relevant points. Hence, qualitative research findings and discoveries are not necessarily definitive or utilised for speculation (Saunders, Lewis and Thornhill 2016). Qualitative research, overall, generates rich and substantial process knowledge that aids in the explanation of a particular situation. Quantitative research, on the other hand, generates data that can be generalised across a large population and is useful for establishing causal relationships between variables and outcomes. In other words, deciding between quantitative and qualitative research is ultimately a philosophical exercise; the methods to use will depend on the research's concept, the type of data needed, the location of the investigation, and the availability of resources throughout the investigation.

Applying both quantitative and qualitative (mixed methods) has become increasingly normal in a given research. This is because the findings derived from mixed methods can help arrive at a comprehensive understanding of the research phenomenon for the researcher to make the final verdict and recommendations. According to Robson and McCartan (2016), using mixed methods comes with the benefit of obtaining a large amount of data about a similar issue and enables the researcher to cross-check the accuracy and validity of the collected data (Sarantakos, 1998).

For the current study, the mixed technique enables participants to have a strong voice and share their experiences throughout the research process, and they can contribute to the discovery of a new path of inquiry that builds on the research's evidence base. That is due to the nature of the Libyan context as a post-conflict context. The mixed method enabled the researchers to consider more and varied populations in the study from different parts of Libyan during the data generation process. At that time, there were dual states in Libya that resulted in different statuses and regulations in the East and West of the country. This research study through survey succeeds to be inclusive for participants from cross-regions from the whole country. Thus, this study combined inductive qualitative and quantitative data collection methods, employing a survey consisting of both questionnaires to observe the wider perception and considered factors as well as interviews in understanding these perceptions and their motive. Furthermore, mixed approaches can promote increased academic interaction and enrich the research experiences of researchers by illuminating the issues under investigation from a variety of perspectives. In such a post-conflict context as Libyan, the mixed method enabled the author to reach out to different stakeholders in the context to discuss the phenomenon with them to different extents. Such connection would be difficult to achieve within a single research design for different reasons, such as the accessibility to certain stakeholders and data in the context. The mixed method enabled the possibility of finding an alternative when it is difficult to complete designed tasks not only for the participants but also in the data generation method.

Furthermore, each method on its own can address the other's limitations. For instance, a questionnaire may produce a respectably sizable sample, but not all samples could be interviewed due to time and other cost constraints or could not provide deep data. On the other hand, the interviews can offer open-ended questions, which may attract a snowball effect hence enriching the survey (Saunders, Lewis and Thornhill 2016). For that, mixed methods used in this research enabled in overcoming any limitation of single methods as different data collection methods were used as well as the difference in the data source for each method. According to Silverman (2013), this practice would potentially produce more reliable and enriched data and offer deeper and more reliable findings.

3.4 Sampling, Statistical Properties and Techniques

Once the data collection strategy has been identified and selected, then the next question is what and where this information should be gathered. For collecting data from a survey, once the target population has been chosen, the next step is to proceed with sampling. The data collected through sampling must be checked for credibility and reliability, which constitute the statistical properties of data. Finally, once the reliability and validity of data have been verified, the next stage is to apply the appropriate statistical techniques to arrive at the findings, which may be used to answer the questions of the research.

3.4.1 Samples and Sampling Methods

Sampling is a process by which a researcher selects a subset of the target population to collect the data in fulfilling the research objectives. A research sample has a substantial impact on the study's conclusions and overall success. Kumar (2019: p.207) defined the sampling technique as follows:

> "*The process of selecting a few (a sample) from a bigger group (the sampling population) as the basis for estimating or predicting the prevalence of an unknown piece of information, situation or outcome regarding the bigger group. A sample is a subgroup of the population that you are interested in*"

There are different factors behind resorting to sampling rather than considering the whole population size. For instance, collecting data from the whole population size seems impractical for the researcher considering the time needed. In addition, any attempt to collect the entire target population characteristics is extremely costly and requires massive resources to finance (Kleppe and Liesenfeld, 2014).

Once committed to sampling, the researcher is expected to resort to one of the two types of methods of sampling: probability / random sampling, and non-probability / non-random sampling (Robson and McCartan, 2016; Saunders, Lewis and Thornhill 2016). Random sampling can be described as a subset of a quantifiable population in which each member has an equal probability of being chosen throughout the sampling process. This sampling is a method viewed as a reasonable approach to choosing a sample from a larger population because each person in the population has an equal chance of being chosen (Uprichard, 2013). The random sampling method is stratified sampling where the population is classified into distinct categories or strata, and then each category is randomly sampled. However, the main drawback of random sampling is the possibility of causing a sampling error if the sample does not end up precisely mirroring the population it should represent (Saunders, Lewis and Thornhill 2019).

Non-random sampling, on the other hand, is a method of selecting samples that do not provide every member of the population the same chance of being chosen. Due to time, expense, and resource constraints for researchers, it is difficult to randomly sample the entire population and therefore preferable to utilise non-probability sampling. (Robson and McCartan, 2016). Examples of non-random sampling are snowball and purposive sampling techniques. Unlike random sampling, non-random sampling is not the result of a random choice process. Subjects are generally chosen based on their openness or the researcher's purposive individual judgement in a non-random sampling. Stratification can also be applied to the non-random sampling method by applying non-random selection to different categories when a phenomenon under research requires a profound understanding (Neuman, 2000). In this research, the participants have been selected on the very assumption that they are well aware of and informed about IFRSs. One of the main advantages of this sampling technique is the selection of only the ones who know about the phenomenon, consequently, it can help to save a lot of resources and time when analysing the data. Since the researcher is familiar with the sample. On the other hand, Time consumption can be one of the main disadvantages of this type of sampling, since it needs a lot of planning and gathering a huge amount of information about the participants before selecting one (Neuman, 2000).

As this research is concerned, stratified non-random sampling is applied. The author employed a purposive sampling strategy identified by (Patton, 2002). In this sampling strategy, the researcher identified particular criteria to select the best participants who can provide information that answers the research questions. Those participants could be in the advantage of being“privileged witnesses to an event” as Maxwell, (2012, p.97) described. Five categories of respondents were targeted to participate in this research study: academics, accountants, internal auditors, external auditors and finance managers. Those respondents were selected based on the assumption of their knowledge of IFRS. Since the author has not observed any practice of the IFRS in context, the author included all those specialists in the field of accounting, finance and academia to anticipate knowledge and perception of the practice.

Those participants were chosen from local and international oil and gas companies, accounting and audit firms, and universities. In Libya, there are forty-one oil and gas companies, eleven of them are local, seven companies are joint ventures, and the remaining twenty-three are international companies. Participants from oil and gas companies were targeted including managers, accountants, policymakers and other stakeholders related to the research phenomenon. Similarly, accountants and academics have been targeted from a total of 164 local accounting and audit firms and twenty-five universities, on the assumption that they are being aware of and knowledgeable about the IFRS. Participants from local accounting and audit firms were targeted including managers, accounts and other stakeholders. The rest of the participants from universities were targeted including lecturers, heads of accounting departments, policy-makers and other stakeholders related to the research phenomenon. The rationale behind the selection of accountants and auditors is that managers in these companies know the contents of the companies' annual reports and the existing financial law and regulations. For the questionnaire, the researcher distributed 400 potential respondents in total to be able to represent the society of the research context.

3.4.2 Statistical Properties and Techniques

Statistical properties relate to a number of features of the data collected from the survey. The most common and generally used properties are reliability and validity. Once the data from the questionnaire has been collected, the first task of the researcher is to check the reliability of the data. The definition of reliability has been stated as an index of internal consistency, which should exist between observations across variables in a survey (Gadermann, Guhn and Zumbo 2012). The *Cronbach alpha* is a method normally utilised to test for the reliability of quantitative data (Cronbach, 1951). The alpha measures the interconnection between different statements in the questionnaire hence can take any value between zero (the least interconnection) and 1 (the highest measure of interconnection).

The validity, on the other hand, provides an indicator of how sound the research is in terms of its design and use of methodologies. Internal validity and external validity are two types of validity that can exist simultaneously (Gill and Johnson, 2002). The validity of the methods and tests, as well as the level to which the researcher may have faith in the findings, are referred to as internal validity. External validity, on the other hand, refers to the ability of the findings to be applied to a large number of people in a certain group (Fontaine and Letaifa, 2012).

Statistical techniques and tests are performed to identify and establish any possible relationships among the variables in question, and hence apply to the population at large. The following is the list of several such techniques:

(i) Normality – It refers to the symmetric shape of the distribution of a given variable in question. Testing for normality is crucial in any quantitative approach as it determines whether to use parametric or non-parametric techniques (Field, 2009). The test for normality is all about finding out whether the central tendency of the sample distribution mirrors the entire population. If normality is found to exist among variables in the model, then the researcher's next task is to measure the extent of the relationship between such variables. However, if non-normality is found, the examination of a number of non-parametric statistical techniques would suffice.

(ii) Descriptive statistics – It includes all measures of central tendency, standard deviation and standard error and skewness. These measurements offer the extent of reliability and significance of tendency measures as means of representativeness of the data (Sekaran and Bougie, 2016).

(iii) Inferential statistics – Several methods are commonly used but the most appropriate method is referred to as Kruskal-Wallis (KW) test, which allows comparisons between different groups (Corder and Foreman, 2009). This test is ideal for this research as it allows the researcher to make multiple comparisons between the five groups of academics, internal auditors, external auditors, accountants and financial managers. Mann-Whitney (MW) test is also performed to test pairwise correlation once the KW test has proven to yield significant results.

3.5 Data collection methods

This research study utilised mixed research strategies to obtain qualitative and quantitative data by different data collection methods suggested by different authors (Patton, 2002; Harrell and Bradley, 2009; Denzin and Lincoln, 2011; Goodson Loveless and Stephens 2013). The methods of data collection adopted in this research are interviews, documents and questionnaires survey. By gathering different types of data, we can achieve a high level of comprehensive understanding of the research phenomenon than by just using data from a singular method. This has been clearly stated in Masoud (2016, p.52) as a "mixed method or empirical approach provide a better explanation" in the case of Libya.

3.5.1 Questionnaires: Design and Administration

Questionnaires are defined as a set of questions formulated in advance so the participants can record their answers (Davino and Fabbris, 2013). Lavrakas (2008) suggested the use of questionnaires where the researcher needs to gather data by obtaining responses from a large number of people about a particular issue. It is a successful data collection technique when the researcher is aware of the data required to conduct the study and can address the research topic (Brace, 2018). As has been argued earlier, a survey research strategy appears to be appropriate for this research question regarding perceptions towards IFRS and the considered effective factors in its adoption in the Libyan context. The survey technique is most commonly employed because it enables the researcher to collect a great deal of information from a large number of people through the use of both interviews and questionnaires (Robson and McCartan, 2016; Saunders and Lewis 2012). Furthermore, because of the scarcity of high-quality public datasets, particularly those about to the oil and gas industry, the use of surveys (questionnaires and interviews) in this research is extremely appropriate in this context.

The main advantages of questionnaires as depicted by Marshall (2005), are as follows: it is not expensive and not much time-consuming compared to other data collection methods; quick results can be generated, participants can complete the survey at their convenience; offers a wide range of participants; anonymity of the respondents can be fully ensured; and fewer biases and low chance of errors. These advantages are of great importance in such a context as Libya. In the post-conflict context, movement and anonymity are critical issues in conducting research. In contrast, the limitations of this method are: clarification of the questionnaire is not possible; the researcher has no control over the accuracy and integrity of the participants; and incomplete questionnaires due to lack of participants (Baker, 2003). However, such limitations were overcome by drafting and re-drafting the questionnaire to ensure clarity and avoid repetitions and overlapping between the questionnaire items. Besides, the design of the online questionnaire ensured the completion of responses to the whole items to be able to submit the questionnaire.

A questionnaire was the starting point in the stage of generating data for this research for two main reasons. Firstly, it aimed to serve as the basis for the purposive samples strategy since its purpose was to elicit information about the participants' personalities, beliefs, values, and backgrounds from those who took part in it (Cohen et al, 2011). Secondly, it served the researcher to obtain a broad perspective regarding the research phenomenon in the context through the participants' expectations, concerns and responses. Consequently, the researchers could enhance and develop the semi-structured interview questions for the best research practices to achieve the research aims (Blaxter et al., 2001). In this research, up to 380 copies of the questionnaire (see Appendix 3) were distributed to audit firms and academics in accounting departments of universities in Libya to represent data from our population. The questionnaire was distributed to twenty-five universities accounting academics in Libya (sixteen main and nine subs). In addition, the questionnaire was distributed to the accounting and audit firms in Libya (164 firms). Due to the geographical spread of the targeted respondents, the survey was administered using an online survey and distributed via the internet by email to oil and gas companies and universities. A self-administered approach was conducted when needed.

In addition to quantitative data from the closed-ended questions, the questionnaire included open-ended questions to collect qualitative data. The author used a five-point Likert scale to rank and measure the answers, where the value of 1 is given to “strongly disagree” and 5 to “strongly agree”. The choice of the five- points Likert scale gives the participants a chance to choose between different options and to obtain respondents’ opinions and feelings (Zakari, 2014; Bayoud, 2015; Khaled, 2016). The design of the final version of the questionnaire passed through several stages. The review of the literature (Al-Bannay, 2002; Kosonboon, 2004; Iyoha and Faboyede, 2011; Almotairy and Alsalman, 2012, Khaled 2016), along with constant consultation with the supervisory team led to the first draft of the questionnaire. Following a mini-pilot study, precise and significant feedback was received from both the academicians/experts and two reviewers. The questionnaire’s final version was made to be comprehensive in covering all aspects of the questions of the thesis, as well as being optimal in size. The questionnaire was then translated into Arabic and checked for accuracy and fluency by one member of the supervisory team, then the survey questions were sent to a specialist in the English language whose Arabic language is his main language to revise the final version.

Following all the considerations, the questionnaire comes in seven parts (see Appendix 3). Part one presents an information sheet to participants detailing an overview and objectives of the study. Part two asks for demographic characteristics of the participants, including age, gender and position. The third and fourth parts ask participants to score the benefits and challenges of IFRS, respectively. The last two parts allow participants to state their opinions about challenges and benefits and any additional topics relating to IFRS. The fifth part is about the reasons behind not adopting IFRSs in Libya until now, after that, the factors that could lead to adopting IFRSs, and finally, the action required by the government, and at the end of the questionnaire there is a space for the participants to put their email and phone number if they would like to receive the results of the study if they were interested.

3.5.2 Semi-Structured Interviews: Design and Management

The interview can be defined as an interactive discussion between two or more people to obtain valid and reliable data considering the objectives of the research (Saunders, Lewis and Thornhill 2016). In gathering qualitative data, interviews have proven to be the most popular and efficient means of in-depth understanding of research (Bhattacherjee, 2012). Structured, semi-structured and unstructured interviews are all options for conducting an interview. Whilst the structured interview is entirely pre-determined, containing fixed questions, an unstructured interview is primarily based on a general theme of research allowing questions to arise from the context (Saunders and Lewis, 2012). On the other hand, semi-structured interviews are scheduled by the researcher to cover fundamental questions directly built depending on the theme of the research while allowing the interviewer to come up with further clarification wherever necessary (Bhattacherjee, 2012). It also allows for more in-depth and focused information on this research, enabling a snowball effect wherever possible and necessary (Pathak and Intratat, 2012). Hence, this technique was adopted in this study.

The author chose semi-structured interviews for different reasons. First, it helped the researcher in compiling a complete analysis of all the aspects that influence participants' responses: opinions, reasoning, feelings, and beliefs. According to Hammersley (2008), the researcher can gain insight into the distinctiveness and complexity of participants' perspectives by establishing a connection with them.

For the current study, the interviews have been designed to explore the views and answers of the respondents about the benefits, challenges and motivation for IFRS adoption. The questions in the interviews are based on the main theme of the questionnaire covering the respondents' characteristics, benefits and challenges of the IFRS adoption (see appendix 2).

After getting the above from the university and the Libyan embassy (see Appendix 4). The researcher conducted thirteen semi-structured interviews with finance managers from Libyan oil and gas companies, accountants and directors of LAAA. The researcher had initially planned to interview up to twenty-two participants. However, due to the civil war and the attack on the National Oil Corporation back in September 2018, it became impossible to proceed with the initial aim. Despite further attempts to reschedule the remaining interviews, no responses were received following the April 2019 renewed civil war. The semi-structured interviews were conducted in the mode of individual face-to-face in the current research study. Face-to-face interviews were considered the best practice over online interviews since observing the interviewees' tones and physical responses is an important part of the flow of the conversation and important when analysing the interviews' data. In other words, it enabled the researcher to observe the unobservable aspects in other types of data collection as feelings, intentions, behaviours and thoughts that participants used to convey meanings to the research phenomenon and their practical responses (Patton, 2002). One-to-one interviews were also important in the

Libyan context. In ongoing conflict contexts, one-to-one interviews enabled the interviewee to freely discuss their attitude and perceptions regarding the policy and practices and feel more comfortable being willing to discuss any relevant personal factor. The interviews lasted for approximately 45 minutes. The researcher was tempted to minimise any deviation by controlling the topic and the depth of the discussion during the interview since time is significant in interviews (Gray, 2004). The interviewee repeatedly converted the conversation to discuss political issues related to the ongoing conflict, which was not related to the topic of the interview; hence, it was important to refocus the topic of the interview. The interviews were done in Arabic to promote the discussion regarding the participants' thoughts and ideas. The interviews were recorded, and notes were immediately written after each interview. Such notes helped me reflect on the interview and recorded observations that cannot be audibly recorded. Such procedures increased the amount of time that the researcher devoted to each interview (Easterby-Smith et al., 2012).

3.6 Data analysis

Being capable of comprehending and explaining research findings within a conceptual framework that makes sense of obtained data is a sign of a mature discipline that seeks to explore a particular phenomenon in a systematic manner (May, 2001). Since the researcher has two different types of data, the researcher used two methods for data analysis. First, computer programs using SPSS for Windows were utilised to examine the quantitative data from the questionnaires. This analysis was companied by a description of the analysed data to obtain the mean score and the frequency of respondents' answers for all closed questions. Second, to analyse the qualitative data from the interview, thematic analysis was used. Thematic analysis has been defined as"a method for identifying, analysing and reporting patterns (themes)" (Braun and Clarke, 2006, p.79). The author used thematic analysis in this study for different reasons. Thematic analysis is accessible for various qualitative analysis procedures and relatively lacks complexity and has the flexibility to integrate with any theoretical framework. Additionally, it enables an in-depth and detailed description of the acquired data (Braun and Clarke, 2006). The thematic analysis also includes analysis of discourse, texts, and information from documents in this research to elicit responses to the study questions, as Creswell (2012) advised.

According to Howitt (2019), the main process of the thematic analysis is transcribing the interview data. Therefore, the researcher started my thematic data analysis by transcribing the interviews and highlighting codes and identifying themes within the data. The data from the interviews were translated into English and transcribed and then a microanalysis was carried out to identify codes and themes within the data. First, a translation of relevant section(s) of the interview from Arabic to English is made by the researcher himself and verified by a specialist before transferring and sorting all the data into themes. The verifying process was conducted by checking individual parts of the translation by a specialist to validate this process and the whole research findings. Secondly, the analytic stage started by creating initial codes within the data while transcribing and during the study of the data. The researcher followed the pattern of Creswell (2007) in coding my research data. Then, the author identified the meaningful codes within the data related to the research questions. The final process of the analysis was finalising the themes through the categorisation of codes to identify themes and highlight the relations between themes and codes. It took several repeated revisions back and forth between those three steps, even though each appeared to be completed independently. The author needed to keep checking and enhancing the themes throughout the process. That is because they overlap since codes and themes need to be emerged, cut, and renamed during the whole process to avoid overlap in the data presented in the thesis.

3.7 Ethical considerations

Ethical considerations and protocols are an essential part when undertaking social research. Ethics concerns the moral issues of designing and conducting research in a context, such as the participants' rights, the researcher’s plan of dealing with voluntary participants as in this research, and how the researchers deal with the data (Saunders, Lewis and Thornhill, 2007). In other words, the protocol of ethics guides efficient practice to establish good quality research practice that should not adversely affect the researcher or the participants from any perspective (May, 1997).

In line with Nottingham Trent University’s rules and regulations regarding confidentiality of data and consideration of the sensitivity of the information collected from the survey, the researcher is deemed to follow strict ethical considerations. It is essential to ensure that the study process and the investigation's outcome do not violate any ethical restrictions. This "entails not simply deception or injury, but also remaining true to the process." Coghlan (2019: p104).

The researcher was granted ethical approval in March 2018 by the College Research Ethics Committee (CREC). The current research study followed the ethical principles and criteria of Nottingham Tent University. To begin, all participants received a thorough briefing on the research's nature and purpose. Secondly, participants were asked to give written permission, using a standard consent form, for their participation voluntarily. Thirdly, upon receiving their responses, all respondents were informed and given complete assurance that their responses would be treated in strict confidence and would not be passed to any third party. Finally, the researchers' contact information was offered to the responders, including an email address, a telephone number, and an address if they had any more questions. It should be mentioned that the researcher was the only one who had access to the raw data codes, which were stored safely and securely in a password-protected location.

3.8 Pilot Study

Some pilot studies are usually used to help develop the main foundation of the research's analytical parts and enable the researcher to improve any shortcomings. As stated previously, to address the objective and questions of the study – particularly questions 2 and 3 - a pilot study relating to the questionnaire is to be conducted. In so doing, the preliminary form of the questionnaire, consisting of 30 questions covering benefits and challenges for IFRS, was developed and distributed among the relevant respondents in Libya. This section is devoted to analysing the findings from the completed questionnaires received from the respondents. There are three sub-sections: the first sub-section presents the statistics relating to the respondents and their characteristics. The second sub-section offers some basic statistics about the responses received from the participants.

3.8.1 Analysis of Respondents

For the pilot study's purpose, the researcher distributed up to 35 copies of the questionnaire to experts and professionals associated with accounting in Tripoli. The respondents were chosen from a university and several private accounting firms in the city and oil and gas companies. The total completed questionnaires collected counted to be 29. To obtain the views of the respondents' vis-à-vis the questions about IFRS, the questionnaire was designed to ask a number of questions about gender, qualifications, professions, working experience and knowledge of the IFRS. Table 3.2 presents the number and percentages of the participants' characteristics. As the table suggests, 24 respondents were male, with only 5 females. Over 65% of respondents declared they were in the age range of 30 to 49, with a slightly larger majority being in the range of 30-39 years. As for their qualifications, it is evident that the large majority (86.2%) of the respondents hold university degrees, with just over 72% declaring having held postgraduate (Master and PhD) qualifications. Only a total of 13.8% declared that they held some professional qualifications.

Of the completed questionnaires, 12 (41.3%) of respondents were in academia, and the rest were either accountants, auditors or financial managers/directors. The professions of respondents cover the whole host of activities relating to accounting, auditing and finance. In terms of the experience and knowledge of the respondents, both work experience and IFRS awareness do show that most of the participants (55%) had well over 11 years of experience, with the large majority of them (65.5%) knowing quite a lot about IFRS requirements.

On the whole, concerning Table 3.2, it can be said that the representative (average) respondent tends to be a male, aged somewhere around 30-45 years, with a postgraduate degree qualification, probably an academic with over 11 years of work experience and is well aware of the working and requirements of IFRS.

Table 3.2 Characteristics of Respondent

Category	**Characteristic**	**Number**	**Percentage**
Gender	Male	24	82.6
	Female	5	17.4
Age Range	Under 30	2	6.8
	30 - 39	10	34.4
	40 - 49	9	31.0
	50 - 59	5	17.2
	60 and over	3	10.6
Educational Qualification	First Degree	4	13.8
	Master Degree	12	41.4
	PhD	9	31.0
	Professional Qual.	4	13.8
Profession	Academic	12	41.3
	Accountant	5	17.2
	Internal Auditor	2	6.8
	External Auditor	6	20.7

	Finance Manager	3	10.6
	Executive Director	1	3.4
Work Experience	0 – 5 Years	3	10.6
	6 – 10 Years	10	34.4
	11 – 15 Years	5	17.1
	16 years and above	11	37.9
IFRS Knowledge	Little	1	3.4
	Moderate	9	31.1
	Great Deal	19	65.5

3.8.2 Analysis of Responses

As discussed in the methodology section, the respondents are given a chance to express their views in a Likert format, with 1 being strongly disagreed to 5 being strongly agreed with the statements. The questionnaire covers statements relating to both benefits and costs of the implementation of IFRS in Libya. It should be noted that a large number of questions under the category of "costs" could be well treated as challenges in IFRS implementation. In addition to the two headings of costs and benefits and association with the literature, one needs to establish and examine the significance of the four other constructs: Accounting Education and Information, Economic Aspects, Cultural Issues, and Legal Issues.

However, before estimating the scores for the statements, as a standard requirement for testing the reliability of multi-dimensional responses, the so-called Cronbach Alpha test must be conducted prior to the examination of the derived statistics from the questionnaire. This entails determining the respondents' level of uniformity in responding to questions about a given theme or subject (Cortina, 1993: 68-94). Based on this principle, a popular test for reliability offered in most statistical software is referred to as *Cronbach Alpha*, varying between zero and one.

Indeed the closer Alpha is to one, the more trustworthy the data, with the lowest acceptance level being 0.70 (George and Mallery, 2019). If the estimated Alpha is found to be smaller than 0.7, then the internal consistency level can be improved as either the sample size or the number of items increases significantly. Nevertheless, the design of questions and their relevance to the main theme of the research is the most important aspect in achieving a higher consistency level.

In light of the above information, the data collected from the questionnaire were subjected to testing of reliability using the Cronbach Alpha approach. Table 3.3 gives the summary of the test result. The estimated Alpha is 0.922, much greater than 0.7, indicating that the overall data collected are reliable and consistent.

Table 3.3 Test for Reliability: Cronbach Alpha

Alpha	Items
0.922	30

Having established the reliability of the data, Table 3.4 offers the summary statistics of the responses to the 30 questions set in the questionnaire. As a whole, questions 1 to 15 represent the statements relating to the benefits of IFRS implementation in Libya, whilst the remaining 15 questions are associated with potential costs/challenges of this international accounting standard. In table 4, estimated mean values and standard deviation, along with minimum and maximum scores, are presented for every question. According to the rule of thumb, the closer the minimum and maximum scores are, the smaller the anticipated standard deviation around the mean value. For example, in the case of Q7, the minimum score that the representative respondent has attached to whether IFRS improves confidence in accounting/auditing professions is 4, compared to the maximum score of 5. In this case, one should expect to arrive at a much lower value for standard deviation than the others, with larger gaps between the minimum and maximum scores. At the other extreme, questions 14, 16-20, and 23-26 exhibit much larger standard deviation estimates compared to the rest, simply because their respective distance between maximum and minimum values are the largest.

As for questions relating to benefits, except for Q12, the rest exhibit scores well above 4.0, indicating that the majority of respondents were in agreement or strong agreement with the potential benefits of IFRS implementation in Libya. On the whole, as Q1-Q15 suggests, most respondents agree that the implementation of IFRS in Libya would simplify financial statements, enhance reliability, transparency, and confidence, hence reducing the barriers to capital markets. The overall average score for the entire benefits is estimated to be 4.21, indicating that, on the whole, the experts are of the view that the implementation of IFRS in Libya would be beneficial.

On the questions relating to challenges in Table 3.4, a large number of responses fall between 3 and 4, indicating a weak agreement about the statements. On the whole, though, the overall value of the mean for the challenges appeared to be 3.80, demonstrating that the representative professional/academician attaches not a very high value to costs associated with the implementation of IFRS.

Table 3.4 Basic Statistics of Responses

Question/Statement	Min	Max	Mean	Std. Dev
Q1: IFRS simplifies the process of financial statements	2.00	5.00	4.1379	.74278
Q2: It helps provide accurate information	3.00	5.00	4.3448	.66953
Q3: It enhances the reliability of the information	3.00	5.00	4.3448	.66953
Q4: It facilitates a more effective comparison of firms reporting	3.00	5.00	4.2069	.55929
Q5: It provides greater reporting transparency	3.00	5.00	4.3793	.62185
Q6: It improves the confidence of users of financial reports	2.00	5.00	4.3103	.76080
Q7: It reinforces confidence in accounting/auditing professions	4.00	5.00	4.5172	.50855
Q8: It provides greater credibility and economic prospects	2.00	5.00	4.2069	.81851
Q9: It makes investment measurements easier	2.00	5.00	4.2414	.83045
Q10: It helps remove barriers to the flow of international capital	3.00	5.00	4.1724	.65841
Q11: It improves accessibility to capital markets	2.00	5.00	4.1724	.84806
Q12: It would reduce the cost of capital	2.00	5.00	3.8966	.90019
Q13: Users of IFRS save time in analysing financial reports	2.00	5.00	4.1724	.71058
Q14: It reduces cost and time in formulating national accounts	1.00	5.00	4.0345	1.01710

Q15: It brings better corporate governance	2.00	5.00	4.0345	.73108
Average Benefit (Q1 – Q15)			4.2102	.78642
Q16: It increases complexity in preparing financial statements	1.00	5.00	2.6552	1.00980
Q17: It demands training of professionals	2.00	5.00	4.3448	.66953
Q18: It proves challenging due to weak Libyan accounting	1.00	5.00	4.0345	.98135
Q19: Lack of knowledge and technical skills/support	1.00	5.00	3.8621	1.02554
Q20: Weakness of accounting education in Libya	1.00	5.00	4.0345	1.05162
Q21: Lack of proper instructions and guidance	2.00	5.00	4.2759	.79716
Q22: Cost of IFRS is very high	2.00	5.00	3.9655	.82301
Q23: Challenging due to Zakat and Islamic law requirements	1.00	5.00	3.3448	1.36998
Q24: Unsuitability of IFRS in Libya	1.00	5.00	3.5862	1.15007
Q25: Language issue as IFRS is written in English	1.00	5.00	3.1034	1.37178
Q26: Problems with IT in handling transition to IFRS	1.00	5.00	3.7586	.95076
Q27: IFRS requires changes in Libyan Commercial Laws	2.00	5.00	3.8276	.71058
Q28: IFRS requires changes in Libyan tax laws and practices	2.00	5.00	4.0000	.70711
Q29: It is challenging due to the lack of legal system enforcement	3.00	5.00	4.2069	.67503
Q30: Existing laws in Libya limit the application of IFRS	2.00	5.00	4.0345	.82301
Average Cost/Challenges (Q16 - Q30)			3.8022	.97683

To fill the gap in the literature through the research questions, it is possible now to identify and calculate the effects (scores) of different constructs mentioned earlier. As discussed earlier, the questions developed in this questionnaire are designed to furnish several elements of the literature. Therefore, different combinations of the questions could form the building of the

Based on the information from Table 3.5, the basic statistics relating to the constructs are shown in table 6. The estimated mean values surrounded by their respective standard deviation indicate that they are all statistically significant. The highest mean values are scored by four constructs: Accounting Education, Benefits, Culture and Economics. Legal issues and challenges constructs show scores close to 4.0, pointing to the fact that the respondents agree that they are important but not as much as the other four constructs.

Table 3.5Combinations of Questions in Building the Constructs

constructs. Following a careful examination of the questions, Table 3.5 offers these combinations in constructing not only costs and benefits but also extracts the following constructs: Accounting Education and Information, Economic Issues, Cultural Issues, Challenges and Legal Aspects.

Construct	Questions
Accounting Education and Information	1, 2, 3, 4
Benefits	1-15
Culture	5, 6, 7, 8
Challenges	16-30
Economics	9, 10, 11, 12, 13, 14
Legal	15, 23, 27, 28, 29, 30

On the whole, as Table 3.6 shows, as far as these scores are concerned, the respondents are seen to attach greater weight to benefits than challenges of IFRS implementation. However, they have also indicated the relative importance of challenges in the way of introduction and implementation of IFRS.

Table 3.6 Estimated Statistics of the Constructs

Construct	Mean	St. Dev	Alpha
Accounting Education & Info	4.258	.50658	.761
Benefits	4.211	.54484	.937

Challenges	3.807	.69387	.778
Culture	4.353	.54082	.794
Economics	4.115	.66533	.884
Legal	3.908	.56271	.721

In satisfying the questions of the thesis, one needs to work out the net benefits of IFRS in comparison with the existing accounting standard in Libya. Furthermore, it must be determined whether the estimated net benefits of IFRS are statistically significant. In testing for the significance of net benefits, one needs to estimate the standard errors of both costs and benefits. The standard errors are used in conducting a “t” test for the significance of net benefits.

Table 3.7 Net Benefits Significance gives the estimated net benefits (Benefits – Challenges), its standard error and the “t” ratio (net benefits/SE). Comparing the calculated “t” ratio with that of the t-table suggests that with the confidence of 99% or significance of 0.01, the net benefits construct is statistically significant. This finding, according to the respondents, suggests that the implementation of IFRS, on the whole, would be beneficial for Libya, as it accrues positive and statistically significant net benefits.

Table 3.7 Net Benefits Significance

Construct	Score	SE	“t” ratio	Significance
Net benefits	0.4042	0.1046	3.884	0.01

In highlighting the importance of net benefits and their close association with the other four constructs (Education, Culture, Economics, Legal), Table 3.8 shows the pairwise bivariate correlation matrix. By definition, the closer the value of correlation to 1.0, the greater the association between a pair of variables. For a definition, mathematical derivation and interpretation of correlations, see Heumann and Schomaker (2016). The examination of Table 3.8 suggests that all five constructs are strongly and positively pairwise correlated, indicating the presence of strong inter-relationships amongst these constructs. In particular, the table shows that the net benefits of IFRS could come from accounting education, economic returns, cultural change and legal reforms.

Table 3.8 Bivariate Correlation of Constructs

	Net Benefit	Education	Culture	Economic	Legal
Net Benefit	1.000				
Education	0.794*	1.000			
Culture	0.802**	0.823**	1.000		
Economics	0.763**	0.847**	0.960*	1.000	
Legal	0.733*	0.713*	0.964**	0.906*	1.000

**. Correlation is significant at the 0.01 level (1-tailed).

*. Correlation is significant at the 0.05 level (1-tailed).

Finally, the KW test is normally applied as the last step in the analysis. However, due to a very small sample of participants in this pilot study, the KW test could lead to inconclusive results.

3.9 summary

This chapter briefly discussed and justified the research methods and research methodologies adopted in this research. The researcher justifies choosing the research methodologies in every section to maintain the flow of discussion throughout this chapter. Starting from the research philosophy section, it analysed different paradigms of research philosophy suggested by proponents of the philosophical research paradigm. Then, it covered the research strategy and chose explanatory aspects for this research context.

The qualitative and quantitative research approaches were discussed, along with their advantages and limitations. This chapter also discussed the research methods for data collection. A brief understanding, along with the advantages and disadvantages of different data collection methods, were discussed in this section. This research has employed a questionnaire and semi-structured interviews as means of data collection methods and the research method section is also included the data analysis techniques.

This chapter included a pilot study to demonstrate the processes used to validate the data gathering and analysis processes using a small sample of participants as a pre-study to overcome limitations. Finally, in following the research survey, the chapter has detailed the rules and regulations regarding ethical issues in social science research.

CHAPTER Four Analysis of Respondents

4.1 Introduction

The analysis part of the study is presented in four consecutive chapters. This chapter presents a brief introduction to the data collection process, followed by a detailed analysis of the respondents. The next two chapters are devoted to analysing responses vis-à-vis the Opportunities (Benefits) and the Challenges, respectively. Finally, the last analysis chapter is dedicated to an overall discussion and other relevant factors in the delay in adopting IFRS in Libya.

A thorough examination and evaluation of the characteristics/demographics of the respondents to the questionnaire are presented in Sec. 4.2, followed by the examination and evaluation of the interviewees in Sec 4.3. Finally, the chapter is summarised in Sec. 4.4.

4.2 The questionnaire: Analysis of Respondents

As stated previously, the questionnaire was developed following the literature review and the process of the pilot study. Of the 380 copies of the questionnaire which were distributed to the relevant participants, consisting of academics (ACA), accountants (ACC), financial managers (FIM), external auditors (EXA) and internal auditors (INA), a total of 214 were returned fully completed – giving a response rate of 56%. Of the completed questionnaires, 71 came from academics, 51 from accountants, 45 from external auditors, 26 from financial managers and 21 from internal auditors.

Despite the researcher's attempt to collect almost equal proportions of male and female participants, only 39 (around 18%) women completed the questionnaire, mostly from academia and accountancy backgrounds. The rest were males, as shown in Figure 4. 1 below.

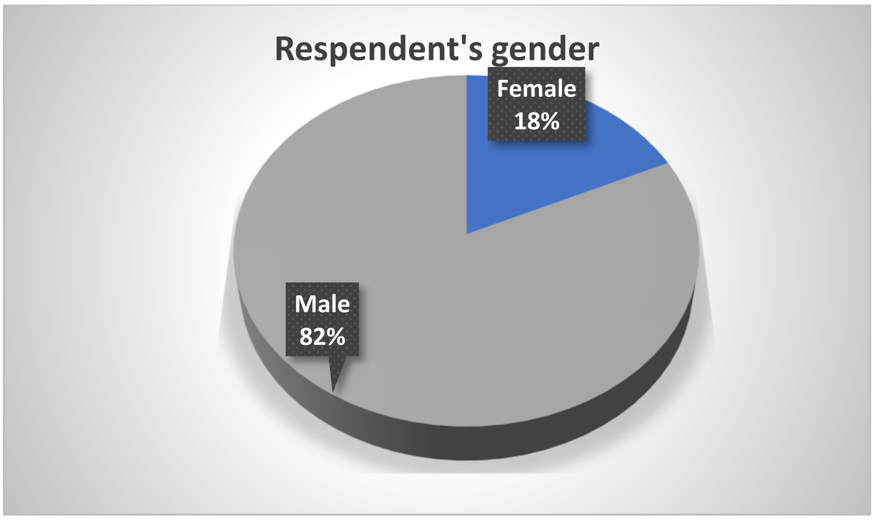

Figure 4. 1 male and female

Table 4.1 demonstrates detailed information about the number of responses according to their profession and gender. However, it can be seen that 30% of the total participants came from academic backgrounds, with 27% from accountancy and only 10% being internal auditors.

Table 4.1 Respondents' Gender, by profession

What is your gender?		**ACA**	**ACC**	**FIM**	**EXA**	**INA**	**Total**
Female	Freq	10	13	5	7	4	39
	Percent (%)	26%	33%	13%	18%	10%	18%
Male	Freq	61	38	21	38	17	175
	Percent (%)	35%	22%	12%	22%	9%	82%
Total							**214**

According to Table 4.2, most participants were in the three age categories of 30-39, 40-49 and 50-59, together covering 87% of the total respondents. On the whole, as this table suggests, just over one-third of all the participants declared that they were in the 40-49 age category. The table also indicates that the median age of the participants across all professions was around 42 years, suggesting that most of our participants are well aware of and familiar with the existing accounting system in Libya.

Table 4.2 Respondents' Age Category, by profession

What is your age category?		ACA (%)	ACC (%)	FIM (%)	EXA (%)	INA (%)	Total
Less than 30 years	Freq	6	7	1	3	0	17
	Percent (%)	8%	14%	4%	6%	0	8%
30 - 39 Years	Freq	20	13	9	15	4	61
	Percent (%)	28%	26%	35%	33%	19%	29%
40 - 49 Years	Freq	28	12	7	17	8	72
	Percent (%)	39%	23%	27%	38%	38%	34%
50 – 59 Years	Freq	13	16	7	7	9	52
	Percent (%)	19%	31%	27%	16%	43%	24%
Over 60 Years	Freq	4	3	2	3	0	12
	Percent (%)	6%	6%	7%	7%	0	5%
Total	Freq						**214**
	Percent (%)						**100%**

In consideration of the respondents' educational backgrounds and qualifications, Table 4.3 gives a detailed picture. As expected, the academics have the most postgraduate qualifications, with 92% holding Master's or PhD degrees. On the other hand, nearly 40% of accountants and financial managers declared having held either a Diploma or First-Degree qualification. Furthermore, both internal and external auditors reported having obtained university degrees. On the whole, as this table shows, a majority of 40% of the respondents across all professions have Master's degree qualifications. Finally, according to this table, only 6% of all participants hold some form of professional qualifications.

Table 4.3 Respondents' Educational Qualifications, by profession

What is your highest education level achieved?		ACA (%)	ACC (%)	FIM (%)	EXA (%)	INA (%)	Total
Diploma	Freq	1	3	1	0	0	5
	Percent (%)	1%	6%	4%	0	0	2%
Bachelor	Freq	4	18	9	27	5	63
	Percent (%)	6%	35%	35%	60%	24%	29%
Master	Freq	28	18	13	14	11	84
	Percent (%)	40%	35%	50%	31%	52%	40%
PhD	Freq	37	6	1	4	2	50
	Percent (%)	52%	12%	4%	9%	10%	23%
Professional Qualification	Freq	1	6	2	0	3	12
	Percent (%)	1%	12%	7%	0	14%	6%
Total	Freq						**214**
	Percent (%)						**100**

Regarding work experience, as shown in Table 4.4, 32% of the academics and 42% of financial managers declared a work experience of over sixteen years. As this table demonstrates, of the total 214 respondents, only 24 had up to 5 years of work experience, of which half of them were in academia. Generally, most of the respondents – around 30%- fall in the categories of 6-10 and 11-15 years of work experience. Nevertheless, according to this table, the median work experience is just over six years when considering all professions. It must be noted that both internal auditors and external auditors in this table appear to be more experienced than the rest, with an average working experience of 11 years.

Table 4.4 Professional Work Experience in years, by profession

Total length of professional experience in years		ACA	ACC	FIM	EXA	INA	Total
0 - 5 Years	Freq	12	9	1	2	0	24
	Percent (%)	17%	18%	4%	4%	0	11.21%
6-10 Years	Freq	20	17	11	13	7	68
	Percent (%)	28%	33%	42%	29%	33.3%	31.78%
11- 15 Years	Freq	16	17	3	18	9	63
	Percent (%)	23%	33%	12%	40%	42.8%	29.44%
More than 16 Years	Freq	23	8	11	12	5	59
	Percent (%)	32%	16%	42%	27%	23.8%	27.57%
Total	**Freq**						**214**
	Percent (%)						**100**

Since the choice of respondents was made randomly, it became vital to find out their knowledge of IFRS. As shown in Table 4.5 Knowledge of IFRS, by profession, only a handful of the respondents declared that they had no or little knowledge of IFRS. More specifically, according to this table, the more knowledgeable respondents are internal auditors and accountants in IFRS. On the whole, a large majority of the respondents – 60% - appeared to have either a great deal or a lot of knowledge of IFRS. In addition, up to 30% of the remaining participants declared that their knowledge of IFRS was moderate.

Table 4.5 Knowledge of IFRS, by profession

Knowledge of IFRS		ACA (%)	ACC (%)	FIM (%)	EXA (%)	INA (%)	Total
None	Freq	2	0	0	0	0	2
	Percent (%)	3%	0	0	0	0	1%
A little	Freq	5	3	2	9	0	19
	Percent (%)	7%	6%	7%	20%	0	9%
Moderate	Freq	18	14	8	18	7	65
	Percent (%)	25%	27%	31%	40%	33%	30%
Great Deal	Freq	15	6	7	3	3	34
	Percent (%)	21%	12%	27%	7%	14%	16%
Very Much	Freq	31	28	9	15	11	94
	Percent (%)	44%	55%	35%	33%	53%	44%
Total	**Freq**						**214**
	Percent (%)						**100**

Finally, when the respondents were asked to state their views regarding adopting IFRS in Libya, only 3% said that IFRS should not be adopted at all this is because the participants might think that this adoption might be difficult and will face many challenges, this will be discussed in details in later sections; whereas 1% having had no view on this issue. As Table 4.6 Views on the adoption of IFRS, by profession,Table 4.6 shows the remaining 96% agree that IFRS should be adopted but under different conditions. A large majority of respondents – 45% - believed that IFRS should be adopted in Libya but with some modifications to fit the Libyan businesses and their cultural backgrounds. Interestingly, 22% of respondents believed that before full adoption of IFRS in Libya, a pilot trial must be made in a sector of the country, see Figure 4. 2 below for more details.

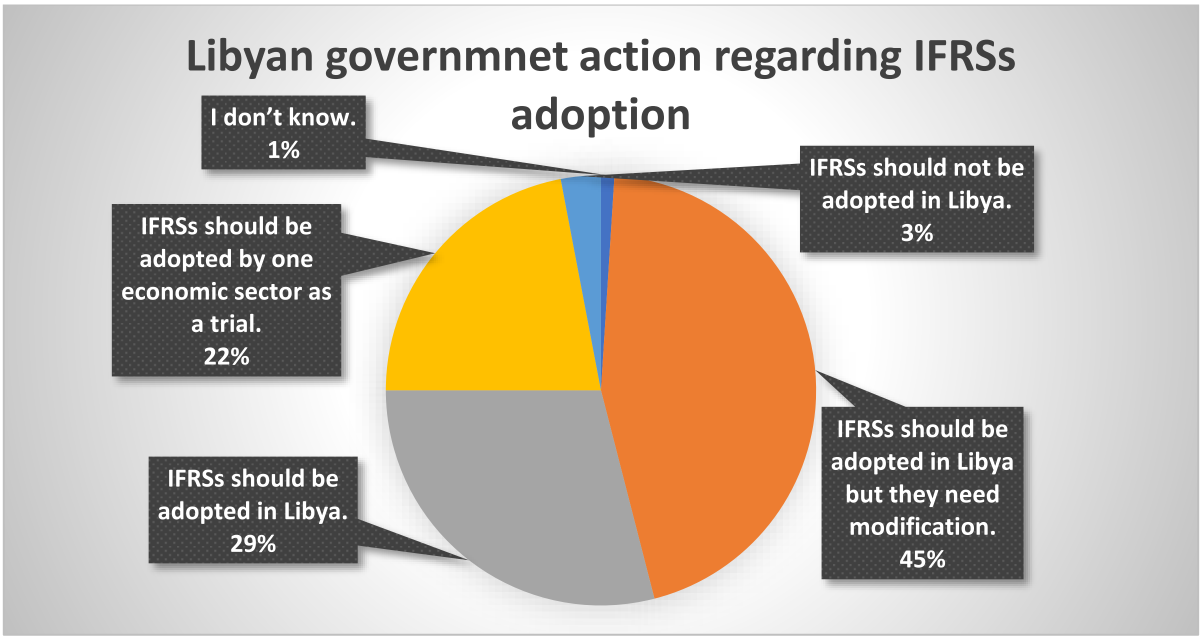

Figure 4. 2 Libyan government action regarding IFRS adoption

Table 4.6 Views on the adoption of IFRS, by profession

What should the Libyan government do regarding the International Financial Reporting Standards (IFRSs) formed by the IASB?		ACA (%)	ACC (%)	FIM (%)	EXA (%)	INA (%)	Total
I don't know.	Freq	1	1	0	0	0	2
	Percent (%)	2%	2%	0	0	0	1%
IFRSs should be adopted in Libya, but they need modification.	Freq	35	22	13	16	12	98
	Percent (%)	49%	43%	50%	36%	57%	45%
IFRSs should be adopted in Libya.	Freq	24	12	8	12	5	61
	Percent (%)	34%	24%	31%	27%	24%	29%
IFRSs should be adopted by one economic sector as a trial.	Freq	9	16	3	14	4	46
	Percent (%)	12%	31%	12%	31%	19%	22%
IFRSs should not be adopted in Libya.	Freq	2	0	2	3	0	7
	Percent (%)	3%	0	7%	6%	0	3%
Total	**Freq**						**214**
	Percent (%)						**100**

4.3 The Interviews: Analysis of Respondents

Following a thorough search and timely investigation, the researcher contacted 13 experts who consented to be interviewed. The researcher assured to interview mostly those who have been either directly or indirectly involved in works related to the Libyan oil and gas sector. The interviews took around six months in two major cities in Libya, and the total duration of all the interviews amounted to over 4.5 hours. Table 4.7 provides a summary of the demographics of the interviewees. As this table suggests, six out of thirteen interviewees came from the accounting profession, one from auditing, two financial managers and the remaining four academics who have been involved in theoretical and empirical research in the extractive sector of the economy. As this table indicates, only one interviewee is a female academic, and the rest are male. On average, as the table demonstrates, the interviewees have up to 22 years of work experience. Finally, the average interview time was 40 minutes.

Table 4.7 Interviewees Demographics

NO	Code	Position	Gender	Organisation	Experience (Years)	Duration (minutes)
1	ACC1	Accountant	Male	NOC^	50	70
2	ACA1	Academic	Male	University A	15	38
3	ACA2	Academic	Male	University B	13	20
4	ACC2	Accountant	Male	NOC^	21	28
5	FIM1	Financial Manager	Male	Company A	27	22
6	ACC3	Accountant	Male	LSE*	25	56
7	ACA3	Academic	Female	University C	13	36
8	FIM2	Financial Manager	Male	NOC^	19	29
9	AUD1	Auditor	Male	LAAA^	27	81
10	ACC4	Accountant	Male	NOC^	45	61

11	ACC5	Accountant	Male	NOC^	9	31
12	FIM3	Financial Manager	Male	Company B	18	53
13	ACC6	Accountant	Male	NOC^	18	59
Average					**22**	**40**

^ Working as an accountant in National Oil Company (NOC) or preparing/auditing financial statements for NOC and other oil and gas companies.
*Libyan Stock Exchange

The researcher developed four questions to introduce the interviews to find out about the knowledge, awareness, and familiarity with the subject. The questions relating to the benefits/opportunities, and challenges of IFRS are offered in the next chapters.

4.3.1 General Familiarity with IFRS

On identifying and evaluating the general knowledge of the interviewees about IFRS, question one asked the extent to which the respondents have been aware of the IFRS, particularly concerning oil and gas activities. Having briefly explained the short history of the current Libyan accounting standards, ACC1 elaborated on some specific aspects of IFRS, particularly standards, pricing, and profit/loss statements. The second interviewee, a university lecturer in accounting, stated that sadly IFRS though relevant, and introduced in the universities but is taught in a limited manner and applied "*to simple matters of expenses and interim costs only*." ACC2 as a chartered accountant and a consultant in NOC declared his awareness of IFRS and its superiority over the existing Libyan accounting standards. Highly related to the oil and gas sector, ACC3 highlighted that the sector does already follow international standards. However, he added: "*Still, the problem is that some countries have adopted old accounting methods to deal with exploration issues and issues related to research and development in the field of oil and gas*". On the theoretical aspects of pricing and costs, ACA3 asserted the problems associated with the economic feasibility of extraction concerning standard 6 of international accounting. FM2 and AUD1 offered a highly technical account of the current standards' liabilities and legal responsibilities and highlighted the important features of IFRS in dealing with such issues. AUD1 further reasoned behind the delay in adopting international standards by stating that "*these standards have not gone through the correct methods of forming committees that work on reviewing, formulating, and revising them to put them in the right way*".

Having worked for well over 40 years in the oil and gas industry in Libya, ACC4 declared his full knowledge and awareness and application of IFRS in Sirte but reasoned that "*Unfortunately, we did not have a basis for implementing these standards, and that is why we did not adhere to them*". The remaining interviewees also declared that they were fully aware of and familiar with the international standards, particularly in the oil and gas sector, but ACC5 had reservations about the slow development of international standards in extractive industries. Furthermore, ACC6, having highlighted the main features of IFRS and those of the Libyan accounting standards, offered his final statement: "*there is no real accounting in the Libyan institutions, and the same applies to the oil and gas sector*." The accounting practises in Libya are further discusses in the next section.

4.3.2 Libyan Accounting Practices

The general response of the interviewees on the Libyan accounting practices highlighted the lack of a well-established method and rigour to make accounting decisions since 75% of the participants expressed this lacking. On the contrary, the candidates' responses pointed towards the professional choice made by the individual preparing the accounting reports as the general way of accounting. These findings are deduced from the responses of the various interviewees as quoted in the upcoming paragraphs.

The lack of rigorous accounting standards can be seen in the response of various participants. For instance, ACC1, ACA1 and ACA2 have stated:

ACC1: *"Libya suffers from the absence of standards and legislation. Unfortunately, Libya has an impoverished and miserable accounting environment."*

ACA1: *"In Libya, there are no Libyan national standards in the Libyan accounting system, as it has so far not been relied on a specific methodology or on a particular approach in preparing financial reports in Libya".*

ACA2: *"As in Libya, currently, there are no fixed and unified standards, as the application and preparation are according to custom. They are old and controlled by the Libyan laws like Tax, commercial and oil law."*

ACC1 has further explained that the lack of clear and documented accounting standards in Libya has led individual accountants to use their interpretation, and therefore, the reports heavily reflect the accountant's professional experience and preferences. Participants ACA3 and AUD1 have also voiced similar concerns about the lack of accounting standards in Libya. ACA3 and AUD1 have further pointed to the lack of these standards as an impediment to the trade and investment by foreign companies. The lack of credibility and unreliability of the financial reports is seen as a primary cause of the reluctance among foreign stakeholders.

The lack of accounting standards and the weak regulatory bodies have translated to inefficient and opaque financial reports as the methods to create financial statements are inconsistent among the organisations in Libya. For instance, AUD1 has voiced the concern that inefficient practices coupled with poor control and regulatory framework have made it difficult to compare companies' financial reports in Libya. AUD1 stated, *"the situation is now very bad, for example: If you collect several financial statements for companies operating in Libya and make a comparison, you will find them completely different, and there is no similarity between them"*. This argument can be further extended to the severe difficulties faced by researchers in comparing Libyan accounting practices with international IFRS practices.

For instance, AUD1 expresses the need to have a consistent Libyan practice to be compared with the clear and numbered international standards. AUD1 points to the inconsistencies in the Libyan accounting practices *"In Libya, there is a dispute between one accountant and another, and that is why there can be no similarities or differences between what is applied in Libya and the International Accounting Standards. Therefore, the comparison must be between two clear processes"*. ACC5, ACC6 and FIM3 also voiced similar opinions. The comparison is made further difficult in the oil and gas sector due to the lack of credible accounting and auditing data as this data is seen as sensitive by the Libyan state. AUD1 clearly expresses this inaccessibility of the data as *"they (oil and gas) are state-owned companies, and auditing data is not available being state secrets"*. This being said, an attempt to compare the accounting practises in Libya with the international accounting standard IFRS has been presented in the upcoming sections with an intent to understand the challenges and opportunities with the adoption of IFRS in Libya.

4.3.3 Comparing different accounting practices LPL and IFRS

This section presents the analysis of the primary data (interviews) of Libya's existing accounting system, emphasising the oil and gas industries. The accounting for the oil and gas industry following the laws and procedures under GAAP and IFRS 6 for extractive industries under IASs is presented to ascertain Libya's current oil accounting standards and their differences from international oil accounting practices.

The accounting system in the oil and gas sector of Libya is controlled by different laws that describe the requirements to attain the goals and strongly influence the government (Shareia, 2014). National Oil Corporation (LNOC), a state-owned entity operates the oil and gas sector of Libya and is responsible for the oil output. LNOC performs exploration and production using their affiliated companies and participates with others under service contracts and agreements (Biltayib, 2006). Oil and gas companies in Libya are legalised by Libyan Petroleum Law (LPL) to capitalise or expense different types of expenses. This means the companies have the option to capitalise or expanse certain costs. These accounting practices are further explained in the upcoming section.

4.3.3.1 Accounting Practices in Petroleum

The oil and gas industry stakeholder in Libya is different from those in developed countries. This is because the investors are the major stakeholders for the oil and gas companies in developed countries who have the power to decide on the investment (Wright and Gallum, 2008). However, Libyan operating companies do not have investors as they are not listed in the Libyan Stock market (LSM) because two major Libyan operating companies, LNOC and Libya international oil and gas companies (LIOCs), are government-owned, and they are not listed in LSM. Thus, the information of the financial statements required by stakeholders of the oil and gas industry in Libya is different from that of developed countries (Abushaiba and Eldanfour, 2014).

The petroleum sector in Libya has always been treated as the one with a much closer link to international markets and standards. In particular, in such an industry, one should expect accounting practices and standards to closely follow the international arena's equivalents. This is demonstrated in the statement by ACA1:

"*The oil and gas sector in Libya is considered trying to implement good accounting standards. However, this sector is governed by Libyan laws and legislation represented in the oil law and Exploration Production Sharing Agreements (EPSAs) that require applications and methods other than those recognised in international accounting standards*".

One area of accounting practices when one wishes to make an international comparison is the consideration of costs in the extractive industry, classified into four major groups in the first three are from the stages of acquisition, exploration and development, which can be clubbed together as the upstream costs, while the last one is related to the production stage and is called production cost. Whether national or international, all companies operating in the oil and gas industry must follow the Libyan Petroleum Law (LPL). Normally, it is expected that LPL recommendations follow either SE or FC methods. As explained by ACC3, "*there are two methods which are (full cost, successful afford), and these two methods are acceptable. In addition, there is a third known method, the Australian method, but it is not recognised according to international accounting standards*". However, if LPL was found to treat a cost contrary to both methods, then the implications could be severe for oil companies in the longer term.

Regarding the acquisition costs, as stated in Article 14, paragraph 4, oil and gas companies are not permitted to deduct acquisition costs from their accounts. This is in contradiction with the recommendation based on both SE and FC methods, where such costs should be capitalised. This can be seen in the remarks of ACC6, *"it differs on the methods used in international standards for preparing the financial report, as exploration expenses represented in bringing drilling equipment and Legal costs"*. He further added, "*all these expenses are borne by the foreign Company operating in Libya alone and not by the National Oil Corporation. Therefore, they are not included in the expenses when calculating the income and expenses between NOC and that foreign company*". On exploration costs, Article 14, paragraph 3 of the Libyan Petroleum law states that oil and gas companies are only permitted to capitalise or expense intangible successful costs and tangible costs as capitalised. However, according to SE, successful costs are capitalised, and unsuccessful costs are expensed. According to FC, on the other hand, both successful and unsuccessful exploration costs should be capitalised (Wright and Gullan, 2008). This difference between the approaches is seen in the remarks of ACA3 as he points out that *"the difference is in terms of the well that was drilled and had no economic feasibility"*. In the same paragraph, LPL permits unsuccessful development costs to be capitalised or expensed and successful costs capitalised. On the contrary, both SE and FC treat successful and unsuccessful costs as capitalised. Finally, LPL, SE and FC are similar in the treatment of production costs as an expense.

The development costs of the successful exploration activities are capitalised in both approaches, i.e. both in LPL and IFRS6 (SE and FC) methods and costs of development are capitalised. ACC6 also resonates with this by pointing out, "*well is a producer, then all Expenses that come after the exploration process, such as site preparation, deliveries to the place of shipment, and all other tangible and intangible expenses are recovered from the well revenues and are divided into five years*".

Regarding costs, it is evident that there are differences in accounting between LPL and the international methods in three out of four cases. These differences tend to produce a significant gap between the international accounting practices and those offered by LPL. ACC6 further points out that "*the difference between international accounting standards and those accounting applications applied in Libya may lie in calculating costs and expenditures*". Therefore, the costs to international oil companies associated with the gap in accounting practices may be detrimental in decisions regarding investment and provision of technology to the Libyan oil and gas sector.

But IOCs have higher capital levers than independents because of their reasonable capital discipline, lower capital leverage, portfolio flexibility and asset integration. The size and scope of the IOCs also provide them with stronger bargaining power over suppliers to negotiate and reduce costs. Financial information in the balance sheet of IOCs also provides the oil and gas industry stakeholders with the opportunity to delay the project tactically, improve efficiency in supply chain activities and grant access to near-term cash (England, Bean and Mittal, 2015).

Additionally, another type of contract called concessions contract was used in the Libyan ecosystem for the extraction of oil; as mentioned by ACC6, *"the concession contracts differ slightly, like a specific piece of Libyan land is given to the foreign Company, which is excavating and it carries out all the operations of excavation, drilling, site preparation, operation and export, and the institution does not enter into any of the exploration and export procedures."*

The Company then submits its financial statement, including revenues and expenses at the end of the financial year. Two sets of financial statements are prepared, one aligned to actual revenue and expenses while the other is in line with Libyan law as pointed out by ACC6.

"At the end of each year, this foreign Company submits to the National Oil Corporation a statement of expenditures and revenues during this year, as the corporation reviews these statements and recognises the financial expenditures involved in the calculation and take out those that the corporation does not recognise as part of the expenses."

These concession contracts are no longer used and have been replaced by EPSA.

"Concession contracts are old and are not currently implemented anymore and it is disappearing."

4.3.3.2 Differences in Accounting Results

According to the imposed authorisation by Libyan Petroleum Law (LPL), all the oil and gas companies in Libya should have to capitalise or expense different costs based on either SE or FC approach (Wallace, 2004). The following Figure 4. 3 shows the differences in the allocation of costs under the LPL, SE, and FC approaches.

From Figure 4. 3, it can be said that SE and FC method differs in treating tangible and intangible geological and geophysical costs, and exploratory dry holes costs, while both methods require the capitalisation of costs in the case of intangible exploratory successful wells. Additionally, LPL offers some flexibility in the case of intangible geological and geophysical costs for both methods. On the other hand, oil and gas companies are not authorised by LPL in subtracting the acquisition costs, and these costs are being capitalised under SE and FC methods (Eldanfour, 2011).

In the income statement, exploration costs are charged as an expense when the exploration and production attempts failed. Therefore, the changes influence the companies' net income using SE or FC method in production cost, but the changes influence only the companies using the SE method in exploration cost (Eldanfour, Elseraiti and Abushaiba, 2014). This is because exploration costs are charged as capital when the explorations are successful. Therefore, oil and gas companies using the FC accounting method can expect higher net income than the SE accounting method after forecasting identical operational results.

4.3.3.3 Comparison analysis

Libya's accounting practice is comparable to the United States in that it is based on regulations rather than the IFRSs principles-based approach. The rules are related to the LP's goals. Complex rules, on the other hand, might make financial statement preparation more onerous than it has to be. Because a rules-based system tries to account for as many variables as possible, the standards that arise are extensive, difficult, and frequently inconsistent.

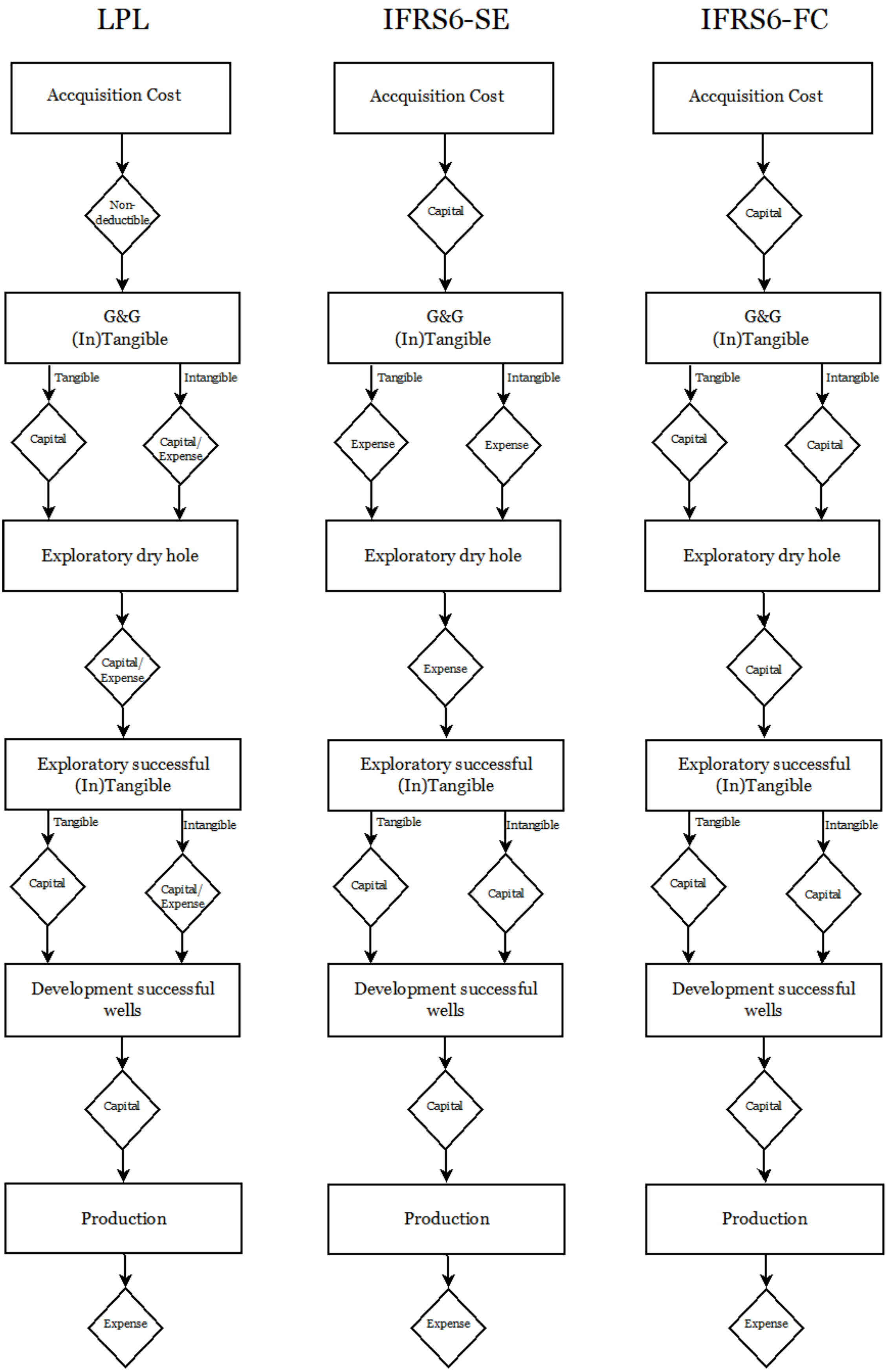

Figure 4. 3 Oil and Gas Stream activities related costs allocation under FC, SE, and LPL

(Shortridage and Myring, 2004; IFRS Foundation, 2021; Shareia, 2016). A rules-based system, on the other hand, frequently gives direction. Some accountants argue that although rules reduce the impact of ambiguity, they also raise the danger to the accountant's function. The rules-based approach, as per a former SEC chairman, pushes accountants toward being rule checkers by requiring them to apply enormous numbers of claims and issues rather than utilising their talents to generate honest financial statements (Carmona and Trombetta, 2008).

A rules-based system that contains numerous details eventually leads to lengthier and more difficult standards, as well as mandatory and inconsistent accounting treatment requirements. Furthermore, the pursuit of bright-line accounting standards has moved the professional position from analysis of the optimum accounting treatment to adherence to a set of regulations. In actuality, due to inherent irregularities and bright lines, financial reporting comparability might be deceptive (Shortridage and Myring, 2004).

There are nine primary kinds of accounts in the LGAAP based on the Arab League's accounts code. The four primary types include assets, liabilities, costs and revenue. These four classes depict the reporting unit's financial status and performance. There are five or six sub-classes within these classes. Control accounts are another type of account that deals with cost accounting. They are intended to assist reporting units in preparing reports that include budgets for their operations based on the nature of their companies. The IFRSs employ elements rather than classes, and the components are comparable to LGAAP classes 1 through to 4. The remaining LGAAP classes are not covered by IFRS since they pertain to financial accounting. Based on primary data (interviews) and literature, the differences between the Libyan accounting practices and those recommended by international standards (IFRS) can be primarily seen in the treatment of assets, inventories and the preparation of financial statements. Each of these individual differences is elucidated in the upcoming subsections.

4.3.3.4 Treatment of assets

In Libyan accounting practices, the valuation of an asset is computed using the historical cost, while the market (current) value or fair value approach is recommended in the international standards (IFRS13 and IAS16 (IFRS Foundation, 2021)). Multiple participants voice this stark difference between the two systems. For instance, ACA2 points out that *"As for the asset's cost, it is calculated according to its market cost internationally while in Libya, it is calculated based on the historical cost"*.

Furthermore, limited methods to value depreciation are available in Libyan accounting practices compared to international standards. For example, FIM2 explains that "*there are 16 methods of depreciation of assets in the world. Still, there are only four approved methods in Libya, where the tax law obliges you to follow only one method.*" Additionally, the consistency of the application of these depreciation methods is also lacking in the Libyan system. The ambiguity can be seen across the financial statements of the various organisations as pointed out by ACC4 "*in Libya, different methods are used in the process of using depreciation of assets (decreasing instalment, increasing and fixed instalments). You find that each facility works according to one of these methods, and there is no consensus on one method*."

Although participants agree to the need to reform the Libyan accounting practice methods to treat assets, it is limited by the existing legal structure of commercial and tax law and, thereby, difficult to change. This is voiced by ACA1, *"…the reason for that is that the accounting initiative in Libya is restricted by several laws, including the commercial law, the tax law, the oil and gas law. So, it is difficult to change*". Furthermore, FM1 explains, "*there are a series of legislations, including the tax law, the banking law, and others. They need amendments to be compatible with international financial reporting standards*". This deviation is seen as one of the significant limitations among the Libyan accounting practices and a major hurdle in adopting the international standards as pointed out by ACC6, "*this is a clear deficiency in the process of evaluating assets in Libya and maybe an obstacle to the process of adopting international financial reporting standards*". This is due to the required legal amendments to move away from the historical cost method.

4.3.3.5 Treatment of inventories

Treatment of inventories in accounting aims to provide an accurate assessment of the costs expensed by an organisation, thereby providing a basis to anticipate profits for investors. The inventory cost is usually computed by either the first-in-first-out method, last-in-first-out method or the weighted-average inventory method (Lucchese and Carlo, 2020). However, in modern international accounting standards, the last-in-first-out method is no longer used (IFRS Foundation, 2021), while it is still available to accountants in Libya under Libyan GAAP. This has been voiced by multiple participants, including ACA1 and FIM3. For instance, ACA1 commented, "*despite being deleted in modern accounting standards, it (last-in-first-out) is still in use in Libya and is taught is Libyan accounting curriculum*". The detrimental effects of the use of the last-in-first-out method are well known. These problems are also seen previously in the Libyan ecosystem. As pointed out by ACC6, "*due to following this (last-in-fist-out) method, obsolescence of the stock and the increase of the quantities stored was observed in the stores. For example, this happened during the times of sanctions on Libya, where large quantities of electronic devices were supplied, and the latter was used, which led to the obsolescence and uselessness of the devices in stores*."

Furthermore, the deviation between Libyan GAAP and IFRS shows that international standards use a weighted average (lowest between the cost and realisable value). In contrast, this method is not used in Libya. FIM3 points this out, "*I have not seen that a company reduce the value of the stock and use the net realisable value method, which is the actual value in the market, because there is no obligation for companies to apply this, and this is one of the differences between what is used in Libya and what is application binding in international standards*".

4.3.3.5 Financial reporting

The preparation of financial reports compliant with the international standards (IAS1) includes (IFRS Foundation, 2021) financial position statement as well as the comprehensive income statement (profit-loss report); also, other statements require such information on changes in equity, cash flow statement and a note summarising pertinent accounting policies adopted by the organisation. In contrast, LGAAP necessitates the financial position (balance sheet) statement and income statements required by the tax legislation. FIM3, FIM1 and ACC3 have voiced this.

For instance, FIM3 has pointed out that "*in international standards, there are five financial statements that companies are obligated to submit: the income statement, financial position statement, cash flow statement, change in owners' rights, and comprehensive income statement. However, the last one is not known in Libya, and therefore what is prepared in Libya, in general, is the income statement or what is known as the profit and loss statement, the financial position statement, the cash flow statement. I am not aware whether all companies are working on applying the last statement (cash statement), as most of the companies work with the first and second statement*". Although FIM3 voiced that he was not sure about the application of cash statement by LGAAP, FIM1 clearly states the application of only two statements in the Libyan accounting practice as "*what is being prepared now in Libya are preliminary lists the balance sheet and the income statement*".

Furthermore, the legislative constraints in the Libyan accounting practice have led to the preparation of two sets of financial reports, one satisfying the Libyan tax law while the other accounting for the actual expenses. For instance, AUD1 states that "*the tax law does not recognise more than 5% of public administration expenses, and at the same time, the Company will then spend more than that. Thus, the Company is forced to prepare two budgets, one of the actual and the other related to the tax law*".

Another instance of the necessity to prepare two sets of financial information is provided by FIM1, wherein he points out the constraint of maximum allowable depreciation necessitating the preparation of two financial reports. FIM1 states, "*if an asset observes the depreciation rate is 20% and the value of the profit is one million, according to the Libyan tax law, only a maximum of 10% is allowed as the depreciation value of the asset, and with this, the amount of profits is modified to one million and two hundred*".

4.3.4 Readiness for Adoption of IFRS

One of the most important questions facing Libyan companies – private or state-owned – is whether the country is ready to adopt international standards, particularly in the oil and gas sector. Moreover, the next stage is how the adoption should be managed and implemented. Therefore, the researcher asked the respondents to give their views about the country's readiness to adopt IFRS. Referring to the country's current political and social structure, ACC1 and AUD1 are of the view that in the absence of a stable government, the adoption of IFRS is far-fetched. Having highlighted many infrastructural issues in Libya, ACA1 believes adopting IFRS under the current environment is almost impossible. In particular, he has paid reference to the lack of resources in accounting education. On the same lines, AUD1 added that "*Libya, until today, through its Libyan universities, does not study Libyan standards except the historical side, and it is one of the problems facing us. Where are our universities from international accounting standards, there is an absolute absence, and their role is negative and has no effect"*. Also, he went into more detail and stated, "*Environmental accounting and social accounting that serves Libya and its economy is still a dream and does not exist in the Libyan government. We are very far behind in cost accounting, barely having an accountant with a grasp of cost accounting"*. This supports the view that the weakness of the education institution limited the possibility of adopting a high standard such as IFRS. ACA2 and AUD1 are also of the view that any thought of adopting IFRS under political and economic instability is merely a myth. By referencing several statistics on the readiness of different sectors, ACC2 pinpoints that apart from the oil and gas and the banking sectors, the rest of the economy is not ready to adopt and implement international standards. FIM2 appreciated the international standards and their benefits for all Libyans. He believes that due to poor economic stability and political disarray, the adoption of IFRS appears to be a far distance away. Finally, in addition to a reference to political instability, ACC4 warns that "*no specific body has been assigned to carry out the process of adoption and transformation to the international accounting standards ….. there is no competent body in this regard*". It can be seen that almost all participants push toward the adoption of the IFRS. However, in times of uncertainty and the missing of a strong professional body to act and drive the country to adopt IFRS, it is tough to take any action.

4.4 Summary

As a starting stage of analysis, in association with the literature and the thesis questions, this chapter has paid attention to the information acquired by surveying participants which include the responses to the questionnaire and opinions shared in the interviews. The examination of the demographics of the questionnaire revealed that of the total 214 completed questionnaires, 71 came from academics, 51 from accountants, 45 from external auditors, 26 from financial managers and 21 from internal auditors. The average respondent turned out to be in the age range of 40-49, with a master's degree qualification and with about ten years of work experience. Since the respondents were randomly selected, the researcher had no initial idea about their knowledge of IFRS and GAAP. However, as the data showed, the majority of the respondents (around 60%) appeared to have either a great deal or very much knowledge of the IFRS. In addition, up to 30% of the remaining participants declared that their understanding of IFRS was moderate. When asked about their views about adopting IFRS, 45% believed that it should be considered in Libya but with some modifications to fit the Libyan businesses and their cultural backgrounds. Furthermore, 22% of respondents were of the view that prior to the full adoption of IFRS in Libya, a pilot trial must be made in a sector of the country.

Regarding the interviewee's demographics, six out of 13 came from the accounting profession, one from auditing, two financial managers and the remaining four academics who had been involved in research in the extractive sector of the economy. To understand and evaluate their knowledge of the subject, they were asked three questions about familiarity with IFRS, differences and similarities between the two regimes. In addition, they were asked a question to find out their views on the adoption of IFRS. The interviews showed that most were highly experienced and well aware of the differences and similarities between GAAP and IFRS.

However, as for the case of the adoption of IFRS, most interviewees were of the view that due to current political instability and economic disarray, it is too soon to think of adopting the international accounting standards in Libya.

In short, as far as the question of adoption of IFRS goes, there appears to be a strong disagreement amongst our respondents of the questionnaire and interviewees: whilst a large majority of the former group is in favour of adoption now, the latter group are highly pessimistic about the efficacy of IFRS under the current environment in Libya.

CHAPTER Five Benefits and challenge of IFRS adoption: Analysis of Responses

5.1 Introduction

In this chapter, a detailed analysis of the benefits (potential opportunities) and challenges of IFRS is presented via the information collected from the study's survey (questionnaire and interview). The questions in the questionnaire come under three different groups: Benefits, Challenges and Factors. There are 15 questions in Benefits and Challenges, but only six factors were identified as potentially deterministic in adopting IFRS. Furthermore, as discussed in the methodology chapter, the respondents are given a chance to express their views in a Likert format, with one strongly disagreeing to 5 strongly agreeing with the statements. Therefore, in addition to the two headings of costs and benefits, and association with the literature, and as demonstrated in the conceptual map, one needs to establish and measure the extent of the importance of the four constructs: Accounting Education and Information, Economic Aspects, Cultural Issues and Legal Issues.

This chapter is divided into two parts the first part is devoted to analysing the benefits of IFRS vis-à-vis the responses collected from the questionnaire and the interviews. Section 5.2 presents the examination and analysis of the information collected from the questionnaire, while Sec. 5.3 offers the examination and evaluation of the findings from the interviews. Then Sec. 5.4, a discussion of these potential benefits.

After that, this chapter will be devoted to the analysis of the challenges arising from the adoption of IFRS vis-à-vis the responses collected from the questionnaire and the interviews. Part 5.6 presents the examination and analysis of the information collected from the questionnaire, whilst part 5.7 offers the examination and evaluation of the findings from the interviews. Finally, Sec. 5.8 presents a short discussion of these challenges and a summary of the chapter.

5.2 The Questionnaire: Analysis of Benefits

5.2.1 Test for Reliability

Before analysing any survey data collected from the questionnaire, the so-called Cronbach Alpha test must be conducted as a standard requirement for testing the consistency of multi-dimensional responses. This is required as stated in Cortina (1993: 68-94), to ascertain the consistency of the participants in their responses to the questions on a specific topic. A small variation in the response of the standalone participants is expected. On the other hand, any such test anticipates higher variation among the response of the individuals to the questions assuming samples are based on random selection. Therefore, these two sets of variations are compared to establish the reliability of any test. Based on this principle, a popular test for reliability offered in most statistical software is referred to as *Cronbach Alpha*, varying between zero and one. Indeed, the closer the value of Alpha to one, the more reliable the data, with the lowest acceptance level being 0.70 (George and Mallery, 2019; Watkins, 2021).

To test for the consistency of the answers to the questions, Cronbach Alpha has been applied to all the Benefits statements and their associated constructs. The results of the Cronbach test are presented in Table 5.0.1. According to this table, and in consideration of the rule, all the constructs exhibit alpha values above 0.7, with a highest of 0.89 related to the benefits, this indicates the respondents' consistency across all the questions in the questionnaire. In addition, since there is only one legal item under benefits, then there is no alpha value for Legal issues.

Table 5.0.1 Test for Consistency – Alpha Measures

Category	Items used	Alpha
Benefits	B1 - B15	0.89
Accounting Education	B1 – B7	0.88
Culture	B13 – B14	0.86
Economic	B8 – B12	0.86
Legal	B15	---

5.2.2 Test for Normality

As discussed in the Methodology Chapter, before any statistical investigation of data, one needs to identify the extent of normality of the distribution of the sample. The Anderson-Darling (AD) test for normality is based on the null hypothesis that the sample distribution resembles the population from which it is drawn and is normally distributed. Under this condition, if the estimated AD test exhibits a p-value greater than 5%, the null hypothesis is verified. Alternatively, any p-value lower than 5% confirms that the sample data is not normally distributed. As elaborated in the Methodology Chapter, if the sample data exhibits non-normal distribution, any parametric approach would be incomprehensible and unreliable. Hence, non-parametric ANOVA is recommended once it is established that the data is non-normal. Table 5.0.2 presents the AD test results for normality for Benefits and the four constructs (Accounting Education, Culture, Economic and Legal). The findings based on the AD test show that all the constructs and factors possess p-values lower than 0.05, hence rejecting the null hypothesis that the sample data is normally distributed.

Table 5.0.2 Test for Normality – AD Approach

Category	AD (p-value)
Benefits	4.984 (0.008)
Accounting Education	5.935 (0.003)
Culture	5.093 (0.004)
Economic	5.887 (0.005)
Legal	5.663 (0.002)

Thus, based on this information, the statistical techniques and inferences in this chapter will be devoted to ANOVA, primarily based on the two tests: (i) Kruskal-Wallis (KW) for comparing views across all professionals, and (ii) Mann-Whitney (MW) as a post-hoc test to compare pairs of groups once KW test yields p-value below 0.05.

5.2.3 Examination of the Data

Table 5.0.3 presents the overall aggregate responses to questions relating to benefits. The mean values shown in this table are made of an average of five figures based on the Likert scale. The closer the mean value to 5, the stronger the respondent's agreement with the statement. Except for one question, this table shows that the rest have exhibited mean values greater than 4 – somewhere between Agree and Strongly Agree. In addition, the standard deviations of these mean values are relatively low, thereby implying statistically significant measurements. Respondents assign the highest score of 4.27 to the statement that IFRS will reinforce confidence in accounting and auditing. The other higher scores (4.26) are given to both the reliability and transparency of IFRS over the existing accounting model. The lowest score of 3.89 is assigned to the benefits accruing from reducing capital costs. Overall, the average score based on these 15 questions is 4.15, suggesting that a large majority of respondents agree that IFRS will be beneficial for Libya.

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Table 5.3 Benefits, the overall response							
Benefits	**Level of Agreement (%)**					**Mean Score**	**Standard Deviation**
	SD[1]	**D[2]**	**N[3]**	**A[4]**	**SA[5]**		
B1: The process of preparing the financial statements for groups and individuals would be simplified.	0.5%	7%	7%	51.5%	34%	4.14	0.84
B2: IFRSs will help to provide accurate information for decision making in Libyan companies.	0	4%	5%	56%	35%	4.22	0.71
B3: IFRSs will enhance the reliability and accuracy of accounting information.	1%	2%	6%	53%	38%	4.26	0.73
B4: IFRSs will facilitate comparison between financial reporting information of different firms.	1%	2%	5%	58%	34%	4.22	0.71
B5: IFRSs will provide greater reporting transparency.	1%	2%	4%	59%	34%	4.26	0.66
B6: IFRSs will raise the confidence of users of financial reports.	1%	4%	4%	56%	35%	4.17	0.84
B7: IFRSs will reinforce confidence in the accounting and auditing profession.	1%	3%	2%	57%	37%	4.27	0.72
B8: IFRSs provides greater credibility and improved economic prospects for the accounting profession.	2%	6%	4%	49%	39%	4.17	0.91
B9: IFRSs will make investment measurement easier.	1%	6%	9%	54%	30%	4.08	0.84
B10: IFRSs adoption will help remove barriers previously encountered movement of international capital to Libya.	2%	3%	8%	58%	29%	4.1	0.8
B11: IFRSs will improve accessibility to capital markets	1%	2%	8%	56%	33%	4.17	0.75

Table 7. 1 Benefits, the overall response

B12: IFRSs will reduce the cost of capital.	2%	7%	10%	61%	20%	3.89	0.88
B13: Users would save time in analysing financial reports.	2%	7%	5%	57%	29%	4.05	0.89
B14: IFRSs will reduce costing, time and effort in order to formulate appropriate national accounting standards.	2%	6%	5%	60%	27%	4.05	0.86
B15: IFRS brings better corporate governance	2%	3%	7%	61%	27%	4.06	0.82
OVERALL SCORE						**4.14**	

Table 5.0.3 Benefits, the overall response

Strongly Disagree; [2] Disagree; [3]Neutral; [4] Agree; [5] Strongly Agree

In demonstrating a more detailed picture of the benefits, it would be beneficial to consider the responses across the professions. The examination of such a breakdown of responses can help identify where similarities and differences have occurred among these five professional groups. As has been discussed earlier, the usual procedure for testing differences/similarities in groups is referred to as the Kruskal-Wallis test. This test ascertains the origination of the data from the same distribution using a non-parametric method. One-way variance analysis is the parametric counterpart of the non-parametric Kruskal-Wallis test. If this value is significant, it means that there are differences in groups. However, the position of the differences in the data and their quantity are not identified by the test. This test is superior to the t-test as the normal distribution assumption is not applied to the residuals, hence being appropriate because all the constructs follow non-normal distributions.

In revisiting the responses to questions relating to the benefits of adopting IFRS, Table 5.0.4 is presented. As can be seen from this table, in a large majority of cases, the respondents across the professions agree with the benefits of IFRS. However, the distances between agreement and disagreement across these questions vary substantially across professions. For example, where the academic agreement on these benefits varies between 80% and 97%, financial managers exhibit a much wider range in agreeing with the benefits of 65% to 92%. However, a thorough and more precise way to examine such differences is determined by applying the Kruskal-Wallis test. According to the test findings, there are only two items out of 15 where significant differences have occurred among the groups. Firstly, in item B11 on the issue of IFRS contribution to accessibility to capital cost, significant differences were found in views between the financial managers on the one hand and the other four groups on the other. Secondly, differences were found between financial managers and the accounts/academics about B14 in terms of the IFRS contribution to cost reduction in national accounting standards. Insofar as the benefits are concerned, there are more similarities than dissimilarities in agreement amongst these five professional groups.

Table 5.0.4 Benefits, by Profession (%)

Benefits	Academic			Accountant			Fin Manager			Ext Auditor			Int Auditor			KW p-value	MW Post-hoc Pairwise significance				
	D	N	A	D	N	A	D	N	A	D	N	A	D	N	A		ACA	ACC	FIM	EXA	INA
B1	9	4	87	4	6	90	8	11	81	7	7	86	10	10	80	.181	No significant Difference				
B2	3	4	93	0	4	96	4	12	84	9	7	84	5	0	90	.128	No significant Difference				
B3	0	4	96	0	4	96	4	15	81	7	7	86	9.5	0	90.5	.067	No significant Difference				
B4	2	6	92	2	6	92	4	4	92	7	5	88	0	5	95	.815	No significant Difference				
B5	3	6	91	0	2	98	8	4	88	2	5	93	0	0	100	.222	No significant Difference				
B6	3	2	95	2	4	94	7	8	85	16	4	80	0	5	95	.122	No significant Difference				
B7	0	3	97	0	2	98	8	0	92	11	0	89	5	5	90	.251	No significant Difference				
B8	7	7	86	0	4	96	12	0	88	18	4	78	5	0	95	.317	No significant Difference				
B9	10	10	80	2	4	94	4	23	73	9	9	82	5	0	95	.446	No significant Difference				
B10	3	8	89	2	4	94	15	12	73	7	11	82	0	5	95	.296	No significant Difference				
B11	3	6	91	0	6	94	15	15	70	0	11	89	5	5	90	.003	FIM	FIM	ACC		
B12	6	14	80	4	10	86	37	4	69	9	9	82	14	5	81	.273	No significant Difference				
B13	11	4	85	4	2	94	12	8	80	9	7	84	10	5	85	.236	No significant Difference				
B14	6	5	89	6	4	90	31	4	65	5	7	88	0	0	100	.002	FIM	FIM	INA	FIM	FIM
B15	3	6	91	6	4	90	4	15	81	11	9	80	5	5	90	.248	No significant Difference				

5.3 The Interview: Analysis of Benefits

To grasp specific information on the extent of potential benefits of IFRS to Libya, the researcher asked questions on three main themes: Libyan Audit Bureau (LAB), Libyan Accounting and Audit Association (LAAA) and the overall economy.

5.3.1. Benefits to LAB

In highlighting the general weakness of the current LAB, ACA1 warned that due to a lack of standards and the absence of authoritative supervision, the Audit Association would face colossal problems once adoption has taken place. On the other hand, ACA1 admitted that adopting IFRS may mean that LAB "*will benefit from these standards, by accessing specific data and fixed models, that are applied to all sectors*". ACC6 has gone further to highlight the current vagueness and ambiguity of the audit standards in Libya as the most damaging issue facing businesses and the state alike. He also welcomes the emergence of IFRS that "*will lead to clear standards to be followed and there will be no ambiguity or possibility of manipulation when preparing financial reports as it currently exists*". With a long business experience, FIM3 addresses the current confusion and poor standards of the audit system in Libya and welcomes any international standards that could bring order into the audit and accounting system in Libya.

ACC5 believes that international standards adoption can reduce transaction costs currently faced by Libyan commercial organisations and hence bring order and confidence into the marketplace. ACC3, on the other hand, is of the view that the adoption of international auditing may help the LAB produce more frequent and accurate reports for the public. The interviewee AUD1, an experienced audit accountant and a member of LAB, admitted that the emergence of established accounting standards works to standardise practices in Libya and helps the "*revival of the profession and the subsequent disclosure, transparency and other advantages that follow".* He added that accounting should not be based on judgement, but on professional evaluation recommended and applied internationally. AUD1 is of the strong view that correct application of standards can help *"reduce capital and work to save time and effort for the users of these reports, as they provide accurate information that facilitates the process of comparison between different activities in the same field".*

Finally, FIM2, an experienced and highly qualified financial manager of a private company and a member of LAB and LAAA, is highly critical of the current accounting and audit system in Libya and hence states that the presence of transparent and reliable standards will enable auditors to "*discover and identify errors, leading to the credibility of the financial reports, by* *providing accurate information; hence enabling LAB to prevent embezzlement and fraud by providing consolidated financial information and data*". ACA3, ACC4 and ACC2 echoed this statement and other similar criticisms.

5.3.2. Benefits to LAAA

As one of the main aspects of the immediate adoption of IFRS, ACA1 regards the new international standards as a channel to enable the effective flow of capital to and from Libya. This way, he argues, will allow professional accounting to regain its reputation in Libya. ACC1, on the other hand, though appreciating the potential benefits of IFRS, warns that full adoption and application of new standards may take years to settle in Libya. Moreover, whilst ACA2 believes that IFRS can help ease the comparison of international financial accounts possible, ACC2 is more concerned about the benefits of IFRS in reducing costs of accounting and possible removal of financial corruption currently in existence in Libya.

In a very strong criticism of the LAAA, the ACC3 states that the Libyan Accounting and Auditing Association is only a union safeguarding the interests of its members and nothing else. Furthermore, he argues that there is confusion over the roles of members in this association, stating that there is "*no clear vision of what this role should be for this institution to be professional, and therefore relying on the union in its current form to have a role in stimulating institutions and the private sector in Libya to adopt it may be in it*". ACA3 goes even further to state that LAAA "*is not recognized even by Arab trade unions as well as accountants' unions in the other world, since there are no strong standards that might give any importance to the delegates of that union"*. ACC4 has briefly summed up the benefit of IFRS to Libya by stating that the final adoption would provide LAAA with "*a clear tool through which it can monitor sectors whether or not they are implementing the standards*".

ACC5, a highly experienced chartered accountant with experience in the oil and gas sector, has articulated the benefit of IFRS to Libya by stating that the adoption of these standards "*not only unify the standards applicable in institutions and companies, but also work to unify the audit method for those standards and thus facilitate and support the review process and make it relevant, trustworthy and reliable*". FIM3 having experienced the real problems with the system has summed up the adoption and existence of such criteria can help clarifies "*who might be able to prepare or review statements, because there is confusion at the present time*". Finally, ACC6 views the current accounting association as a weak and dis-organised union of accountants and auditors and views the adoption of international standards as the means of "*elimination of any vagueness or ambiguity in the preparation of financial reports or control matters, there will be clear standards to be followed and there will be no ambiguity or possibility of manipulation when preparing financial reports as it currently exists"*.

5.3.3. Benefits to the Economy

In expressing their views about the economy, many issues and varying aspects of Libya's economic problems were brought to the surface. By highlighting the importance of accounting practices for the entire economy, ACC5 and FIM3 have stressed that unified and transparent financial reporting will pave the way for the re-arrival of foreign investment. FIM3, in particular, pays a special reference to the importance of the oil and gas sector to the economy and states that in Libya, "*most oil extraction companies are foreign, but oil service companies are local, therefore the presence of strong accounting standards encourages foreign companies to invest in the oil services sector and take shares in local companies".* In elaborating on the potential benefits of IFRS on the overall economy, ACC4 begins by stating "*the application of standards may create a far-reaching paradigm shift for all sectors, both public and private. It also works to provide job opportunities"*. He then explains that the benefits may start from financial markets – banking, stock market, insurance and international businesses – but it would have far-reaching attributes to the general public. He believes that international standards would be "*beneficial to the Libyan community, providing a reliable database to create new job opportunities and new investments that contribute to the development of society".*

AUD1, though hopeful that there could be enormous benefits of IFRS to the entire economy, he is concerned that under current political instability, the adoption of international standards may fail to deliver and cause serious damage to the public at large. ACC3, on the other hand, is of the view that these international standards should be brought into accounting practices and then expect to see improvements in transparency, clarity, accuracy and full disclosure. However, he states that from a legal point of view, and in line with international practices and standards, the government should "*develop plans for privatization of companies, especially those operating in the oil and gas sector due to their great importance".* He believes that such a plan will be appreciated by a large number of foreign investors in the area of telecommunication and other infrastructural activities. As a strong supporter of the implementation of IFRS, ACC2 believes that one of the main benefits and opportunities of such adoption is to get rid of systemic corruption and fraud, which has been crippling the economy for years. He then adds that the adoption of IFRS "*will open the way for the investor* *and through which it can guarantee obtaining a partnership with developed countries, through which Libya can benefit from the technological and scientific development taking place in those countries".* Similarly, ACC4 welcomes the potential opportunities that adopting international practices and standards can bring to Libya. However, he warns that developments can only occur once individuals (particularly accountants and auditors) appreciate and are prepared to learn the new standards.

By paying a special reference to the oil and gas sector, ACA2 supports the view that opportunities and benefits may arise from adopting international accounting standards. In particular, he adds that such standards promote the disclosure principle, which can bring "*transparency and credibility to the financial reports in general, hence helping attract investors, local or foreign, especially in the oil and gas sector, which needs more support from foreign investment and multinational companies*". Furthermore, ACC1 states that international practices and standards can help measure the correct economic performance of the country, enabling researchers to make appropriate international economic comparisons. Finally, by referencing the 2005 and 2006 regulations issued by the Central Bank of Libya, ACC1 continues that, legally speaking, international standards and practices should have been adopted by the country's financial sector since then.

Overall, it can be said that all the interviewees believe that the adoption of IFRS helps improve the overall economy by attracting new businesses, domestic or foreign, improving transparency, and making financial comparisons easier and more accurate.

5.4 Discussion of the benefits

The previous sections in this chapter made an effort to show the extent of the opportunities and benefits that may arise from adopting and implementing the IFRS in Libya. In essence, the main aim of this chapter has been to find answers to the second question of the thesis: What benefits does the adoption of IFRS offer to the oil and gas sector in Libya? In testing the hypothesis that net benefits are positive, the questionnaire's data was used. Following thorough tests for reliability and normality, the data was then examined, revealing many interesting findings. First and foremost, based on the total sample of 214 including accountants, auditors, academics, and financial managers, the overall average score based on 15 questions relating to opportunities and benefits of adoption of international standards was found to be 4.15 out of 5, suggesting that a large majority of respondents are in agreement that IFRS will be beneficial for Libya. The highest score of 4.26 was assigned to the transparency and reliability benefits of IFRS. Next, the usual procedure for group testing using the Kruskal-Wallis test was conducted to test for differences among these professionals. This test ascertains the origination of the data from the same distribution using a non-parametric method. The overall results showed that there are similarities in scores attached to different aspects of benefits/opportunities by these professionals in most cases. Overall, the questionnaire's findings were extremely positive in favour of the highly significant potential benefits of IFRS to Libya.

In support or rejection of the questionnaire findings, the researcher conducted 13 interviews with qualified and experienced accountants, financial managers, academics and auditors. Regarding benefits and opportunities arising from the adoption of international accounting practices and standards in Libya, all respondents were unanimous in the view that there would be benefits to the country and the public as a whole. Whether from the LAB, LAAA or the overall economy, the interviewees stated that the adoption of international standards could significantly improve Libya's inconsistent, unclear, inaccurate, and non-transparent accounting standards. In particular, most interviewees regarded the concept of transparency principle arising from adopting IFRS as a pivotal stance in fighting corruption, fraud and misinformation against the Libyan economy.

Our findings relating to the potential benefits and opportunities of IFRS are strongly in line with other studies conducted in developing countries. First and foremost, on the issue of financial reporting quality, many researchers have reported significant improvements in different developing countries following the implementation of IFRS (Armstrong et al., 2010; Palea, 2013; Dayanandan et al., 2016). In addition, in studies such as those conducted by Ashraf and Ghani (2005) and Masoud (2014), it has been reported that in several developing countries, the adoption and full implementation of IFRS has brought in addition to improved reporting quality, a more efficient and cheaper means of statement reporting preparation. On the other hand, as has been argued in Barth, Landsman and Lang (2008), in some cases, firms have adopted IFRS not necessarily to see improvements in accounting quality but for a whole host of other incentives. Finally, regarding enhancing financial reporting, the hindrance to the adoption of IFRS due to differences in cultural, educational, and legal structures has been observed by Faraj and El-Firjani (2014).

Second, on the issue of harmonisation between internal and external financial reporting, several studies have demonstrated the benefits arising and those being very much in line with our research findings. For example, looking into the Malaysian experience, Ismail, Dunstan and van Zijl (2010) that such harmonisation has improved domestic firms' earnings. This point has also been reported (Ionascu, Ionascu and Munteanu, 2011; Almansour, 2019; Clarkson et al., 2011) in other countries.

Third, on the issue of transparency, as our findings from the questionnaire and interviews suggested, the adoption of IFRS would be beneficial to all parties involved. However, transparency must be supported with full and enforced legal backing to work effectively. Several case studies of developing economies have reiterated this point ((DeFond et al. 2011; Alsaqqa, 2012; Nurunnabi, 2017; Nurunnabi, 2018; Almansour, 2019).

Fourth, as has been stated in several studies relating to the Middle East and North African countries, transparency along with measurement, compatibility, efficiency and harmonisation could lead to the overall reliability and consistency in financial reporting (Alkhtani, 2010; Alsaqqa 2012; Josiah et al. 2013; Elhouderi, 2014; Nurunnabi, 2018). Our findings show that this point was raised in both the questionnaire and interviews. As shown earlier, a number of the interviewees paid references to the outcome of the correct adoption of IFRS on improvement in corporate social responsibility. Many studies relating to the Middle East have reported significant improvement in corporate social responsibility following the adoption and application of international standards (Dobroteanu, Dobroteanu and Raileanu, 2010; Alghamdi, 2012; Ogbenjuwa, 2016; Almansour, 2019).

Fifth, and finally, another important benefit arising from the adoption of IFRS is its reduction in the cost of capital and its indirect positive impact on investment opportunities. The findings showed that the experts tend to attach a relatively high score to the importance of the cost of capital. This point has also been echoed by many studies relating to developing economies. For example, Kim and Shi (2012) have examined several studies relating to developing countries and found that once IFRS is supported by strong reinforcement of legal backing, the cost of capital would decrease significantly. Capital cost reduction is one of the most fundamental factors encouraging foreign investment (Owolabi and Iyoha, 2012). Moreover, foreign investors tend to be attracted to activities run by managers who closely follow and practice consistent and transparent international standards (Apergis, 2015; Booloaky et al. 2018).

After reviewing the potential benefits Libya can get when adopting IFRS in the accounting system of the country, the next sections will offer a detailed analysis of the challenges of IFRS via the information collected from the study's survey (questionnaire and interview). As stated previously, the respondents are given the chance to express their views in a Likert format, with 1 being strongly disagreeing to 5 being strongly agreeing with the statements. In addition to the challenges, and association with the literature, and as demonstrated in the conceptual map, one needs to establish and measure the extent of the importance of the four constructs/themes: Accounting Education and Information, Economic Aspects, Cultural Issues and Legal Issues.

5.5 The Questionnaire: Analysis of Challenges

5.5.1 Test for Reliability

Following what was done in Chapter 4, before analysing any survey data collected from the questionnaire, the Cronbach Alpha test must be conducted. The purpose of this test is to quantify the consistency in the response of the participants in answering the questions pertaining to a specific topic. A small variation in a participant's response to a particular question is expected. Based on this principle, a popular test for reliability offered in most statistical software is referred to as *Cronbach Alpha*, varying between zero and one. Indeed, the reliability of the data can be judged by its closeness to one, with the lowest acceptance level being 0.70.

To test for the consistency of the answers to the questions, Cronbach Alpha has been applied to all the Challenges statements and their associated constructs/themes (Accounting Education, culture, Economic and Legal). The results of the Cronbach test are presented in Table 5.0.5. According to this table, and in consideration of the rule, all the constructs exhibit alpha values above 0.7 indicating the respondents' consistency across all the questions. Whereas the height value is to the Accounting Education category. It is worth knowing that given only one economic item under Challenges, the Alpha test is not applicable here.

Table 5.0.5 Test for Consistency – Alpha Measures

Category	Items used	Alpha
Challenges	C1 - C15	0.87
Accounting Education	C1 - C6	0.88
Culture	C8 – C11	0.84
Economic	C7	--
Legal	C12 – C15	0.78

5.5.2 Test for Normality

As explained in Chapter 6, the Anderson-Darling (AD) test for normality is used here, based on the null hypothesis that the sample distribution resembles the population from which it is drawn and that it is normally distributed. Under this condition, if the estimated AD test exhibits a p-value greater than 5% (0.05), then the null hypothesis is verified. Alternatively, any p-value lower than 5% confirms that the sample data is not normally distributed. As elaborated in the Methodology Chapter, if the sample data exhibits non-normal distribution, then any parametric approach would be incomprehensible and unreliable. Hence, non-parametric ANOVA is recommended once it is established that the data is non-normal. Table 5.0.6 presents the results of the AD test for normality for Challenges and the four constructs. The findings based on the AD test show that all the constructs and factors possess p-values lower than 0.05, hence rejecting the null hypothesis that the sample data is normally distributed.

Table 5.0.6 Test for Normality – AD Approach

Category	AD (p-value)
Challenges	5.032 (0.000)
Accounting Education	4.835 (0.001)
Culture	5.003 (0.002)
Economic	4.987 (0.004)
Legal	8.08 .006)

Thus, based on this information regarding the non-normality of the data, the statistical techniques and inferences in this chapter will be devoted to ANOVA, primarily based on the two tests: (i) Kruskal-Wallis (KW) for comparing views across all professionals, and (ii) Mann-Whitney (MW) as a post-hoc test to compare pairs of groups once KW test yields p-value below 0.05.

5.6 Examination of the Data

The overall picture of challenges is presented in Table 5.0.7. According to this table, the scores tend to vary between 2.37 and 4.22. The highest score is assigned to concern about the need to train staff to become familiar with IFRS. Concerns have also been expressed in relation to legal structure and commercial laws in Libya with scores varying between 3.92 and 4.09, this could indicate that the existing laws are one of the main that challenges could stand against this adoption. On the other hand, the lowest score (2.37) has been assigned to the possible complexity of IFRS. On the whole, the overall average score for challenges has turned out to be 3.85 – somewhere between *not sure* and *agreement*.

Table 5.7 Challenges, the overall response

Challenges	Level of Agreement* (%)					Mean Score	Standard Deviation
	SD	D	N	A	SA		
C1: IFRSs will increase complexities in preparing financial statements thereby increasing the risk of errors.	27%	42%	7%	17%	7%	2.37	1.25
C2: The need for training of relevant professionals.	1%	4%	2%	56%	37%	4.22	0.8
C3: Weakness of professional accountancy body in Libya.	4%	12%	8%	55%	22%	3.79	1.04
C4: Lack of knowledge and technical skills of the professional accountants in Libyan.	8%	15%	10%	47%	20%	3.55	1.2
C5: Weakness of accounting education in Libya.	5%	12%	7%	56%	20%	3.74	0.91
C6: Lack of proper instructions and guidance from regulatory bodies.	2%	4%	6%	59%	29%	4.11	0.79
C7: The cost of IFRSs implementation is very high.	3%	10%	10%	57%	20%	3.79	0.98
C8: Zakat and Islamic law requirements (interest issues).	5%	11%	10%	52%	22%	3.77	1.06
C9: Unsuitability of some IFRSs procedures to the Libyan environment.	3%	9%	9%	60%	19%	3.82	0.95
C10: Language issue, because the IFRSs are written in English language.	25%	28%	6%	29%	12%	2.75	1.29

Table 5.0.7 Challenges, the overall response

C11: Problems with the IT system in handling the transition to IFRS.	12%	42%	7%	32%	7%	2.79	1.25
C12: IFRSs require changes in Libyan Commercial law.	1%	6%	11%	60%	22%	3.98	0.79
C13: IFRSs require changes in Libyan tax laws practices.	1%	4%	10%	65%	21%	4.01	0.71
C14: Lack of legal system enforcement.	1%	2%	10%	63%	25%	4.09	0.71
C15: Existing laws limit the application of IAS/IFRS.	2%	7%	12%	58%	22%	3.92	0.88
OVERALL SCORE						**3.64**	

In examining the challenges across professions Table 5.0.8 is presented. A careful examination of this table shows that agreement with these 15 statements tends to vary quite significantly across professions. For example, where the range of agreement with these challenges for academics is 31%-96%, the internal auditors and external auditors exhibit a much wider range of 5%-100%. On a more precise test for discovering the main areas of differences in the views of the professionals once again, the Kruskal-Wallis is consulted. According to the Kruskal-Wallis findings, there are 6 items out of the 15 challenges that differences among the respondents have occurred. The first item is C1 which relates to the complexity of IFRS, where major differences are depicted between accountants, financial managers, academics and external auditors. Second, C3, the weakness of the Libyan professional body proved to show significant dissimilarities among accountants and the rest of the professions. Third, C4 relates to a lack of technical knowledge and skills. While around 65% to 75% of accountants, academics, financial managers and external auditors were in agreement that technical skills and general lack of knowledge are the hurdles to the adoption of IFRS, only 38% of the internal auditors agreed with this statement. The fourth item, C5, where differences have occurred, is a weakness of accounting education in Libya. On the whole, the majority of the respondents do strongly agree – between 44 and 80 per cent - which accounting education is a big hurdle in the adoption of IFRS in Libya; but all the external auditors strongly agree with this challenge. Language issue, item C10, is the fifth item where differences have surfaced. Where a majority of accountants and academics regard the language issue as problematic, the other professions attach much lower weight to its severity. This raised dissimilarities in their opinions, where some believe the IFRS has Been translated to different languages (Arabic is one of them); since IFRS has been used as a form of accounting base for many Arabic countries recently, this has been indicated clearly in the open-end section from the questionnaire; the quotes are presented in the next part. Finally, the issue of IT-related skills has emerged as the last source of differences among these respondents. Although on average, just over 40% of respondents regard IT as a potential problem, 76% of all accountants do not consider it a big issue.

Table 5.0.8 Challenges, by profession (%)

Challenges	**Academic**			**Accountant**			**Fin Manager**			**Ext Auditor**			**Int Auditor**			**KW p-value**	**MW post-hoc Pairwise significance**				
	D	**N**	**A**	**D**	**N**	**A**	**D**	**N**	**A**	**D**	**N**	**A**	**D**	**N**	**A**		**ACA**	**ACC**	**FIM**	**EXA**	**INA**
C1	63	6	31	84	2	14	62	8	30	55	13	31	81	14	5	.003	INA	FIM/ACA	ACC	INA	ACC
C2	4	0	96	6	4	90	4	0	96	7	5	88	10	0	90	.385	No significant Difference				
C3	3	7	90	24	4	72	15	4	81	29	13	58	14	10	76	.001	ACC	ACA	EXA	ACA	ACA/ACC
C4	20	10	70	25	10	65	23	8	69	20	5	75	43	19	38	.024	INA	INA	INA	INA	ACC/ACA
C5	7	13	80	8	6	86	15	4	81	51	5	44	0	0	100	.000	EXA	EXA	EXA	INA/	EXA

																				FIM	
C6	4	10	86	10	2	88	8	4	88	5	7	88	0	0	100	.945	No significant Difference				
C7	10	13	77	12	10	78	12	8	80	18	15	67	19	0	81	.932	No significant Difference				
C8	14	8	78	16	4	80	12	23	65	16	16	68	24	0	76	.622	No significant Difference				
C9	10	9	81	6	6	88	23	4	73	13	16	71	19	10	71	.240	No significant Difference				
C10	34	7	59	43	4	53	69	4	27	73	4	22	76	10	14	.002	INA	INA	ACA	ACA	ACA
C11	54	7	39	76	4	20	50	4	46	36	13	51	48	5	47	.003	ACC	FIM/ACA	ACC	ACC/ACA	ACC
C12	9	16	75	2	8	90	12	11	77	7	11	82	5	5	90	.276	No significant Difference				
C13	4	14	82	0	8	92	8	8	84	7	7	86	5	14	81	.216	No significant Difference				
C14	0	13	87	4	8	88	8	12	80	5	7	88	0	5	95	.661	No significant Difference				
C15	7	16	77	6	8	86	23	12	65	9	9	82	0	14	86	.137	No significant Difference				

5.7 The Interview: Analysis of Challenges

Following what was done in the previous chapter, in obtaining a better and clearer picture of challenges, the researcher asked the interviewees to cast their views concerning three main themes: LAB, LAAA, and the economy as a whole.

5.7.1 Challenges Facing LAB and LAAA

Most interviewees who are members of the two accounting associations shed some interesting critiques on the functioning and ability in relation to potential challenges facing the accounting professions in Libya. ACC1 in criticising the lack of participation of LAB and LAAA stated that to date these associations have failed to come up with drafting any "*laws relating to the adoption and implementation of new standards and practices in accounting"*. In addressing LAAA's lack of support, ACA1 points out that professional bodies tend to be resistant to the adoption of IFRS. He recommends that these bodies think carefully to encourage the government and private institutions to "*re-evaluate, develop and train the human component of accountants and auditors"*. Furthermore, he is of the view that the most challenging hurdle is the existence of the old members of LAAA who are unable and unwilling to keep pace with the development of plans and guidelines for implementation of the international standards. This message was also echoed by ACA2 by stating that the lack of support for international standards by professional auditors and accountants is a major problem in Libya.

In relation to the current Libyan laws, ACC2 blames the official bodies and accounting professions for having failed to develop and encourage means of adopting international accounting practices and standards. He adds that these bodies should focus on holding meetings and seminars to promote the benefits of these standards, but he warns that "*the people responsible for financial authorities and decision-makers are not suitable for leadership to assume these responsibilities"*. FIM1 recommends that LAAA and LAB begin preparing accounting profits through international standards and at the same time the statements for tax purposes can be used by local standards based on the Libyan tax law. This way, he believes, can pave the way for the final implementation of international standards at a wider scope. ACC3, in identifying the areas of weakness of these two bodies, proposes that the full application of standards should come based on an "*integrated series of steps that must be taken in order to reach the full implementation*". He is highly critical of the current system of financial reporting, which, as he puts it, usually leads to the complexity of work and the rise in errors in financial statements. FIM2and AUD1 are also of the view that lack of seriousness and professional integrity has led to a severe blow to confidence creating "*doubts about the validity of financial reports in institutions and users of activity*".

On the issue of reluctance, both ACC4 and FIM3 appear to agree that this arises from the fact that accountants and auditors themselves are unqualified and untrained in dealing with international standards and practices. ACC4 goes on to state that the incompetence of heads of boards of directors in most state institutions reflects "*negatively on the performance, and hinders the development and willingness to change and adopt international financial reporting standards*". Furthermore, he believes that both LAAA and LAB are the main hindrance to the process of adopting and implementing the new standards. On the same issue, ACC5 goes further to articulate that due to a culture of reluctance to change among officials and professionals in Libya, any change is resisted "*even if this change happens to be in the public interest*". In light of the strong reluctance to change, FIM3 advises LAAA to keep abreast of development and changes and hence take the "*necessary measures to inform and bind local accountants to adhere*" to international standards.

5.7.2 Challenges Facing the Economy as a whole

As has been agreed among all interviewees, the Libyan government can potentially play an extremely crucial role in supporting, financing and promoting training programs tailored for the accountants and auditors to other people involved in financial markets and state institutions. One of the main pillars of success, as has been elaborated by ACC1, is to promote awareness and identify areas where lack of financial resources or otherwise have led to resistance to change. As the first stepping stone, ACC1 is adamant that financial laws, particularly those relating to taxation must be revisited and amended in line with those practised in international arenas. This issue is also highlighted by ACA1, who is of the strong view that good accounting standards, particularly those in the oil and gas sector, are still governed by Libyan laws and regulations "*that require applications and methods to be recognized in international accounting standards*". ACC2 sums up the current corporate governance system in Libya as one "*not binding with the application of commercial laws*". ACC4 warns that laws in Libya may well be an obstacle to the application of standards, and thus some articles in the laws must be "*reformulated in order to conform with the requirements of international standards*". ACC5 and ACC6 have both considered the Islamic/Sharia laws, which are present and partly practised in Libya, as a potential hurdle in accepting and adopting international standards. In particular, issues relating to financial practices and calculation of interest payments are rejected by Sharia law.

Another issue which has been highlighted and explained by most interviewees is related to human capital and training programs. ACA1, for example, begins by elaborating that human capital shortage and the absence of a skilful workforce have led to the gradual disappearance of the private sector – domestic or foreign – in the country. To encounter this problem, he recommends that resources need to be directed towards development and training in all aspects of accounting and financial reporting. He further adds that such programs require massive resources, time and a change of attitudes. ACC6 is highly pro training but he views this as the development of new courses in international standards in universities aiming to promote "*teaching programs enhancing knowledge and familiarity with international financial reporting practices*". On the development of the human element, ACC2 is supportive of the wholehearted training program but he warns that "*the method of application may be challenging due to the low capabilities of the financial cadre*" in the economy. On the issue of lack of skilled personnel and professionals, ACC6 argues that establishing workshops to introduce the importance of these standards, and training courses can help "*bring staff to the required degree to work with international standards*". ACA2 is of the same view but believes that at the present the government and the economy are extremely fragile and unstable, and hence one should not expect any such developments in the short run. This problem was also echoed by AUD1 as the first and foremost challenge which must be resorted to first. Despite the instability of the country, ACC3 is of the view that in the meantime one should accept that the full adoption of standards could come based on "*an integrated series of steps in order to reach the full implementation*". As the first step, he suggests that the Libyan government should "*revitalize the private sector to enhance its share of GDP and have a broad base of stakeholders*". In light of the weak and unstable government, ACC3 points out that no binding laws have been introduced for the use of international standards by either the Ministry of Economics or the Central Bank of Libya.

Finally, references were made by a number of interviewees to some other issues which are worth highlighting here. Since Libya has been closed to the rest of the world for a long time, ACC4 and AUD1 pointed to the English Language barrier as another hurdle that must be overcome prior to full adoption of the international standards. He adds that any attempt to translate these international practices and standards from English to Arabic may lead to the loss of their value. However, ACC3 has a different point of view. As stated, "*some bodies and* *organizations have provided these standards in the Arabic language*" and added, "*translating them is no longer an obstacle or a challenge, since these standards are for all sectors and economic activities*". An academic participant from the questionnaire stated, "*There is a translation of international standards in Arabic"* also the Internal auditor added, *"Language and technology are not challenges now because standards have been translated and adopted by many Arab countries*". Many Arabic countries translated these standards before adopting them as their local standard.ACA3, though regarding the timing of adoption as critical, he is worried that the cost of transformation may be so huge now that it may postpone the idea altogether. The last point raised by ACC5 relates to technical capability and personnel in dealing with the adoption of international standards. He believes that it may prove to be one of the most challenging and costly hurdles, which needs a lot of time and patience to overcome.

5.7.3 The previous attempt to adopt IFRS

Interesting findings were raised by seven interviewees, ACC1, FIM1, ACA3, FIM2, AUD1, ACC5 and ACC6; they pointed out an effort by a number of accountants in Libya to push toward the adoption of IFRS. As ACC1 stated, "*Libya is always ready to adopt international standards, and it is like other countries, as this was attempted in the past",* whereas AUD1 pointed out that *"this was the first and serious experience by the Libyan government to formulate accounting standards"*. FIM1 provided further information as he stated: *"in Libya in 2006, a comprehensive conference was held for all Libyan accountants, which included about 700 participants, to adopt the application of international accounting standards".* Many experienced individuals with extensive experience in this field, and a well-known international figure in the field of accounting participated in this conference; for example, AUD 1, who is the Head of LAAA, pointed out that: "*Mr. (T. H), who is one of the participants in the preparation and evaluation of Egyptian accounting standards*". This conference was "*the strongest course in the field of accounting in Libya"* AUD1 explained, stating that they were *"able to train on about 36 international accounting standards"* during this conference.

Many outcomes and recommendations were listed at this conference and a committee have been appointed (see Appendix 6). The main one was to establish a supreme accounting council in Libya. As ACC1 expresses, "it *was agreed to correct the accounting environment, and thus create a supreme accounting council",* and the main aims of this council is *"to be among its works to adopt international accounting standards, and also to correct the status of the (LAAA) so that it becomes a good professional institution, as well as other recommendations, were* *made to raise the level of the accounting profession in Libya*". Similar point has been raised by AUD1. Additionally, ACC1 added, "*We were just around the corner from a law enacting the application of international accounting standards"*. However, ACA3 had a different opinion where the participant stated that *"a law was issued for the freedom to apply IFRSs and not obligate them to apply those standards"* but because there was no enforcement to adopt and apply IFRS standard, this *"led to the failure of the application of those standards. They were not applied or defined, not even setting a clear plan for the adoption".* Similarly, AUD1 added, *"this proposal has been rejected due to the lack of seriousness of officials in the Libyan government about change and development".*

However, FIM1 stated that they failed to adopt IFRS "*due to circumstances we are ignorant of*". The failure of adopting IFRS was claimed to be due to the resistance to change by several accountants, as pointed out by ACC1, "*attempt would almost be successful if there were no individual obstacles to not wanting to change*". This could be for various reasons, but FIM2 states it can be because of *"the lack of sincere intention to apply those standards".* Furthermore, ACC1 stated, *"a group of senior Libyan accountants, whom are of a high level of education and have obtained the highest certificates from scientifically advanced countries such as America and Britain, including Dr. (SB), and accounting (MA), they joined forces and worked hard to not to change, develop and implement international accounting standards".*

However, ACC6 claimed that *"this attempt failed as the aim was to bridge the gap between the views of accountants in the position of authority".* Furthermore, it seems there was a disagreement between the attendees and those responsible for the application of these standards, where some would like to adopt the IFRS as it is, as pointed out by ACC5, *"they are adopted without any amendment to them",* whereas AUD1 clearly stated, *"the insistence of some specialists in using these standards without revising and amending them indicates a lack of understanding of the Libyan environment".* The participant further explained by saying, *"because the Libyan environment is inconsistent in some of its laws with the application of international financial reporting standards".* A similar point has been raised by ACC5 and added, *"including the oil and gas law, and the law on concession contracts, which differ in their clauses with those standards in force in international accounting".* This is why AUD1 insist there must be *"a supreme accounting and audit council made up from "include all experts in the legal and accounting field and must have sufficient knowledge of Libyan legislation"* to take the correct steps towards the adoption. Consequently *"they can review these standards and determine what is in line with the Libyan environment and amending what* *is inconsistent with the policies and procedures in the Libyan state".* On the other hand, other attendee suggested to ACC5 *"adopting the Egyptian accounting standards, as it contains international accounting standards after making some amendments to them to suit the Egyptian environment, and since there is a great similarity between the Libyan and Egyptian environment".* This implies an attempt of mimetic isomorphism of the Egyptian adoption of IFRS by the Libyan state as countries too are found to follow similar regulatory and standards, according to mimetic isomorphism, so that to be able to compete more effectively in global markets and hence sustain international legitimacy (Irvine, 2008; Ibrahim, Stanton and Rodrigs, 2014).

However, AUD1 stated that *"in 2008, unfortunately, these standards were printed in a book, and it was called the Libyan Accounting Standards"*. This seemed like a good attempt, but he explained the reasons for being sorry for this attempt *"This procedure was done by a person and attributed this work to the LAAA, but the Syndicate has no relation to this book"* Furthermore, the main reason for this attempt not being successful as pointed out by AUD1 is *"these standards have not been revised to be suitable for work in the Libyan environment, (for issuing and adopting a standard, this matter passes through a series of stages; unfortunately, this did not happen) and thus this attempt failed".*

However, the attempt of adopting IFRS is still going and will not stop as AUD1 said, *"to this date, there are efforts to introduce or create local standards. These standards may be international standards that are addressed and modified to suit the Libyan environment".*

5.8 Discussion of the challenges

This chapter has considered a thorough examination of the challenges facing the country from the accountants and other related professionals in managing to adopt and implement the new standards. In effect, this chapter has made an effort to find answers to the 3rd question of the thesis: What challenges does the adoption of IFRS bring to the Libyan oil and gas sector? The quantitative part of the analysis surfaced many interesting points. First of all, the highest score was found to be assigned by the respondents to the need for training programs in developing familiarity with IFRS. The second highest score was given to challenges regarding the legal structure and commercial laws in Libya with scores varying between 3.92 and 4.09 out of 5.00. On the other hand, the lowest score was assigned to the possible complexity of IFRS. On the whole, the overall average score for challenges has turned out to be 3.85 out of 5.00. The findings from the interviews also revealed a similar pattern where most interviewees were extremely concerned about training (planning and costs) and the incompatibility of Libyan commercial laws with international laws.

On discovering the extent of agreement or disagreement among the experts concerning challenges, once again the Kruskal-Wallis test was conducted. According to the Kruskal-Wallis findings, apart from six items, there were no significant differences in views of the interviewees on the remaining nine items. Even in areas where differences surfaced, the extent of such differences was rather small. On the whole, as the tests suggested, no disagreements were observed in the following areas: training, costs, commercial/Islamic laws, and Libyan culture/environment. In short, the majority of the respondents do strongly agree – between 44 and 80 per cent - that accounting training and education and the associated costs are the biggest hurdles in the adoption of IFRS in Libya. The findings from the interviews also confirmed the importance of accounting training as the most cumbersome aspect of the adoption of IFRS.

The challenges brought to the surface from the analysis are strongly in line with the literature regarding the adoption of IFRS in developing countries. In most cases, economic and institutional disparities are to blame for the wide variations in national accounting systems (Nobes, 1998). First, the current chapter found that education in accounting and cultural awareness should be considered the most fundamentally challenging steps toward full adoption. These issues have also been highlighted in many research works for developing countries (For example, see: Salter and Niswander, 1995; Chanchani and Willett, 2004; Chasima, 2000; Alkhtani, 2010; Almansour, 2019). Cultural factors come in so many ways and forms. For example, in the case of Arab countries, Islamic laws and practices tend to govern almost all aspects of life. In particular, the Sharia law embodies detailed taxation laws, which in most cases tend not to comply with international taxation laws (Khlif and Hussainey, 2016). Language barrier or resistance to learning a foreign language has been a vexing problem facing Libya for decades. Although IFRS standards have been fully translated into Arabic (IFRS Foundation, 2021), the underlying foundation of international standards ais based on Western principles and practices. Although the questionnaire and interview findings showed a relatively low score attached to language as a barrier, many participants pointed out that it is no longer an issue, and IFRS can be found in the Arabic language. In contrast, before, this seems to have been rather a severe issue in many Arab countries. For example, Almansour (2019) reports that around 90% of the experts in his study have regarded language as a significant hurdle in practising the IFRS in Saudi Arabia.

Second, resistance to change by academics and professional bodies has proven to have been a major issue surrounding the adoption of international standards in Libya. In particular, as a number of interviewees pointed out, the two main accounting bodies (LAAA and LAB) have been responsible for delays in the adoption of IFRS in Libya. Furthermore, institutions lack awareness and knowledge in appreciating and evaluating the potential benefits of IFRS (Alsulami and Herath, 2017).

In final words, Libya appears to have been facing a whole host of challenges and difficulties in adopting the international standards far more severely than any other developing economy. This is because the country has been run as a closed economy for many decades, having been out of touch with the rest of the world. This is coupled with deep cultural challenges resisting change from professionals and institutions alike. As our findings showed, there has been severe damage to the economy, particularly since the 2011 uprising. It may take years for the institutions and the people to evolve and hence be in a position to appreciate and adopt international standards. Overall, this chapter discussed the benefits and challenges of adopting IFRS in Libya, the next chapter will evaluate comprehensively the findings of this chapter, and also will attempt to identify the factors which may have led to a delay in adopting the IFRS in Libya.

CHAPTER Six Overall Evaluation Opportunities vs Challenges

6.1 introduction

Having examined the backgrounds of the respondents and their responses for and against the adoption of IFRS in Libya, this chapter is designed to arrive at a comprehensive evaluation of the findings. In particular, the chapter attempts to identify areas and factors which may have led to a delay in adopting the IFRS in Libyan sectors. Part 2 of the chapter is devoted to the final evaluation of the findings derived from the previous chapters by focusing on an effective comparison between benefits and challenges. Part 3 presents a number of factors and areas of concern which have led to the lengthy delay in the adoption of IFRS. Finally, part 4 presents a comprehensive account of the findings and the final discussion in relation to the questions of the thesis.

6.2 Opportunities and Challenges: Which Way to Go?

The last two chapters have been devoted to the examination, measurement and evaluation of a number of characteristics forming the benefits/opportunities and challenges of adoption and implementation of IFRS in the Libyan environment. Tyrrall and Woodward and Rakhimbekova (2007) argue that to assess IFRS adoption and its relevance to a country's needs, the governments should weigh the benefits and challenges. On the whole, as noticed through the examination of the data extracted from the questionnaire, the overall average benefits score exceeded that of the challenges by as much as 0.5 out of 5. Although this difference represents a small amount of net benefit accruing from the adoption of IFRS, it needs to be tested for statistical significance. Table 6.1 presents the benefits, challenges and differences based on our four themes. As the table shows, scores of benefits in all four themes turned out to be larger than those of challenges, indicating net benefits across the board. The figures in brackets represent the corresponding values of standard errors. One immediate observation is that the estimated standard errors relating to challenges for every theme are larger than their corresponding benefit themes. The score assigned to benefits arising from the accounting education and training theme exceeds its challenges by as much as 0.6 out of 5 and that is statistically significant at less than 1% level. Similarly, the cultural benefits arising from IFRS have turned out to be larger than that of challenges and that difference is statistically significant at the less than 1% level of significance. Furthermore, the score attached to economic benefits of IFRS is larger than that of challenges and the difference is statistically significant at a lower than 5% level. Moreover, the scores of benefits and challenges relating to legal aspects show a very small and statistically insignificant difference. This suggests that on the whole, respondents see very little legal net benefit arising from the adoption of IFRS, primarily due to the presence and significance of Islamic Law and the local Libyan tax/commercial laws. Finally, as the average scores indicate, the total net benefit has turned out 0.5 and that is statistically significant at a lower than 1% level.

Table 6.1 also shows the score ranges for the two constructs. Whilst the range of scores for benefits is only 0.38 (4.27 – 3.89), the range for challenges is nearly five times larger at 1.85 (4.22 – 2.37). The issue of large deviations in scores relating to challenges was picked up via the K-W test performed in the last two chapters. The K-W tests showed that whilst respondents' scores were in agreement on 13 out of 15 items of benefits, their scores of challenges exhibited agreement in only 9 out of 15 items.

Table 6.1 Benefits vs Challenges – The Thematic Approach

Theme	Benefits	Challenges	Difference	p-value
Accounting Education	4.22 (0.053)	3.62 (0.068)	0.60	0.001
Culture	4.05 (0.062)	3.28 (0.072)	0.77	0.001
Economic	4.08 (0.061)	3.79 (0.071)	0.29	0.011
Legal	4.06 (0.058)	4.00 (0.055)	0.06	0.124
Overall Average Score **Range of Score**	**4.14 (0.056)** **3.89 – 4.27**	**3.64 (0.063)** **2.37 – 4.22**	**0.50**	**0.001**

When evaluating the extent of benefits and challenges delivered by the interviewees, some similarities were found with the questionnaire findings. In particular, legal challenges were regarded by a number of interviewees as the most fundamentally deep-rooted hurdle in Libya. The presence of Islamic law and the local Libyan laws relating to tax and commerce, as underlined by most interviewees, can seriously undermine the implementation of IFRS. This was also reflected by the score that respondents attached to legal issues – a score of 4.00, one of the highest scores assigned to challenges. As for accounting education and professional training programs, although respondents attached a relatively high score to its benefits, interviewees regarded it as one of the most time-consuming, expensive and inherently challenging hurdles for Libya. On the issue of economic benefits and costs associated with the adoption and possible implementation of IFRS, relatively low scores were assigned to benefits, but slightly higher scores were attached to costs/challenges. The interviewees appeared to underline the costs of adoption and implementation more severely, particularly under the current circumstances where the Libyan government is weak and economically unstable. On the other hand, when considering the oil and gas corporations and other related activities, the interviewees appeared to be unanimous in stressing the need for immediate implementation of IFRS, enabling the economy as a whole to merge with international players.

On the whole, in weighing up the benefits and challenges of implementation of IFRS, most participants of the research (questionnaire and interviews) have been of the view that adoption of international standards is a must, but most were not sure when it should be applied.

6.3 Deterministic Factors and Concerns: Why Delay?

Despite the recommendation for the adoption of IFRS by the Libyan government back in 2006, nothing has been genuinely done to date. The problem has been that such a recommendation was never passed by lawmakers; and nor was it enforced by any professional body in Libya. According to the findings of the interviews and the reasonings offered by policy-makers, there are several factors which support the adoption and implementation of international standards, which were addressed in detail in the previous chapters. In the questionnaire, the researcher specifically asked the respondents to identify and rank a number of deterministic factors and their levels of agreement vis-à-vis the adoption/implementation of IFRS. Table 6.2 gives the summary of the level of agreement (in percentages) to the top five factors by the five groups of respondents. As this table shows, whilst the ineffectiveness of the current Libyan accounting standards (GAAP) is regarded by these professions as the least important (with a 71% level of agreement), the other factors (Libyan economy, international companies, Libyan government, and capital market) are regarded as highly important – with agreement levels of 85% to 91% - factors in motivating the country to implement the IFRS. On the whole, these five factors give rise to the reasoning behind the adoption and implementation of international standards in Libya. Translating these agreement levels into the score (out of 5), as shown in the last column of the table, the highest scores are related to the capital market and international companies. This is because the oil and gas industry, the main activity in the country, along with the financial markets, are highly linked with international markets; and hence will benefit greatly by adopting the full international accounting and financial reporting standards. Furthermore, these activities are expected to be less prone to local taxation and commercial laws. Moreover, it is anticipated that Islamic law, somewhat present in the country, has far less impact on these sectors' activities. Finally, the score for the overall economy is very high at 4.59 out of 5, indicating the relevance of IFRS in enhancing the Libyan economy as a whole.

Table 6.2 Deterministic Factors levels of agreement % and overall scores

Factor	Academics	Accountants	Financial Managers	External Auditors	Internal Auditors	Overall Score
GAAP ineffectiveness	63	80	69	71	76	**4.25**
Libyan Economy	91	84	84	86	95	**4.59**
International Companies	92	88	84	86	95	**4.64**
Libyan Government	88	90	78	84	86	**4.54**
Capital Market	89	94	80	91	90	**4.68**

In addition, the interviewees highlighted some more specific positive factors which could help motivate the country to move towards adopting international standards. In particular, the benefits of training and accounting education, as was stated, may open up greater opportunities for Libyan professionals and graduates to be able to work in international organisations operating at home and abroad.

Despite all these benefits and positives discussed above, one wonders how come the international standards have not yet been adopted in Libya. In particular, since 2002 when Libya officially opened its doors to international business there had been ample time and resources which could have been used to fully implement the IFRS. As has been stated previously, Libya became isolated from the rest of the developed world over the period 1969-2005. Many years of isolation, coupled with the policy of removal of English teaching from schools, have meant that the country has now a lot of catching up to do (Porter, 2006; Suwaed, 2011; Linvill, 2013). Accountants, auditors and lawyers have been equally out of touch with international standards since then. Having relied on the literature search, and the findings from our interviews and the questionnaire, one finds a number of most prominent factors which are believed to have been responsible for the long delay in the adoption of international standards in Libya.

6.3.1 Training/Education Support

The issue of weak infrastructural support for training and education in Libya surfaced soon after the country opened up to the rest of the world. Porter (2006), in a detailed economic development report on Libya, stressed that the education and training system has failed to provide jobs since it is disconnected from markets. Porter (2006) further hypothesised the weakening of the IT and foreign languages roles as a consequence of poorly made educational policy choices. The problem with poor educational support and weak infrastructure was also echoed by Linvill (2013), arguing that years of poor resourcing had led to this deeply-rooted problem. Furthermore, Masoud (2016) is of the strong view that the development of accounting regulation and application of full international financial standards are primarily based on all decision-makers and responsible professionals coming together to offer a comprehensive program of training and education.

The need for training and education is one of the most challenging hurdles in delaying the adoption of international standards. This also resonated in the responses to the questions in the questionnaire. The respondents attached a high score of 4.22 (out of 5) – well above the overall average for challenges of 3.60 – for the provision of teaching and training programs for the development of a new breed of accountants capable of applying the new international standards. A number of interviewees paid special attention to the importance of accounting training and education. A detailed examination of such comments by the interviewees was presented in the previous chapter. In particular, ACC1 has strongly blamed the university professors for a delay in the adoption of IFRS, stating that they have "*failed to bring in the new international standards into the university curricula, simply because they don't want any new responsibilities*". On the role of universities, ACC6 adds that the new international standards should have started from universities, "*preparing the new breed of graduates to become familiar with the international standards*". Other interviewees have blamed other bodies in the country for failing to offer new accounting training and education. For example, whilst ACA1 regards the country's decision-makers (government and accounting bodies) for having miserably failed to offer such training programs, ACA2 blames the Ministry of Finance for its lack of vision and decisiveness in introducing the training programs. Finally, ACC1 and FIM1 are of the view that the lack of privatisation and the disappearance of the private sector has led to a gradual decline in demand for international standards as a whole, and hence the general delay in the adoption of these new standards.

6.3.2 Professional Associations

When examining the challenges of adoption of IFRS facing the country, a significantly large number of references were made to the two main bodies of professionals: LAAA and LAB. One of the strongest criticisms of the role of these bodies in delaying the adoption of IFRS was made by FIM2, when he regards these associations as totally incompetent, weak and out of touch with the real world. He consequently concludes that the "*lack of support by these two bodies of professionals has been deliberate to safeguard their personal gains*". ACC1 and ACA1 have, in turn, placed their criticisms of the two professional bodies and wonder why they are so resistant to change; hence invite the members of these associations to re-evaluate their stance and seriously examine the cost-benefit aspects of the new international standards. AUD1 clearly stated that the lack of seriousness and professional integrity of these two associations has led to severely delaying the process of adoption of international standards.

Moreover, on the issue of systemic reluctance demonstrated by these professional bodies, ACC4 and FIM3 are in general agreement that this is because most accountants and auditors themselves are unqualified and untrained in dealing with international standards and practices. ACC4, in particular, is adamant that both LAAA and LAB have for long been the main sources of a hindrance to the process of adopting and implementing the new standards.

In highlighting the findings from the research questionnaire, a particular question related to the potential challenge in adopting IFRS by the professional bodies in Libya. Despite the disagreement in terms of its severity – as was anticipated – on the whole, the score for this item turned out 3.79, slightly higher than the average score for all challenges. Although 67% of the auditors agreed with the incompetence of the professional bodies, between 81% and 90% of all academics and financial managers strongly agreed that the lack of awareness of these professional bodies had delayed the whole process.

These findings derived from our research (both the questionnaire and the interviews) do seem to tally with a number of studies on the adoption of IFRS in different developing countries. For example, (Inusah and Dwommor, 2017) research on Ghana's case of adoption of IFRS reports severe resistance by the established accountants and auditors for many years. A similar study by Abd-Elsalam and Weetman (2003) reports reluctance and lack of interest by professional accountants and lawyers in Egypt to change to the new international standards. There are other studies which have reported, by and large, similar cases of resistance to change by professionals to new international standards of accounting (Mir and Rahaman, 2005; Frynas, 2005; Adam, 2009; Albu et al., 2011; Alkhtani, 2012; Jermakowicz, Reinstein and Churyk, 2014; Ibrahim, 2014; Masoud, 2016; Almansour, 2019).

6.3.3 English Language

Perhaps not being as severe as the other sources of delay, the language barrier has also been identified as a challenging factor which should be regarded as a source of delay in the adoption of IFRS in Libya. Many years of isolation and disconnection from the rest of the world have caused a severe blow to the learning and teaching of foreign languages in Libya. The extent of the importance of the English language barrier is reflected in the score that was assigned by the questionnaire respondents. The examination of the findings showed that the score for the language being a hurdle in delaying the adoption of international standards turned out to be 2.57 well below the average figure for challenges. There was also a significant disparity in agreement about this challenge among the respondents: whilst only around 20% of auditors strongly agreed with this barrier, over 70% of financial managers viewed the English language as an important factor in a possible delay in adoption.

In the evaluation of the responses by the interviewees, only a handful of these participants made references to the English language as a serious hurdle. Moreover, the literature relating to the language barrier is rather sparse but in a limited number of cases proven to be significant. Where Abd-Elsalam and Weetman (2003) have paid very little reference, in their study of Egypt, to its importance, Almotairy and Alsalman (2012) and Almansour (2019) have reported the English language barrier as a severe problem for Saudi accountants to overcome in applying the international standards.

6.3.4 Libyan Taxation/Commercial Laws

In the evaluation of the findings from the questionnaire, it was discovered that most respondents agree that both commercial and taxation laws in Libya were totally out of line with international practices. The score attached to the Libyan commercial law hurdle was 3.98 well above that of the average score for all challenges. Furthermore, the score assigned by the respondents to the taxation law burden turned out to be 4.01, one of the highest scores in terms of challenges. Interestingly, on the issue of Libyan local taxes, the KW test showed no significant difference among the respondents' agreement. Having considered the responses by the interviewees, the issue surrounding incompatibility and inconsistency of the Libyan local laws was regarded as one of the most vexing factors responsible for delays in the adoption of international standards. In particular, ACA1, views that good accounting standards, especially those in the oil and gas sector, are still governed by Libyan laws and regulations, and that has been a big factor in further delaying the process of adoption. On the issue of inconsistency and lack of transparency of the Libyan commercial law, ACC2 blames the existing Libyan commercial law as a burden in the way of the adoption of international standards. This issue is further echoed by ACC4, who strongly believes that laws in Libya are an obstacle to the application of standards.

The challenging nature of local laws in most developing economies is evident in a large number of studies. The commercial laws present in Iraq prior to the adoption of IFRS have been fully explored in Abud-Allah (2014), where their incompatibility with international standards proved to have caused severe delays in implementation. Similarly, two independent studies about Saudi Arabia's experience in adopting the IFRS by Almtairy and Alsalman (2012) and Alsuhaibani (2012) have paid special reference to the obstacle caused initially by the domestic commercial laws. The authors have termed this experience of realignment of local commercial laws with those of international laws as "vexing" and "painful". Mir and Rahaman (2005) have demonstrated the painful path to the adoption of IFRS in Bangladesh, with a special reference to the realignment of local laws with the international standards. Finally, the most recent study by Alsultan (2017) has devoted a long section to the vexing nature of the local laws' incompatibility in Saudi Arabia prior to adjustments and realignment with international regulations.

6.3.5 Islamic Law

In the review of the literature surrounding the challenges caused by the Islamic/Sharia law most attention is given to the case of Saudi Arabia, as the leading Islamic nation in the world. Other studies relating to countries such as Iraq, Egypt, Indonesia, Bangladesh, Pakistan and Libya have also reported that Islamic law has by and large been responsible as a factor in delaying or rejecting the adoption of international laws, particularly those relating to income tax, *zakat*, interest rate and general social responsibility (among many see: Sulaiman, 2003; Mir and Rahaman, 2005; Jamali and Neville, 2011; Albu et al, 2011; Almotairy and Alsalman, 2012; Ibrahim, 2014; Almansour, 2019). In particular, the issue of *riba* (interest) has played one of the most decelerating factors in the adoption of international financial standards governing banks (Almansour, 2019). However, the solution in these countries has been to adopt a twotier system of banking – the western and the Islamic banks – to cater for the adoption of IFRS into the conventional financial and accounting sectors of the economy.

The findings from the questionnaire, as shown in the previous chapter, revealed that the respondents assigned an overall score of 3.77, higher than that of the average, to the challenging nature of Islamic law against the new international financial standards. Although most interviewees paid short references to this hurdle, the most serious blow of the Islamic law in delaying and refuting the IFRS was stated by ACC5 and ACC6. Whilst ACC5 considered the Sharia laws as a potential hurdle, ACC6 is more concerned about issues relating to financial practices and calculation of interest payments by accountants which are currently rejected by the Sharia law.

6.3.6 Current Political and Economic Environment

Since 2011 when the rule of Ghadaffi ended there has never been a day of peace and stability in the country. Currently, the country is effectively ruled by two governments: the Eastern and the Western. Undoubtedly under the current environment, one would not expect to see any development occurring vis-à-vis the adoption of international standards. As stated by ACA3, due to the presence of a corrupt, incompetent and weak government in Libya one should not expect to have any binding laws emerging. ACC6 was of the view that due to the political instability, no binding laws have been introduced to urge large businesses to abide by international accounting standards. It is therefore not surprising to learn that a significant number of interviewees believe that IFRS may not be fully introduced at the moment, since the relevant infrastructure for its successful implementation is not available in the country.

In reviewing the findings from the questionnaire, the respondents attached a relatively high score of 3.82 out of 5 in agreeing with the fact that the adoption of international standards may not be suitable under the current political instability and chaos. In short, the score indicates the very fact that the political and economic instability of the country has been a major factor in delaying the imposition of international standards. Nearly one-quarter of the respondents were either against the adoption or suggested a pilot case prior to full adoption. In light of these events, a number of experts have been driven to the view that any move towards the adoption of international standards should come in several stages and steps, inviting all appropriate parties to enter into a Grand National cooperation.

6.3.7 International Organisation

As has been discussed under the theoretical and the literature review previously, international organisations such as IMF, World Bank and the Big Four audit and accounting firms can play a significant role in incentivising or pressurising countries to adopt the IFRS. Within the framework of coercive isomorphism, the theoretical examination demonstrated the potential pressure and support from international organisations in encouraging countries to deviate from their local accounting standards and adopt a set of standards compatible with the rest of the world (Barbu and Baker, 2009; Hassan, 2008; Albu et al., 2011; Greenwood et al., 2017; Kim and Shi, 2012; Andelkovic and Zubac, 2019). Furthermore, the review of the literature (Zeghal and Mhedhbi, 2006; Dobija and Klimczak, 2010; Nurunnabi, 2015; Archambault and Archambault, 2009) showed that such transformation from the local to international standards imposed primarily by the international bodies has been, on the whole, successful.

This is so provided with the country in question being or has been an active member of such international organisations. However, Libya has been a non-member of these international organisations since the early 1970s, and this has meant that such international organisations have not been able to be in a position to enforce any pressure on a non-member. Therefore, since there has been no international pressure on Libya to conform to international standards, then that had led to a severe delay in the adoption of such standards. Furthermore, due to Law no. 73, international accounting and audit firms cannot open branches in Libya, unless the Big Four form a partnership with a local accounting firm. This has been an important factor in limiting the activities of international firms in Libya. As a consequence, the Big Four have, to date, no operation in Libya and hence have failed to pose any pressure on Libya to adopt or conform with international financial reporting standards.

This is an interesting finding which has been ignored by previous authors studying the adoption of IFRS in Libya. The finding surfaced and was elaborated on by a number of interviewees once exploring the possibility of isomorphism due to coercive pressure by international organisations. In particular, in relation to commercial Law no. 21, and Law no. 73, the interviewee AUD1 stated that international bodies have been unable to enforce any pressure on Libya to move towards the adoption of IFRS. Interviewee FM2 expanded on this issue by stating international bodies would have been “effective in the process of adoption, if they could”. Finally, Interviewee FM3 reminded that due to the absence of any previous relationship with the World Bank and IMF, then there is no reason “why we should expect to see any pressure coming from these international bodies on adoption of IFRS”.

6.4 Summary and Discussion

In this chapter the researcher has asked a fundamental question: In the light of all these benefits identified in the previous chapters, on what grounds the adoption of IFRS has been delayed? The chapter has therefore attempted to find answers to this question. Having reviewed the literature, the findings from the questionnaire and the information collected from the interviews, several factors are responsible for the significantly long delay in the adoption of IFRS in Libya. The review of the literature showed that a large number of delaying factors, primarily derived from the cultural backgrounds, identified in the case of Libya appear to have been present in other developing economies.

Out of several factors, six were shown to have been severely damaging the adoption of IFRS in Libya. First and foremost, the most urgent and substantially expensive need for training and education has been a factor which has led to putting off the adoption of international standards. A number of questionnaire participants offered additional feedback under the "open-ended" part. A participant (external auditor) who appeared to be one of the attendees in the 2006 meeting in Tripoli, highlighted a number of concerns. He stated that the whole mood of the meeting was to reject the adoption of IFRS on the ground that it would not fit into the Libyan environment. In short, as he stated, any chance of evaluating the cons and pros of the IFRS was dashed at the outset. In effect, since 2006, no official or decision-maker in Libya has dedicated resources to establishing appropriate learning centres for accountants and associated professionals to become familiar with new standards.

Second, and perhaps one of the most vexing issues is the lack of enthusiasm and knowledge by the accountants and auditors about the international standards. A number of interviewees, as well as the feedback received from the open-ended part, pointed to a rather systemic reluctance exercised by the professional bodies, mainly due to the fact that most accountants and auditors themselves have been found to be either unqualified or untrained in dealing with international standards and practices. In relation to the two professional bodies - LAAA and LAB – it was concluded that they have for long been the main sources of a hindrance to the process of adopting and implementing the new standards. The finding from the open-ended answers by an accountant went further to argue that the desire by most accountants (and members of professional bodies) to refuse the adoption of international standards is primarily based on the fact that the existing chaotic system of accounting paves the way for them to continue with tax evasion and the theft of public money. The feedback from the open-ended answers also revealed that the academicians have also failed to support the case for the adoption of international standards. This is because, as one accountant pointed out, the IFRS adoption would have meant that the academicians had to incorporate the international standards into their teaching curriculum; hence an extra work that universities and training centres were not prepared to take on board.

Third, but perhaps not as severe as the other sources of delay, the language barrier was identified as a challenging factor which should be regarded as a source of delay in the adoption of IFRS in Libya. Many years of isolation and disconnection from the rest of the world have caused a severe blow to the learning and teaching of foreign languages in Libya. However, as for the adoption of IFRS, all the standards have now been translated into Arabic and hence no serious issue should be expected to arise from understanding and adopting these standards. Fourth, the vexing issue of local Libyan law was regarded by a number of experts and respondents as a delicate factor in delaying the process of adoption of IFRS. In particular, with reference to taxation and commercial laws, it was concluded that decision-makers and lawyers have failed to come up with an innovative measure in introducing and blending these laws with international standards. Fifth, as agreed by a small number of interviewees, Islamic law has its part in delaying the adoption of international standards, mainly due to its incompatibility with a number of financial activities. In particular, the issue of interest rate (riba) is forbidden under Islamic law and hence causes havoc in the accounting reporting of banks and other financial institutions. Finally, being rather unique to Libya is the question of political and economic instability in the country. Since 2011, there has been no stable government in entirety Libya and that has meant that no genuine cost-benefit analysis has been conducted in deciding the adoption or rejection of IFRS.

In short, in light of the roles played by these factors in delaying the adoption of international standards, one wonders how much longer the nation should wait for the country to adopt IFRS and hence become an active member of international financial markets. As stated by a number of interviewees, so long as there is no genuine and stable government in power, one cannot possibly see any positive movement towards adopting international financial standards in Libya.

CHAPTER Seven Conclusion

7.1 Introduction

As the final notes to the research, this chapter, attempts to summarise and offer concluding remarks covering the review and evaluation of the findings concerning the study's aim, objectives, and questions. As elaborated previously, the main objective of this study has been to examine the existing accounting standards in the oil and gas sector of Libya and critically analyse the feasibility of the transition process to the IFRSs. Furthermore, this chapter presents the theoretical and practical implications of the research whilst highlighting some limitations. Finally, this chapter offers several suggestions and avenues open for future research in IFRS adoption in developing economies.

7.2 Review of Findings

The effective way to review the main findings of the current research is to examine the results pertinent to the research questions.

7.2.1. Libyan National Accounting Practices

Regarding the first research question. The findings on Libyan accounting practices in general and those relating to the oil and gas sector, in particular, have been derived from two sources: literature review and interviews. As stated previously, the first attempt at introducing a set of commercial and financial laws began to emerge immediately after the independence of 1951. Following the discovery of oil and the ever-growing need for domestic and foreign investment projects, an urge to develop internationally compliant accounting services became more evident. In meeting this requirement, the government had to issue temporary licences to firms in the oil and gas industry, offering appropriate accounting services in line with international practices (Bait El-Mal, 1973).

With the emergence of the so-called Libyan Petroleum Law (LPL) in 1955 and several Articles supporting international accounting practices, the country was expected to move closer to the international bodies. However, public and private sector organisations failed to follow international standards in practice. Even after the emergence of the two accounting and audit associations (LAAA and LAB) back in 1975, no improvement in standards was observed. Several studies tracing the development of accounting standards and practices in Libya have reported that most companies did not follow even the most basic rules in accounting and reporting cash-flow accounts (Al-Sharif, 2006; Aldrugi, 2013; Shareia, 2014). Furthermore, as reported by most interviewees, due to a lack of training and qualification, the LAAA members failed miserably to adhere to basic international accounting standards (Bait El Mal, 1990; Sratee, 2002; Al-Arabi and Darwish, 2003; Aldrugi, 2013). Moreover, LAB, which was supposed to inspect any inconsistencies in accounting practices, had failed to identify and report such poor standards.

On the performance of the accounting bodies, as stated by several authors, since the revolution of 2011, the LAAA, though still in existence, has failed to improve the social position of accountants and auditors in the country (Hawashe, 2014; Shareia, 2014). It was further highlighted that this association failed in its efforts regarding any improvement in the basic principles for accounting, particularly those relating to the code of ethics. In short, all the studies examined in this research tend to have arrived at one conclusion: despite a series of Laws and regulatory measures introduced over many years in Libya, the accounting profession and associations have miserably failed to adhere to international accounting standards and practices in both private and public sectors.

As for the accounting practices in the oil and gas sector, Libyan petroleum activity has closely followed international standards and practices. As stated earlier, to record oil and gas upstream activities, there are two conventional methods mostly used in many countries: Full Cost (FC) and Successful Efforts (SE). These two methods are well established and approved to use by accounting authorities in many countries. The successful efforts (SE) method was widely used for oil and gas upstream activities before the 1950s until a new accounting approach was introduced named Full cost (FC). After the 1950s, some small and medium companies used this newly introduced (FC) method (Jennings, Feiten and Brock, 2000). Furthermore, as explained in detail, the stages of investment and costing of activities in Libya's oil and gas sector have been in line with those practised in western countries. Therefore, unlike the accounting practices in other activities, the Libyan oil and gas sector has been very closely following international standards and practices.

The examination of Libyan accounting practices highlighted the lack of a well-established method and rigour to make accounting decisions. On the contrary, the professional choice made by the individual preparing the accounting reports is seen as the general way of accounting. This lack of accounting standards and the weak regulatory bodies were seen to have caused inefficient and opaque financial reports as the methods to create financial statements are inconsistent among the organisations in Libya. Furthermore, the lack of credibility and unreliability of the financial reports, as well as inconsistent reporting methods, were seen as the primary causes of the reluctance among foreign stakeholders. Additionally, the inconsistency or rather lack of a consensus on the accounting method among the accounting ecosystem of Libya poses serious challenges to comparing LGAAP with IFRS. This comparison is made further difficult in the oil and gas sector due to the lack of credible accounting and auditing data as this data is seen as sensitive by the Libyan state.

The comparison of LPL with IFRS6 with an intent to understand the accounting practises in Libyan extractive industries highlights that the information of the financial statements required by stakeholders of the oil and gas industry in Libya is different from that of developed countries as the investors are very different in two cases. This being said, the petroleum sector in Libya has always been closely linked to international markets and standards, and therefore, accounting practices and standards are expected to be similar.

Costs in the extractive industry can be classified into four major groups in the first three are from the stages of acquisition, exploration and development, which can be clubbed together as the upstream costs, while the last one is related to the production stage and is called production cost. Oil and gas companies are not permitted to deduct acquisition costs from their accounts as per LPL, but international methods (SE and FC) recommend such costs should be capitalised. On exploration costs, LPL permits to capitalise or expense of intangible successful costs and treats tangible costs as capitalised. However, according to SE, successful costs are capitalised, and unsuccessful costs are expensed. According to FC, on the other hand, both successful and unsuccessful exploration costs should be capitalised. Furthermore, LPL permits unsuccessful development costs to be capitalised or expensed and successful costs capitalised. On the contrary, both SE and FC treat successful and unsuccessful costs as capitalised. Finally, LPL, SE and FC are similar in the treatment of production costs as an expense.

In broader terms, LGAAP is a rules-based approach while IFRSs' is a principles-based approach. This distinction between the two approaches is evident in their treatment of assets, inventories and the preparation of financial reports. The valuation of an asset is computed using the historical cost in LGAAP while or fair value approach is recommended in the international standards. Furthermore, methods to value depreciation are limited in Libyan accounting practices as compared to international standards. The need to reform the Libyan accounting practice methods to treat assets is limited by the existing legal structure of commercial and tax law and, thereby, is difficult to change.

The evaluation of inventories in modern international accounting standards does not use the last-in-first-out method while it is still available to the accountants in Libya under Libyan GAAP. For the case of financial reports, financial position statements, comprehensive income statements (profit-loss reports), information on changes in equity, cash flow statements and a note summarising pertinent accounting policies adopted by the organisation are required following with international standards. In contrast, LGAAP necessitates the financial position (balance sheet) statement and income statements required by the tax legislation. Furthermore, the legislative constraints in the Libyan accounting practice have led to the preparation of two sets of financial reports, one satisfying the Libyan tax law while the other accounting for the actual expenses.

7.2.2 Potential Benefits of IFRSs adoption

In careful examination and evaluation of the potential benefits of IFRSs adoption in Libya, three sources were used: literature, questionnaires, and interviews to answer the second research question. The examination of the literature suggested that the adoption and application of IFRSs standards in developing economies have helped improve the efficiency and transparency of the accounts, hence enhancing the potential for foreign investment. In particular, most studies relating to the Middle East demonstrated that on the whole, the benefits of adoption of IFRSs would significantly outweigh the costs (among many see: Mir and Rahman, 2005; Eldanfour, 2011; Aldrugi, 2013; Hawashe, 2014; Shareia, 2014; Alshbili, 2016).

The findings of the research questionnaire are based on the views of 214 experts: academics, accountants, internal auditors, external auditors, and financial managers. Before any evaluation of the findings, the data were subjected to tests for normality and reliability. The mean values of responses are based on a Likert scale average of five figures. The closer the mean value to 5, the stronger the respondent's agreement with the statement. As demonstrated in chapter five, with the exception of one question, the rest have exhibited mean values greater than 4 – somewhere between *Agree* and *Strongly Agree*. In addition, the standard deviations of these mean values are relatively low, thereby implying statistically significant measurements. Respondents assign the highest score of 4.27 out of 5.00 to the ability of IFRS in reinforcing confidence in the accounting and auditing profession. Furthermore, another high score of 4.26

out of 5.00 is given to the reliability and transparency of IFRS over the existing Libyan accounting model. On the whole, the overall average score based on a list of 15 potential benefits turned out as 4.15, suggesting that a large majority of respondents agree that the adoption of IFRSs will be highly beneficial for Libya.

Moreover, in demonstrating a detailed picture of the benefits, the researcher considered the responses across the professions. This is because the examination of such a breakdown of responses can help identify the areas where similarities and differences have occurred among these five professional groups. The usual procedure for testing differences/similarities in groups when normality is absent is the Kruskal-Wallis test. This test ascertains the origination of the data from the same distribution using a non-parametric method. As shown in Chapter Seven, in a large majority of cases, the respondents across the professions were in agreement with the benefits of IFRSs. According to the findings of the test, there are only two items out of 15 where significant differences have occurred among the groups: accessibility to capital cost; and cost reduction in national accounting standards. On the whole, as far as the benefits are concerned, there are more similarities than differences in agreement amongst these five professional groups.

In support of these findings, as a secondary source of the survey, the researcher conducted interviews with 13 qualified and experienced accountants, financial managers, academics and auditors. In relation to benefits and opportunities arising from the adoption of international accounting practices and standards in Libya, all respondents were unanimous in the view that there would be benefits to the country and the public as a whole. Whether from the LAB, LAAA or the overall economy, the interviewees stated that international standards adoption could significantly improve Libya's current shambolic, inconsistent, unclear, inaccurate and non-transparent accounting standards. In particular, most interviewees regarded the concept of transparency principle arising from the adoption of IFRS as a pivotal stance in fighting corruption, fraud and misinformation against the Libyan economy.

7.2.3 Potential Challenges of IFRSs adoption

The examination and evaluation of challenges (as per the third research question) facing developing countries when deciding to adopt IFRSs have been well-explored in previous chapters. Firstly, the literature review demonstrated that the most important challenges appear to be in three main areas: Accounting education, cultural aspects, and legal aspects. As for accounting education, research (Archambault and Archambault, 2009; Zehri and

Chouaibi, 2013) has demonstrated a strong coherence between IFRS adoption and accounting literacy. It has been noticed that the lack of mature accounting professionals capable of interpreting and applying the subtle judgmental components of IFRS could jeopardize the accounting profession's credibility, hence leading to blunders and errors, especially in the early stages of adoption (Nurunnabi, 2017B; Alsulami and Heath, 2017; Fino, 2019).

The review of the literature also pointed out that to construct an accounting system fitting the needs of developing countries, one should carefully evaluate the importance of the cultural, social, economic, and political environment (Fino, 2019; Alsulami and Herath, 2017; Alkhtani, 2012). This has prompted others to study the impact of these standards on how international level laws like the IFRS are perceived and applied. One aspect of culture is the language, which has proven to be a big problem in the past for developing countries adopting IFRS. Although the translation of IFRS is a costly and time-consuming process (Aljifri and Khasharmeh, 2006; DeFond et al., 2011; Istrate, 2015; Edeigba, 2017) but has been successfully undertaken (IFRS Foundation, 2021) instead of the benefits that come with the adoption of the IFRS. As evident from the adoption by many Arabic nations and the interview responses, language, which was once believed to be a primary barrier to adopting IFRS, is no longer a big concern.

Finally, the review of the literature demonstrated that legal aspects tend to be highly challenging for most developing countries in deciding to adopt the IFRS fully. It has been stated that the country's political and legal system influences the quality of financial accounting and auditing, as per many researchers (Salter and Doupnik, 1992; Leuz, Nanda and Wysocki, 2003; El Ghoul, Guedhami, and Pittman, 2016). In particular, Sharia Law tends to be at odds with the financial instruments and revenues/tax rules of IFRS (Almansour, 2019).

As for the second source of findings on the challenges of IFRS, the questionnaire results are worth reviewing. According to findings, the scores tend to vary between 2.37 and 4.22. The highest score was assigned to items relating to the concern about the need for staff training to become familiar with IFRS. Concerns have also been expressed in relation to the legal structure and commercial laws in Libya, with scores varying between 3.92 and 4.09. These two main findings do strongly tally with the literature. On the other hand, the lowest score (2.37) has been assigned to the possible complexity of IFRS. On the whole, the overall average score for challenges has turned out to be 3.85 – somewhere between *not sure* and *agreement* – significantly lower than the average score for the benefits of IFRS.

To observe the extent of differences in views of the experts, the Kruskal-Wallis test was used. The findings suggested that six items out of the 15 where differences among the respondents occurred: (i) complexity of IFRS; (ii) weakness of the Libyan professional body; (iii) lack of technical knowledge; (iv) weakness of accounting education; (v) English Language; (vi) IT related skills. Therefore, given the extent of differences in the experts' views and relatively lower scores, it can be argued that the challenges facing the adoption of IFRS in Libya appear not to be straightforward and clear-cut.

However, the examination of the interviews showed much greater agreement among the interviewees regarding a number of potential challenges. Although most interviewees made references to problems relating to IT and Language issues, two items appeared to emerge as most crucial: training programmes; legal issues. Most interviewees stressed the importance of training and appropriate accounting education fitting the IFRSs. A number of interviewees strongly blamed the Libyan accounting bodies for resisting change. On the issue of the legality of IFRSs, the concern stated by most interviewees is in relation to the existing Libyan financial law on expenses and taxation. Furthermore, the interviewees warned that the prominence of Sharia Law would be at odds the international financial standards, particularly in relation to tax and interest earnings.

The author also discovered a previously failed attempt of implementing IFRS in Libya during the course of interviews. Several accountants spearheaded this effort in Libya, and a conference was organised inviting well-known domestic and international accountants. The primary recommendation from this conference was the creation of a supreme accounting council in Libya tasked with adopting international accounting standards and improving the standing of the LAAA as a competent professional body.

However, the author came across a varied range of reasons for the failure of this attempt from various participants and their pertinent perspectives. These reasons include but are not limited to the lack of legislation to enforce the adoption and application of IFRS, lack of seriousness among Libyan officials about the change and development, absence of pertinent amendment of these standards considering factors specific to Libya and lastly, resistance to change to IFRS in several accountants in Libya including the ones in the key positions of power.

7.2.4 Factors Responsible for the Delay

A large part of chapter six was devoted to examining and evaluating factors that have led to the delay in adopting IFRSs in Libya to answer the fourth research question. The review of literature also showed that delays have been common among countries that have adopted IFRSs; particularly the source of delay was to do with the resistance of professional accountants and auditors to change to new international standards of accounting (Mir and Rahaman, 2005; Frynas, 2005; Adam, 2009; Albu et al., 2011; Alkhtani, 2012; Jermakowicz, Reinstein and Churyk, 2014; Ibrahim, 2014; Masoud, 2016; Almansour, 2019). Furthermore, studies relating to the adoption of IFRSs in Islamic nations have reported strong resistance to change due to the presence of Sharia Law and existing local financial laws (Alkhtani, 2012; Ibrahim, 2014; Almansour, 2019).

Although some interviewees highlighted legal issues and language problems, almost all interviewees pointed out the two professional bodies (LAAA and LAB) as the main sources of delay. One of the strongest criticisms of these bodies' role in delaying IFRS adoption was made by a financial manager who regarded these two associations as totally incompetent, weak, and out of touch with the real world. Another interviewee blamed these associations for having been the main source of hindrance to the process of adopting and implementing the new standards.

The author's survey surfaced that policy-makers in Libya had long attached high costs associated with training and accounting education programmes. A number of the interviewees picked this issue up as one of the most challenging factors responsible for the delay in considering the adoption of IFRSs. As discussed earlier, professional bodies, including academicians, have failed to include international accounting standards in their teaching/research curricula.

Finally, having considered the responses by the interviewees, the issue surrounding incompatibility and inconsistency of the local Libyan laws was regarded as another aggravating factor responsible for delays in the adoption of international standards. In particular, it was noticed that good accounting standards, especially those in the oil and gas sector, are still governed by Libyan laws and regulations. That has been a big factor in further delaying the process of adoption. Furthermore, on the issue of inconsistency and lack of transparency of the Libyan commercial law, many interviewees blamed the existing Libyan commercial law as a burden in the way of adopting international standards.

7.3 Theoretical and Practical Implications

Theoretically speaking, the adoption of IFRS in a developing country helps achieve international legitimacy. In particular, inthe case of Libya, which has been a closed economy for decades, the process of attracting higher foreign direct investment and diverse international organisations can be catalysed by seriously attempting to adopt IFRS, given its rich oil and gas resources, which can be a source of motivation from the international companies to adopt such standards in Libya. Additionally, the impact of IFRS adoption on improving the financial reporting quality and regulation by making them reliable, comparable and transparent is believed by several experts and stakeholders. In short, the theory suggests that the adoption of IFRS should be expected to improve standards and hence boost economic growth and development whereas this could be the ultimate goal for an emerging economy, since Libya is one of them, this could be one of the tools to achieve this goal. Our survey findings suggest that the adoption of IFRS in Libya, despite its challenges, can be potentially beneficial for the country in the long term. Nevertheless, as advocated by the new institutional theory, the decision to adopt international standards must still be optional rather than mandatory.

In practice, however, normative pressures tend to be exerted by the Big Four and other professional bodies operating within the country, who are of the view that the adoption of international standards may pave the way to incentivise the policy-makers to realise the benefits. As has been highlighted in several studies, adopting IFRS in developing economies greatly benefits the Big Four firms since they are the only bodies that can provide the appropriate training programmes at relatively high costs (Almansour, 2019). Such evidence of normative isomorphism tends to tally with the findings in Nurunnabi (2015) strongly. However, Libya has been a non-member of these international organisations since the early 1970s, and this has meant that such international organisations have not been able to be in a position to enforce any pressure on a non-member. Therefore, since there has been no international pressure on Libya to conform to international standards, then that had led to a severe delay in the adoption of such standards. Whereas coercive pressure which comes from international bodies found to be useful to push countries to adopt these international standards, this tally with the case of Saudi Arabia (Almansour, 2019). Consequently, Libya should consider having more connections with these international bodies.

The finding shows that one of the most vexing issues is the lack of enthusiasm and knowledge by the accountants and auditors about international standards. A number of interviewees pointed to a rather systemic reluctance exercised by the professional bodies, mainly due to the fact that most accountants and auditors themselves have been found to be either unqualified or untrained in dealing with international standards and practices. In relation to the two professional bodies - LAAA and LAB – it was concluded that they have for long been the main sources of a hindrance to the process of adopting and implementing the new standards.

Despite the recommendation for the adoption of IFRS by the Libyan government back in 2006, nothing has been genuinely done to date. The problem has been that such a recommendation was never passed by lawmakers; and nor was it enforced by any professional body in Libya. Alsulami and Herath, 2017). The finding shows that law must be issued to ensure that these standards are followed by the law.

Moreover, as has been reported by several studies, the adoption costs associated with legal aspects, particularly commercial laws, can increase exponentially due to local professionals resisting change. As discussed in detail previously, such cultural issues can be the deal breakers in conservative Arab countries where Sharia Law plays an important role in business and commerce. The interviewees repeatedly stated these problems, warning of their potential complexities. Finally, and perhaps most critically, the country has been in turmoil since 2011, which has led to a social, political and economic breakdown, hence seriously delaying the process of IFRS adoption; however, as the county is more stable politically and economically, this could be the right time to develop the accounting system in the county and adopt high-quality standards.

By understanding the benefits and the challenges faced by the implementation of IFRS, as well as the reason for the delay, these findings could be very helpful to the decision makers and academics, professional bodies in Libya and their members (accountants and auditors) to make the best use of these standards. These findings could have significant implications for all other emerging economies, particularly those that have not yet adopted IFRS and consider doing so in future.

7.4 Recommendations

The findings of this study based on the survey and the literature review have led the researcher to arrive at a number of recommendations for potential stakeholders in Libya. First and foremost, professional accountants and auditors, whether members of the two associations or not, must seriously consider ceasing their resistance to IFRS and carefully examine and evaluate the cons and pros of adopting the international standard. In arriving at their decision, they must remember that the current standards vis-à-vis financial reporting and audit have been inconsistent, unfair and thus subject to corruption.

Second, the academicians involved in teaching accountancy and financial studies in colleges and universities must make every effort to incorporate the new developments in international standards in their existing courses. In doing so, they must encourage students to conduct independent research in comparative analysis of the Libyan accounting standards and the IFRS.

Third, the government, along with Libyan accounting professionals, should set up a supreme accounting council with the intent to amend the existing IFRS to be flexible and pertinent to the Libyan environment. The association should decide on IFRS practices that are unsuitable to the Libyan ecosystem and propose amendments to such rules. Furthermore, the council should closely work with the legislative machinery of the Libyan administration in order to streamline legal obstacles and ensure legal enforcement of the association's recommendations.

Fourth, the government is advised to consider helping develop an independent watchdog consisting of qualified professional accountants, financial managers and academicians. The task of this watchdog should be to carefully and concisely estimate the potential costs of IFRS adoption based on an examination of other developing countries' experiences. The final report produced by the watchdog should be presented to the government for final evaluation and presentation to the Parliament.

Fifth, the international bodies such as the Big Four, IMF and World Bank should cease pressuring the Libyan stakeholders in their decision-making process but be prepared to offer their appropriate financial and technical/training support once the Parliament has passed the decision for adoption of IFRS.

Sixth, the cost of retraining the existing accounting professionals in Libya can be drastically reduced by taking advantage of virtual platforms such as YouTube and Microsoft teams wherein the teaching materials (lectures, notes and instructions) are freely available to anyone, and they can access and work on it at their own pace.

7.5 Contributions

Although there have been numerous research works on the potential of adopting IFRS in emerging economies, the current study has produced several contributions worth noting here. It provides literature on a previously unexplored view on the initial partial attempt to implement IFRS in Libya and deliberates possible causes of its failure. The work also provides a glimpse into the path of adopting IFRS in Libya with its unique cultural, religious, legal and socioeconomic environment.

Contribution to the methodical knowledge can also be seen in this work. A conceptual framework on challenges and benefits is developed that can be adapted and utilised by researchers who wish to study the factors and impacts of adopting IFRS in a nation similar to Libya. Furthermore, the study adds to the literature on the poorly understood value and cost of adopting IFRS in developing nations.

Despite the limited sample size, the current research has conducted a comprehensive survey consisting of questionnaires and interviews. As discussed in the previous chapters, this mixed survey has enabled the researcher to arrive at a more concrete set of findings. Furthermore, the current research has applied several appropriate statistical techniques to analyse data from the questionnaire when there is no normality in part of the variables used. Such techniques are well-advised to be used by future researchers.

The study contributes to the knowledge of Libyan accounting practises and their comparison with the international standards, specifically for extractive industries. As per the respondent's knowledge, an exhaustive comparison of the Libyan accounting practices with international standards is not available in the literature. This knowledge would be crucial to adopt IFRS in Libya successfully.

The current work also contributes to the literature on the reasons for the delay in adopting the IFRS in Libya. Furthermore, an extensive study of the internal and external factors affecting this adoption also provides knowledge about the benefits and challenges of IFRS adoption in Libya. This information is of immense value to the administration in deciding and allocating resources in the IFRS adoption drive.

The findings from the questionnaire and interviews unearthed many unique factors that have delayed the process of decisions on adopting the IFRS in Libya. In particular, the study discovered that the language of IFRS was found not to be a major hurdle, as stated by other researchers. On the other hand, the most critical source of delay was found to be the professional bodies and associations.

The outcomes of this study offer critical recommendations to the administration on streamlining the process of adopting IFRS in Libya. In addition, the pertinent information can help the administration become aware of the challenges they might face in the implementation campaign. Finally, possible solutions to these challenges are also recommended in this study.

7.6 Limitations

The researcher has made every effort to use different appropriate sources in finding the answers to the questions of the thesis. However, the current research is not free from limitations primarily due to conducting the survey. Firstly, the distribution and collection of the questionnaires proved challenging primarily due to the political and social disturbance and unrest in Libya. This meant that the questionnaires were distributed in only four main cities; hence, the sample was not representative of the total population of the experts. Secondly, initially, the researcher aimed to have a sample size of 380 participants but once collected, a significant number of such questionnaires were incomplete and thus had to be withdrawn. In the end, the total completed sample reached only 214.

Finally, the process of contacting and conducting interviews proved highly problematic and time-consuming. Only a handful (13) of the experts the researcher was able to interview due to a lack of general security and political unrest. Also, those experts involved in the oil and gas sector appeared to be hesitant to be interviewed, despite assuring anonymity and confidentiality of the provided information.

7.7 Future Research

Despite the current comprehensive research, there are areas that future research of this kind may focus on and extend knowledge and understanding. First, any survey must be based on a much larger sample size to represent the total population of the experts better. Improvements in sample size and sampling quality appear to be more likely as the civil war has now ended and some form of stability has returned to the country.

Second, despite the researcher's reference to Islamic Law, future research on IFRS adoption in Libya and other similar countries must develop a workable model of international standards capable of incorporating the Sharia Law concerning to *zakat* and *riba*.

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Appendix 1

Projects undergoing:

Type	Project	Next milestone	Expected date	Open for comment	Related Standard
RP	Business Combinations under Common Control	Discussion Paper Feedback	January 2022	-	IFRS 3
SP	Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	Exposure Draft Feedback	Q2 2022	Exposure Draft Submit letter by: 31/01/22	
SP	Disclosure Initiative—Targeted Standards-level Review of Disclosures	Exposure Draft Feedback	Q2 2022	Exposure Draft Submit letter by: 12/01/22	IAS 1 IAS 19 IFRS 13
RP	Dynamic Risk Management	Decide Project Direction	Q2 2022	-	IFRS 9
RP	Equity Method	Decide Project Direction	Q1 2022	-	IAS 28
RP	Extractive Activities	Decide Project Direction	H2 2022	-	IFRS 6
SP	Financial Instruments with Characteristics of Equity	Exposure Draft	-	-	Conceptual Framework IAS 32 IFRS 9
RP	Goodwill and Impairment	Decide Project Direction	H2 2022	-	IFRS 3 IAS 36
SP	Management Commentary	Exposure Draft Feedback	Q1 2022	-	Practice Statement 1
RP	Pension Benefits that Depend on Asset Returns	Project Summary	Q2 2022	-	IAS 19
RP	Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12	Feedback Statement	H1 2022	-	IFRS 10 IFRS 11 IFRS 12
RP	Post-implementation Review of IFRS 9—	Request for Information Feedback	H1 2022		IFRS 9

	Classification and Measurement			Request for Information Submit letter by: 28/01/22	
SP	Primary Financial Statements	IFRS Standard	-	-	IAS 1 IAS 7
SP	Rate-regulated Activities	IFRS Standard	-	-	IFRS 14
SP	Second Comprehensive Review of the IFRS for SMEs Standard	Exposure Draft	-	-	IFRS for SMEs

IFRS - IFRS Foundation work plan

RP: RESEARCH PROJECTS

SP STANDARD SETTING PROJECT

Q QUESTIONING

H HEARING

Appendix 2

Participant Information Sheet for the Research Project:

Challenges and Opportunities of Adopting IFRSs in Libya: The Case of Libyan Oil and Gas Industry

Thank you for agreeing to consider participating in this research project. Before you decide whether to grant me an interview, it is important that you understand the reasons why this research is being carried out, and what your participation will involve. I would be grateful if you would take time to read the following information carefully. Please feel free to get back to me if anything is unclear.

About the research study

You are invited to participate in the research project identified above which is being conducted by Mr Majdi Mohamed Abushrenta a PhD Candidate at Nottingham Trent University, Nottingham Business School. The research is part of Majdi's PhD studies at Nottingham Trent University, supervised by Dr. Hafez Abdo, Dr. Serah Akelola and Mr. Dhru Shah from Nottingham Business School, department of accounting and finance at the Nottingham Business School.

Objectives of the Research:

- To critically examine the Libyan National Accounting practices and IFRS practices.
- To identify the benefits for Libya's economy of adopting IFRSs in one of the most important industries in Libya (oil and gas).
- To explore the challenges of adopting IFRSs by the Libyan oil and gas industry.
- To identify the reasons for delaying the adoption of IFRSs in Libya, and the factors affecting the adoption.

Why is the research being done?

The main aim of this research is to comprehend the existing accounting standards in the oil and gas sector of Libya and to critically analyse the feasibility of the process of transition from the Libyan national accounting standards to the International Financial Reporting Standards (IFRSs) for the oil and gas industry and to explore the opportunities and challenges of this transition, first for the Libyan oil and gas industry and second for the other economic sectors in Libya.

In order to meet my research objectives, I need to collect part of my data by means of interviews where I will be seeking your kind contribution through taking part in my research and answering the interview questions.

What choice do you have?

Participation in this research is entirely your choice and voluntary. The researcher will give you a code name to keep saved if you do decide to participate; this code will be used when writing the results of my research to indicate your participation. Apart from myself, no one else will know who the codes refer to and no one will be able to trace participants based on their contributions or codes. You may withdraw from the project without giving a reason, you just need to inform the researcher within 28 days of the data collection points and provide your code name, and none of your data will be used in the project.

What you would be asked to do?

If you agree to participate, please complete the consent form by ticking the boxes and printing your name, date and signature on this form. The researcher will contact you to arrange a convenient time for the interview.

What does my participation involve?

If you agree to take part, you will be asked to be interviewed by me, as the Principal Investigator. The interview will be arranged to suit your availability and will be conducted in your workplace or somewhere else, if you prefer. Interviews will take on average one hour.

All information collected will be fully anonymised during the writing-up of the research. In practice, this means that nobody will be able to identify you on the basis of how I use the information from these interviews in my research outputs.

If you decide to take part, you can choose freely not to answer any particular questions. If you are interviewed and then decide you would like to withdraw your answers from the project, please contact the researcher. In the meantime, tape recorded interviews and all copies of the transcripts will be kept secure on a password protected computer and in locked cabinets within university buildings. Your name will not be attached at all to any of your answers. Please note that all information collected from you and other participants for this project will be destroyed two years from the date of having my PhD awarded, this will allow the researcher to publish articles based on these data.

How will your privacy be protected?

The interview is confidential, so your identity will not be revealed. The interview will only be recorded with your approval, and you will be given an opportunity to read the interview transcript and provide necessary comments. Additionally, the consent form will be stored separately from the notes or any documents for the interview so that the data could not be re-identified. The raw data from this study will only be accessed by the student researcher and his director of the study.

How will the information collected be used?

The results of the research will be reported in a thesis to be submitted as the requirement for a PhD in Accounting at the Nottingham Trent University. In addition, more likely research articles will be published; in any case, the identity of the participants will be protected as explained above.

What are the risks?

I assess that there is no risk associated with participating in my research study by taking part in an interview. However, should you feel that you may be subject to any kind of risk due to your participation in my study please do let me know as soon as practicable.

What are the benefits of taking part?

This research will have direct benefit for the Libyan Audit Bureau (LAB), Libyan Accountants and Auditors Association (LAAA) and Libya's economy. The study will have policy implications for the Libyan government by assisting it to decide whether to adopt IFRS accounting standards to account for its oil. It will provide evidence of the challenges and opportunities of changing the accounting system. The study may also be useful for multinational companies that are doing business or participating in Libya's reconstruction.

What do you need to do to participate?

Please read this Participant Information Sheet and make sure you understand its contents before you consent to participate. If there is anything you do not understand, or if you have questions, please contact the researcher.
If you would like to participate, please complete the consent form and return it to the researcher and he will contact you to arrange a convenient time for the interview.
Further information:

Please keep this information for your records. If you would like further information, please contact:

Researcher: Mr Majdi Mohamed Abushrenta

Nottingham Trent University, 50 Shakespeare Street, Nottingham, NG1 4FQ, UK

Email: majdi.abushrenta2015@my.ntu.ac.uk

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NOTTINGHAM TRENT UNIVERSITY

Challenges and Opportunities of Adopting IFRSs in Libya: The Case of Libyan Oil and Gas Industry

CONSENT FORM

Your code …………………………………………..........

Please read and confirm your consent to being interviewed for this project by initialling the appropriate box(es) and signing and dating this form.

1. I confirm that the purpose of the project has been explained to me, that I have been given information about it in writing, and that I have had the opportunity to ask questions about the research. ☐

2. I understand that my participation is voluntary, and that I am free to withdraw within 28 days of the data collection point without giving any reason and without any implications for my legal rights. ☐

3. I give permission for the interview to be tape-recorded by the researcher, on the understanding that the tape will be destroyed two years from the date of having his PhD awarded. ☐

4. I give permission to the researcher to take notes during the interview, on the understanding that the notes will be destroyed two years from the date of having his PhD awarded. ☐

5. I agree to take part in this project. ☐

Name of respondent	Date	Signature
Name of researcher taking consent	Date	Signature

NOTTINGHAM TRENT UNIVERSITY

Interview Questions

1. Can you tell me how long you have worked in the accounting field? Are you familiar with International Financial reporting standards (IFRSs), especially those relating to the extractive industry (oil and gas)?

2. What are the main differences between the IFRSs and the Libyan GAAP?

3. Are there similarities between the Libyan GAAP and the IFRSs?

4. Do you think that Libya is ready to adopt IFRSs?

5. If Libya changes to the IFRSs, what do you think will be the benefits of this change?

6. What do you think will be the benefits to:
   a) Libyan Audit Bureau (LAB)
   b) Libyan Accountants and Auditors Association (LAAA)
   c) Libya's Economy
   d) Libya's Oil & Gas Industries
   e) The people of Libya
   f) The International Oil Corporations (IOCs)
   g) Anything else?

7. What do you think will be the opportunities this change will bring?

8. What do you think will be the challenges this change will involve?

9. What do you think will be the challenges to (specifically):
   a) Libyan Audit Bureau (LAB)
   b) Libyan Accountants and Auditors Association (LAAA)
   c) Libya's Economy
   d) Libya's Oil & Gas Industries
   e) Libyan people
   f) The International Oil Corporations (IOCs)
   g) Anything else?

10. Would you recommend the adoption of IFRSs by every economic sector? Why so? why not?

11. Why has Libya not adopted IFRSs until now? What are the reasons for this delay?

12. What are the factors that may influence the adoption of international accounting standards in Libya?

13. Is there anything else you would like to add?

(التحديات والفرص المتعلقة باعتماد المعايير الدولية لإعداد التقارير المالية في ليبيا: في قطاع النفط والغاز)

أشكركم على قبولكم الدعوة للمشاركة في هدا البحث. قبل أن تقرروا الموافقة على إجراء المقابلة معكم، من المهم أن تفهموا أسباب هذا البحث، وماذا ستشمل مشاركتكم. وسأكون ممتناً لو تفضلتم بأخذ بعض الوقت لقراءة المعلومات التالية بعناية. يرجى الأ تتردد في سؤالي عن أي شيء غير واضح أو تود الاستفسار عنه.

حول هذه الدراسة البحثية

أنت مدعو للمشاركة في المشروع البحثي الذي تم تحديده أعلاه والذي يتم إجراؤه من قبل السيد مجدي محمد أبو شرنته، طالب دكتوراه في كلية الاقتصاد في جامعة نوتنغهام ترينت ,هدا البحث هو جزء من رسالة مجدي لتحضير الدكتوراه ،تحت اشراف كلٍ من الدكتور حافظ عبدو، والدكتورة ساره أكيلولا ، والسيد دهرو شاه من كلية الاقتصاد ، قسم المحاسبة والمالية في جامعة نوتنغها ترينت.

أهداف البحث:

- إجراء فحص نقدية بين مبادئ المحاسبة المقبولة عموما في ليبيا وبين المعايير المحاسبية الدولية.
- تحديد الفوائد المترتبة من اعتماد المعايير المحاسبية الدولية على اقتصاد ليبي في واحدة من أهم القطاعات في ليبيا (النفط والغاز).
- استكشاف التحديات من اعتماد المعايير المحاسبية الدولية لإعداد التقارير المالية في قطاع النفط والغاز الليبي.
- تحديد أسباب تأخير اعتماد المعايير المحاسبية الدولية لإعداد التقارير المالية في ليبيا. العوامل التي توثر في تبني معايير المحاسبة الدولية في ليبيا

لماذا يتم إجراء هذا البحث؟

الهدف الرئيسي من هذا البحث هو فهم معايير المحاسبة الحالية المعمول بها في قطاع النفط والغاز الليبي. وإمكانية التغيير من معايير المحاسبة المقبولة عموما في ليبيا الي المعايير المحاسبية الدولية خصوصاً في قطاع النفط الغاز. وأيضاً تحديد الفرص والتحديات من هذا التغيير، أولاً لقطاع النفط والغاز والثانية لقطاعات اقتصادية أخرى في ليبيا.

من أجل تحقيق أهداف البحث، أحتاج إلى جمع جزء من بياناتي عن طريق المقابلات التي سأطلب فيها مساهمتك الكريمة من خلال المشاركة في بحثي والإجابة على أسئلة المقابلة.

ما هي الخيارات المتاحة لك؟

المشاركة في هذا البحث تطوعياً. وإذا قررت المشاركة سيعطيك الباحث رمزاً خاص بك للاحتفاظ به. سيتم استخدام هذا الرمز عند كتابة نتائج البحث للإشارة إلى مشاركتك. هدا الرمز معروف للباحث فقط لذلك لن يعرف أي شخص آخر الي من تشير هذه الرموز ولن يتمكن أي شخص من تتبع المشاركين بناءً على مساهماتهم أو رموزهم. يمكنك الانسحاب من المشروع دون إبداء سبب، فأنت تحتاج فقط إلى إبلاغ الباحث في غضون 28 يومًا من التاريخ المقابلة وتقديم اسم الرمز الخاص بك، ولن يتم استخدام أي من بياناتك في المشروع.

ما مطلوب منك فعله؟

إذا وافقت على المشاركة، يرجى ملء انموذج الموافقة بوضع علامة على المربعات وطباعة اسمك وتاريخك وتوقيعك على هذا النموذج. سيقوم الباحث بالاتصال بك لترتيب وقت مناسب للمقابلة.

ماذا تتضمن مشاركتي؟

إذا وافقت على المشاركة، فسوف يُطلب منك إجراء مقابلة معي بصفتي الباحث للمشروع. سيتم ترتيب المقابلة لتتناسب مع الوقت المناسب لك وسيتم إجراؤها في مكان عملك أو في مكان آخر إذا كنت تفضل ذلك، ستستغرق المقابلات ساعة واحدة تقريباً.

جميع المعلومات التي تم جمعها ستكون مجهولة المصدر بالكامل أثناء كتابة البحث، هذا يعني أنه لن يتمكن أحد من تحديد هويتك على أساس كيفية استخدام المعلومات من هذه المقابلات في البحث الخاصة بي.

إذا قررت المشاركة، سيكون لك الحرية علي عدم الإجابة عن أي سؤال معين. في غضون ذلك، سيتم تسجيل المقابلات صوتياً، وسيتم الاحتفاظ بكافة نسخ بأمان على كمبيوتر محمي بكلمة مرور وفي خزانات مغلقة داخل مباني الجامعة. لن يتم إرفاق اسمك على الإطلاق بأي من إجاباتك. يرجى ملاحظة أن جميع المعلومات التي تم جمعها منك والمشاركين الآخرين في هذا المشروع سيتم تدميرها بعد مرور عامين من تاريخ حصوله على درجة الدكتوراه، وهذا سيسمح للباحث بنشر مقالات بناً على هذه البيانات.

كيف ستتم حماية خصوصيتك؟

المقابلة سرية، لذلك لن يتم الكشف عن هويتك. سيتم تسجيل المقابلة صوتياً فقط بموافقتك، وستتاح لك فرصة لقراءة الملاحظات المأخوذة أثناء المقابلة وتقديم التعليقات اللازمة. بالإضافة إلى ذلك، سيتم تخزين انموذج الموافقة بشكل منفصل عن الملاحظات أو أي مستندات للمقابلة بحيث لا يمكن إعادة تحديد هوية المشترك، لن يتم الوصول إلى البيانات الأولية من هذه الدراسة إلا من قبل الباحث الطالب.

كيف سيتم استخدام المعلومات التي تم جمعها؟

سيتم استخدام نتائج البحث في أطروحة لتقديمها كمتطلب للحصول على درجة الدكتوراه في المحاسبة في جامعة نوتنغهام ترنت. بالإضافة إلى ذلك، سيتم نشر المقالات البحثية من هده النتائج. في أي حال، سيتم حماية هوية المشاركين كما هو موضح أعلاه.

ما هي المخاطر؟

لا يوجد خطر يرتبط بالمشاركة في دراستي البحثية من خلال المشاركة في مقابلة. ومع ذلك، إذا شعرت أنك قد تكون عرضة لأي نوع من المخاطر بسبب مشاركتك في دراستي، فيرجى إخباري في أقرب وقت ممكن.

ما هي فوائد المشاركة؟

سيكون لهذا البحث منفعة مباشرة لديوان المحاسبة ونقابة المحاسبين والمراجعين في الليبيين وأيضاً اقتصاد ليبيا. ستترتب على هذه الدراسة آثار على السياسة العامة للحكومة الليبية من خلال مساعدتها على تقرير ما إذا كانت ستعتمد معايير المحاسبة الدولية في نفط. وسوف تقدم دليلا على التحديات والفرص المتاحة لتغيير نظام المحاسبة. قد تكون الدراسة مفيدة أيضًا للشركات متعددة الجنسيات التي تمارس نشاطًا تجاريًا في ليبيا أو تشارك في إعادة بناء هدا الوطن الحبيب.

ما الذي عليك القيام به للمشاركة؟

يرجى قراءة ورقة معلومات المشارك هذه والتأكد من فهم محتوياتها قبل الموافقة على المشاركة. إذا كان هناك أي شيء غير مفهوم، أو إذا كان لديك أسئلة، يرجى الاتصال بالباحث.

إذا كنت ترغب في المشاركة، يرجى ملء انموذج الموافقة وإعادته إلى الباحث وسوف يتصل بك لترتيب وقت مناسب للمقابلة.

مزيد من المعلومات:

يرجى الاحتفاظ بهذه المعلومات. إذا كنت ترغب في الحصول على المزيد من المعلومات، يرجى الاتصال بـ:

الباحث: السيد مجدي محمد أبو شرنته

جامعة نوتنغهام ترينت،50 شارع شكسبير، نوتنغهام، NG1 4FQ, UK

الإيميل: majdi.abushrenta2015@my.ntu.ac.uk

هاتف: (UK) 00447554377578, (LY) 00218927905240

المشرف علي البحث: د.حافظ عبدو

607,مبنى نيوتن، كلية الاقتصاد

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(التحديات والفرص المتعلقة باعتماد المعايير الدولية لإعداد التقارير المالية في ليبيا: في قطاع النفط والغاز)

انموذج موافقة

رمز خاص بك ....

يرجى قراءة وتأكيد موافقتك على مقابلتك لهذا المشروع من خلال وضع علامة (x)المربعات المناسب وتوقيع هذا النموذج.

1. **أؤكد أن الغرض من المشروع قد تم شرحه لي، وأنه قد تم إعطاء معلومات عن ذلك كتابةً، وأنه قد أتيحت لي الفرصة الكافية لطرح الأسئلة حول البحث.** ☐
2. **أنا أدرك أن مشاركتي في هذا البحث هي طوعية وأنني حر في الانسحاب في غضون 28 يومًا من التاريخ جمع البيانات دون إبداء أي أسباب.** ☐
3. **أعطي تصريحًا للمقابلة ليتم تسجيله صوتياً من قبل الباحث، على أساس أن الشريط سيتم تدميره بعد عامين من تاريخ حصوله على درجة الدكتوراة.** ☐
4. **أعطي تصريحًا للباحث بأخذ ملاحظات أثناء المقابلة، على أساس أن الملاحظات سيتم تدميرها بعد عامين من تاريخ حصوله على درجة الدكتوراة.** ☐
5. **أوافق على المشاركة في هذا المشروع.** ☐

____________	____________	____________
اسم المشارك	**تاريخ**	**التوقيع**

____________	____________	____________
اسم الباحث الذي أخذ الموافقة	**تاريخ**	**التوقيع**

اسئلة المقابلة

1- هل أنت على اضطلاع بالمعايير المحاسبية الدولية وخصوصا" تلك المتعلقة بمحاسبة النفط والغاز"؟

2- ما هي الفروق الرئيسة بين المعايير المحاسبية الدولية والمبادئ المحاسبة المقبولة عموما في ليبيا؟

هنا يمكنك التحدث على المعايير المحاسبية الليبية المستخدمة في النفط والغاز إذا ليس لديك دراية بالمعايير الدولية

3- هل هناك تشابه بين مبادئ المحاسبة المقبولة عموما في ليبيا وبين المعايير المحاسبية الدولية؟

هنا يمكنك التحدث على المعايير المحاسبية الليبية المستخدمة في النفط والغاز إذا ليس لديك دراية بالمعايير الدولية

4- هل تعتقد أن ليبيا مستعدة في المرحلة الراهنة لتبني المعايير المحاسبية الدولية؟

5- إذا غيرت ليبيا نظامها المحاسبي الى المعايير المحاسبية الدولية ما هي برأيك المنافع التي ستتحصل عليها من هذا التغير؟

6- ما هي برأيك المنا فع التي سيتحصل عليها كل من: -

ا) ديوان المحاسبة

ب) نقابة المحاسبين والمراجعين الليبيين

ت) الاقتصاد الليبي

ج) قطاع النفط والغاز الليبي

ح) المجتمع الليبي

د) الشركات متعددة الجنسيات

ه) أي شيء آخر تود إضافته؟

7- ما هي برأيك الفرص التي ستجلبها عملية التغيير هذه؟

8- ماهي برأيك التحديات التي ستواجه هذا التغيير؟

9- ماهي برأيك التحديات التي سيواجهها كل من:-

ا) ديوان المحاسبة

ب) نقابة المحاسبين والمراجعين الليبيين

ت) الاقتصاد الليبي

ج) قطاع النفط والغاز الليبي

ح) المجتمع الليبي

د) الشركات متعددة الجنسيات

ه) أي شيء آخر تود إضافته؟

10- هل توصي باعتماد المعايير المحاسبية الدولية من قبل كل القطاعات الاقتصادية؟ لماذا؟ / ولماذا لا؟

11- لماذا لم تعتمد ليبيا المعايير المحاسبية الدولية حتى الآن؟ ما هي أسباب هذا التأخير؟

12 - ما هي العوامل التي توثر في تبني معايير المحاسبة الدولية في ليبيا؟

13- هل لديك أي شيء آخر تود إضافته؟

Appendix 3

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Participant Information sheet

Dear Respondent

I am currently conducting a PhD study on the topic "Challenges and Opportunities of Adopting IFRSs in Libya: The Case of Libyan Oil and Gas Industry" at the Nottingham Business School, Nottingham Trent University in the United Kingdom.

The following questionnaire aims to achieve the objectives of the current study. Therefore, I would be grateful for your assistance in contributing toward this study by offering some of your time and knowledge to complete this questionnaire as your response would be of significance to the completion of this study.

Participation in this research is voluntary and the questionnaire should take approximately 15 to 20 minutes to complete. If you do decide to participate the researcher will give you a code name. You may withdraw from the project without giving a reason, you just need to inform the researcher within 28 days of the data collection points and provide your code name, and no data will be used in the project.

I would like to assure you that all responses to the questionnaire will be kept confidential as all information collected will be fully anonymised during the writing-up of the research. In practice, this means that nobody will be able to identify you on the basis of how I use the information from these questionnaires in my research outputs. All information collected from you and other participants for this project will be destroyed two years from the date of having my PhD awarded. If you would like to receive a brief report of this study's results when available, please fill in the information at the end of this questionnaire.

Thank you in advance for your cooperation and support.

Yours sincerely

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E: majdi.abushrenta2015@my.ntu.ac.uk

Mob (UK); 00447554377578, (LY); 00218927905240

Director of study: Dr Hafez Abdo

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Questionnaire

Instruction for filling in the questionnaire: please choose the answer by putting a cross ☒where appropriate.

Part One) - Personal questions :

This part is to collect general information about subscribers, including:

1. **What is your gender?**

☐ Male

☐ Female

2. **What is your age group?**

☐ Less than 30 years old ☐ 30 – 39 years old ☐ 40 – 49 years old

☐ 50 – 59 years old ☐ 60 years old and over

3. **Qualification:**
Please indicate your highest education level achieved

☐ Diploma ☐ Bachelor ☐ Master

☐ PhD ☐ Professional qualification Other, please specify………………………………………………………….

4. **Career position:**
Please indicate your current job title

☐ Academic ☐ Financial manager ☐ External auditor ☐ internal auditor

☐ Accountant Other, please specify……………………………

5. **Experience**:
A. Please indicate your length of experience in years at the current job

☐ 0–5 Years

☐ 6–10 Years

☐ 11–15 Years

☐ 16 Years and Above

B. Please indicate your total length of professional experience in years

☐ 0–5 Years

☐ 6–10 Years

☐ 11–15 Years

☐16 Years and Above

6. Please use the following scale to rate your knowledge of IFRSs:

(1) none (2) a little (3) moderate (4) very much (5) a great deal

Part Two) - Benefits

To what extent do you agree or disagree with the following statements that convergence with IFRSs brings benefits to Companies/Industries: (SA-Strongly Agree, A- Agree, N-Neutral, DA- Disagree, and SDA- Strongly Disagree)

NO	Statements	SA 1	A 2	N 3	DA 4	SDA 5
1	The process of preparing the financial statements for groups and individuals would be simplified.					
2	IFRSs will help to provide accurate information for decision making in Libyan companies.					
3	IFRSs will enhance the reliability and accuracy of accounting information.					
4	IFRSs will facilitate comparison between financial reporting information of different firms.					
5	IFRSs will provide greater reporting transparency.					
6	IFRSs will raise the confidence of users of financial reports.					
7	IFRSs will reinforce confidence in the accounting and auditing profession.					
8	IFRSs provides greater credibility and improved economic prospects for the accounting profession.					
9	IFRSs will make investments measurement easier.					
10	IFRSs adoption will help to remove barriers previously encountered regarding the flow of international capital from/to Libya.					
11	IFRSs will improve accessibility to capital markets (including investors from overseas).					
12	IFRSs will reduce the cost of capital.					
13	Users would save time in analysing financial reports.					
14	IFRSs will reduce costing, time and effort in order to formulate appropriate national accounting standards.					
15	IFRS brings better corporate governance					

Comments:

Please include here, any further benefits that have not been listed above and that you believe IFRSs adoption will bring and should be considered:

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Part Three) - Challenges

To what extent do you agree or disagree with the following statements that convergence with IFRSs adoption will bring as challenges to Companies/Industries: (SA-Strongly Agree, A-Agree, N-Neutral, DA- Disagree, and SDA- Strongly Disagree)

NO	**Statements**	SA 1	A 2	N 3	DA 4	SDA 5
1	IFRSs will increase complexities in preparing financial statements thereby increasing the risk of errors.					
2	The need for training of relevant professionals.					
3	Weakness of professional accountancy body in Libya.					
4	Lack of knowledge and technical skills of the professional accountants in Libyan.					
5	Weakness of accounting education in Libya.					
6	Lack of proper instructions and guidance's from regulatory bodies.					
7	The cost of IFRSs implementation is very high.					
8	Zakat and Islamic law requirements (interest issues).					
9	Unsuitability of some IFRSs procedures to the Libyan environment.					
10	Language issue, because the IFRSs are written in English language.					
11	Problems with the IT system in handling the transition to IFRS.					
12	IFRSs require changes in Libyan Commercial law.					
13	IFRSs require changes in Libyan tax laws and practices.					
14	Lack of legal system enforcement.					

15	Existing laws limit the application of IAS/IFRS.					

Comments:

Please include here, any further challenges that have not been listed above and that you believe IFRSs adoption will bring and should be considered:

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Part Four) - Why has Libya not adopted IFRSs until now? Please list the reasons for this delay:

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Part five)

To what extent do you think any of the following will influence Libya to adopt IFRSs:

No	**Statement**	**SA 1**	**A 2**	**N 3**	**DA 4**	**SDA 5**
1	**The old accounting standards were ineffective**					
2	**Economic growth in Libya will greatly influence the adoption of IFRSs**					
3	**The external environment like (world bank and IMF) will greatly influence the adoption of IFRSs**					

4	**International companies (e.g. oil companies) will greatly influence the adoption of IFRSs**					
5	**The government will greatly influence the adoption of IFRSs**					
6	**The existence of a capital market will greatly influence the adoption of IFRSs**					

Part six) - After discussing the above statements, in your opinion, what should the Libyan government do regarding the International Financial Reporting Standards (IFRSs) formed by the IASB? (Please tick just one)

No	Decisions	Tick
1	IFRSs should be adopted in Libya.	
2	IFRSs should be adopted in Libya but they need modification.	
3	IFRSs should be adopted by one economic sector as a trial.	
4	IFRSs should not be adopted in Libya.	
5	I don’t know.	

If you would like to receive a brief report of this study's results when available, please complete the following:

- Phone No……………………………………………………………………………………..

- E-mail: …………………………………………………………………………………………

Thank you very much for your time and participation

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عزيزي المشترك

أقوم حالياً بإجراء دراسة لدرجة الدكتوراه في موضوع "التحديات والفرص المتعلقة باعتماد المعايير الدولية لإعداد التقارير المالية في ليبيا: في قطاع النفط والغاز " في كلية الاقتصاد في جامعة نوتنغهام ترنت في المملكة المتحدة.

يهدف استبيان إلى تحقيق أهداف الدراسة الحالية، لذلك سأكون ممتناً لمساعدتكم في المساهمة في هذه الدراسة من خلال منحي بعضاً من وقتك ومعرفتك لاستكمال هذا استبيان حيث إن ردك سيكون ذا أهمية لإكمال هذه الدراسة.

المشاركة في هذا البحث تطوعية، لذا إذا قررت المشاركة، فلن يأخذ هذا استبيان أكثر من 15 الي 20 دقيقة من وقتك. سيعطيك الباحث اسمًا رمزيًا. يمكنك الانسحاب من المشروع دون إبداء سبب، فأنت بحاجة فقط إلى إبلاغ الباحث في غضون 28 يومًا من تاريخ جمع البيانات وتقديم الرمز الخاص بك، ولن يتم استخدام أي بيانات قدمتها في هذا المشروع.

وأود أن أؤكد لك أن جميع الردود على استبيان ستبقى سرية، حيث إن جميع المعلومات التي يتم جمعها ستكون مجهولة المصدر بالكامل أثناء كتابة البحث. من الناحية العملية، هذا يعني أنه لن يتمكن أحد من تحديد هويتك على أساس كيفية استخدام المعلومات الواردة من هذه الاستبيانات في هذا المشروع. سيتم تدمير جميع المعلومات التي تم جمعها منك ومن المشاركون الآخرون لهذا المشروع بعد عامين من تاريخ حصول الباحث على درجة الدكتوراه. إذا كنت ترغب في الحصول على تقرير موجز لنتائج هذه الدراسة حين تكون متاحة، يرجى ملء المعلومات في نهاية هذا استبيان.

نشكرك مقدمًا على تعاونك ودعمك.

مع خالص التقدير

الباحث: السيد مجدي محمد أبو شرينته

جامعة نوتنغهام ترينت،50 شارع شكسبير، نوتنغهام، NG1 4FQ, UK

الإيميل: majdi.abushrenta2015@my.ntu.ac.uk

هاتف: (UK) 00447554377578, (LY) 00218927905240

المشرف على البحث: د. حافظ عبدو

607 مبنى نيوتن، كلية الاقتصاد جامعة نوتنغهام ترينت،50 شارع شكسبير، نوتنغهام، NG1 4FQ, UK

هاتف:00441158486098

الإيميل: hafez.abdo@ntu.ac.uk

NOTTINGHAM TRENT UNIVERSITY

استبيان

تعليمات ملء استبيان: يرجى اختيار الإجابة بوضع علامة (x) في المكان المناسب.

الجزء الأول:- أسئلة شخصية:

هذا الجزء هو لجمع معلومات عامة عن المشتركين:

1.ما هو جنسك؟

☐ذكر

☐ انثى

2. ما هي الفئة العمرية الخاصة بك؟

☐أقل من 30 سنة ☐ 30 - 39 سنة ☐ 40 - 49 سنة

☐ 50 – 59 سنة ☐ 60 سنة وما فوق

3. المؤهل العلمي:

يرجى الإشارة إلى أعلى مستوى تعليمي تحصلت عليه

☐ دبلوم ☐ بكالوريوس ☐ ماجستير

☐ درجة الدكتوراه ☐ التأهيل المهني

غير ذلك، يرجى تحديد...

4. المؤهل الوظيفي:

يرجى الإشارة إلى وظيفتك الحالية

☐ أستاذ أكاديمي ☐ مدير مالي ☐ مراجع خارجي ☐ مراجع داخلي

☐ محاسب غير ذلك، يرجى تحديد...

5. الخبرة

1. يرجى الإشارة إلى طول خبرتك بالسنوات في الوظيفة الحالية:

☐ 0 - 5 سنوات ☐ 6 - 10 سنوات ☐ 11 -15 سنوات ☐ 16 سنة فأكثر

. يرجى تحديد طول خبرتك المهنية بالسنوات:

☐ 0 - 5 سنوات ☐ 6 - 10 سنوات ☐ 11 - 15 سنوات ☐ 16 سنة فأكثر

6. يرجى استخدام المقياس التالي لتقييم معرفتك بالمعايير الدولية لإعداد التقارير المالية:

(1)لا شيء (2) قليلا (3) معتدل (4)كثيرا (5) بقدر كبير

الجزء الثاني :- الفوائد

إلى أي مدى توافق أو لا توافق على العبارات الآتية التي تقر أن اعتماد المعايير الدولية لإعداد التقارير المالية تجلب فوائد للشركات و الصناعات في ليبيا: (أوافق بشدة، أوافق، محايد ، لا أوافق ، ولا أوافق بشدة.)

الأرقام	البيانات	أوافق بشدة	أوافق	محايد	لا أوافق	لا أوافق يشدة
1	المعايير الدولية لإعداد التقارير المالية ستبسط عملية إعداد البيانات و التقرير المالية للمجموعات والأفراد.					
2	سوف تساعد المعايير الدولية لإعداد التقارير المالية على توفير معلومات دقيقة لاتخاذ القرارات في الشركات الليبية.					
3	ستعزز المعايير الدولية لإعداد التقارير المالية موثوقية المعلومات المحاسبية ودقتها.					
4	سوف تسهل المعايير الدولية لإعداد التقارير المالية المقارنة بين معلومات التقارير المالية للشركات المختلفة.					
5	سوف توفر المعايير الدولية لإعداد التقارير المالية شفافية أكبر في إعداد التقارير.					
6	سوف ترفع المعايير الدولية لإعداد التقارير المالية ثقة مستخدمي التقارير المالية.					
7	ستعزز المعايير الدولية لإعداد التقارير المالية الثقة في مهنة المحاسبة ومراجعة الحسابات في ليبيا.					
8	توفر المعايير الدولية لإعداد التقارير المالية مصداقية أكبر وآفاق اقتصادية اكتر لمهنة المحاسبة					
9	استخدام المعايير الدولية لإعداد التقارير المالية يجعل قياس الاستثمارات أسهل.					
10	سيساعد اعتماد المعايير الدولية لإعداد التقارير المالية على إزالة الحواجز التي واجهتها سابقاً فيما يتعلق بتدفق رأس المال الدولي من / إلى ليبيا.					
11	ستعمل المعايير الدولية لإعداد التقارير المالية على تحسين إمكانية الوصول إلى أسواق رأس المال (بما في ذلك المستثمرين من الخارج).					
12	المعايير الدولية لإعداد التقارير المالية سوف تقلل من تكلفة .رأس المال					
13	سيوفر المستخدمون الوقت في تحليل التقارير المالية.					
14	سوف تعمل المعايير الدولية لإعداد التقارير المالية على خفض التكاليف والوقت والجهد من أجل صياغة معايير محاسبية وطنية مناسبة.					
15	المعايير الدولية للتقارير المالية تجلب إدارة أفضل للشركات.					

تعليقات:-

هنا يرجى منكم تضمين، أي فوائد أخرى لم يتم سردها أعلاه والتي تعتقد أن اعتماد المعايير الدولية لإعداد التقارير المالية سوف تجلبها ويجب أخذها في الاعتبار:

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الجزء الثالث: – التحديات

إلى أي مدى توافق أو لا توافق على العبارات الآتية التي تقر أن اعتماد المعايير الدولية لإعداد التقارير المالية ستتسبب في تحديات للصناعات والشركات في ليبيا: (أوافق بشدة، أوافق، محايد، لا أوافق، لا أوافق بشدة)

الارقام	البيانات	أوافق بشدة	أوافق	محايد	لا أوافق	لا أوافق بشدة
1	تزيد المعايير الدولية لإعداد التقارير المالية التعقيدات في إعداد البيانات المالية مما يزيد من مخاطر الأخطاء.					
2	الحاجة إلى تدريب المهنيين المختصين.					
3	ضعف هيئة المحاسبين المهنية في ليبيا تعيق اعتماد المعايير الدولية لإعداد التقارير المالية.					
4	نقص المعرفة والمهارات الفنية للمحاسبين المحترفين الليبيين.					
5	ضعف التعليم المحاسبي في ليبيا تعيق اعتماد المعايير الدولية لإعداد التقارير المالية.					
6	عدم وجود تعليمات وإرشادات المناسبة من الهيئات التنظيمية.					
7	تكلفة تطبيق المعايير الدولية لإعداد التقارير المالية عالية جداً.					
8	متطلبات الزكاة وشريعة الإسلامية (مشاكل الفائدة)					
9	عدم ملاءمة بعض المعايير الدولية لإعداد التقارير المالية إلى البيئة الليبية.					
10	مشكلة اللغة، لأن المعايير الدولية لإعداد التقارير المالية مكتوبة باللغة الإنجليزية.					
11	مشاكل مع نظام تكنولوجيا المعلومات في التعامل مع الانتقال إلى المعايير الدولية للتقارير المالية.					
12	المعايير الدولية لإعداد التقارير المالية تتطلب تغييرات في القانون التجاري الليبي.					
13	تتطلب المعايير الدولية لإعداد التقارير المالية تغييرات في قوانين وممارسات الضرائب الليبية.					
14	عدم وجود النظام القانوني يرغم على تطبيق المعايير.					
15	القوانين القائمة تحد من تطبيق المعايير الدولية للمحاسبة / المعايير الدولية لإعداد التقارير المالية.					

تعليقات:-

هنا يرجى منكم تضمين، أي تحديات أخرى لم يتم سردها أعلاه والتي تعتقد أن اعتماد المعايير الدولية لإعداد التقارير المالية سوف تجلبها ويجب أخذها بعين الاعتبار:

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الجزء الرابع:- لماذا لم تعتمد ليبيا المعايير الدولية لإعداد التقارير المالية حتى الآن؟ يرجى ذكر أسباب هذا التأخير:

....

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الجزء الخامس:- إلى أي مدى تعتقد أن أيًا مما يلي سيؤثر على ليبيا في اعتماد المعايير الدولية لإعداد التقارير المالية:

الارقام	البيانات	أوافق بشدة	أوافق	محايد	لا أوافق	لا أوافق بشدة
1	المعايير المحاسبية القديمة غير فعالة.					
2	النمو الاقتصادي في ليبيا سيأثر بشكل كبير على اعتماد معايير التقارير المالية الدولية.					
3	البيئة الخارجية مثل (البنك الدولي وصندوق النقد الدولي) ستأثر بشكل كبير على اعتماد معايير التقارير المالية الدولية					
4	شركات عالمية (مثل شركات النفط) ستأثر بشكل كبير على اعتماد معايير التقارير المالية الدولية.					
5	الحكومة ستأثر بشكل كبير على اعتماد المعايير الدولية لإعداد التقارير المالية					
6	وجود سوق رأس المال سيأثر بشكل كبير على اعتماد معايير التقارير المالية الدولية					

الجزء السادس :- بعد مناقشة البيانات السابقة ، في رأيك ، ما الذي يجب أن تقوم به الحكومة الليبية فيما يتعلق بالمعايير الدولية لإعداد التقارير المالية التي يشكلها مجلس معايير المحاسبة الدولية؟ (يرجى وضع علامة واحدة فقط).

الارقام	قرارات	علامة
1	يجب اعتماد المعايير الدولية لإعداد التقارير المالية في ليبيا.	
2	يجب اعتماد المعايير الدولية لإعداد التقارير المالية في ليبيا ولكنها تحتاج إلى تعديل.	
3	يجب اعتماد المعايير الدولية لإعداد التقارير المالية من قبل قطاع اقتصادي واحد كإجراء تجريبي.	
4	يجب عدم اعتماد المعايير الدولية لإعداد التقارير المالية في ليبيا.	
5	انا لا اعرف.	

إذا كنت ترغب في الحصول على تقرير موجز لنتائج هذه الدراسة عند توفرها، فيرجى إكمال ما يلي:

رقم الهاتف...

البريد الإلكتروني: ....

شكرا جزيلا على وقتك ومشاركتك

Appendix 4

Government of National Accord
Libyan Embassy – London
Academic Attaché

حكومة الوفاق الوطني
سفارة ليبيا - لندن
الملحقية الأكاديمية

الرقم الاشـــاري	2018-02-23543	التـــــــــــاريخ	06-02-2018
رقم المـــــلف	7282	بداية الصـــــرف	01-04-2016
اسم الطـــــالب	مجدي محمد أحمد أبوشرنتة	نهاية الصـــــرف	31-03-2019
رقم قرار الإيفاد	493/2008	عدد اشهر المنحة	36
الدرجة العلمية	دكتوراه	إيقاف الصـــــرف	31-03-2018
التخصـــــص	الإقتصاد	الاشهر المصروفة	3

السيد / مدير إدارة الملحقيات و شؤون الموفدين

بعد التحية ،،،،،

الموضوع / دراسة حقلية

تقدم إلينا المعني بطلب لموافقتكم على إجراء دراسة حقلية في ليبيا لجمع بعض البيانات والمعلومات المتعلقة بدراسته، وذلك حسب رسالة الاستاذ المشرف المرفقة.

الرجاء موافاتنا بالخصوص.

شـاكريـن لكـم حسـن تعـاونـكم

والســلام عليكم ورحمـة الله وبركاتـه ،،،،،

المرفقـــــات
طلب المعني
رسالة المشرف

د. الحسن المصري الفضيل

الملحق الاكاديمي المساعد

سفارة ليبيا بالملكة المتحدة
الملحقية الأكاديمية - لندن
Academic Attaché - London
Libyan Embassy - United Kingdom

Printed on: 06/02/2018 10:42:43 by: HO275

61-62 Ennismore Gardens, London, SW7 1NH. +44(0)20 3006 9891. culturalaffairs.libyanembassy.org

Hosam Ounalla

From:	majdi abosherenta <majdiabo_88@yahoo.com>
Sent:	06 February 2018 09:43
To:	Hosam Ounalla
Subject:	Re: رساله من اجل الدراسة الحقليه

السلام عليكم ، ارجو من حضرتكم التكرم بصدار رساله من اجل مخاطبت بها الجهات المختصة للدراسة الحقلية للعلم المشرف الجامعي قد أرسل بدوره الرسلة الي الملحقية بالخصوص.
اتمني ان تكون الرساله بلغتين العربية والإنجليزية اذا أمكن
الاسم ، مجدي محمد ابو شرنته
رقم الملف : 7282
في حفظ الله

On Tuesday, February 6, 2018, 9:38 am, Hosam Ounalla <h.ounalla@libyanembassy.org> wrote:

السلام عليكم،

تم استلام مراسلة المشرف،

الرجاء توفير طلب بخصوص اصدار رسالة الدراسة الحقلية

يمكنكم كتابة بريد الكتروني فقط مع عدم اغفال ذكر رقم ملفكم

وفقكم الله ويسر لكم أمركم،

حفظ الله ليبيا

Kind Regards,

Housam Ounalla

Academic Advisor

Libyan Cultural Attaché

61-62 Ennismore Gardens

London SW7 1NH

Tel: 0203 006 9890

Fax: 0207 581 2393

E-Mail: h.ounalla@libyanembassy.org

1

Nottingham Business School

Burton Street, Nottingham NG1 4BU. Tel. +44 (0)115 941 8418 www.ntu.ac.uk/nbs

To whom it may concern

February 2018

Re Majdi Abushrenta

I am the undersigned, Dr Hafez Abdo, of Nottingham Business School and the Director of Studies of the above named PhD student giving this letter based on his request.

Majdi has passed his Project Approval in May 2017. He has drafted his Methodology and Methods Chapter and currently working on his Questionnaire Questions and Interview Schedule. This is in preparation for his field study and data collection activities.

Majdi is due to collect his data from companies and agencies in the Libya. Therefore, he needs to travel to Liby between 1st May and 30th July 2018.

I would be most grateful if you may provide Mr Abushrenta with the required support and assistance to undertake his field study.

Should you require any further information please do not hesitate to contact the writer

Yours truly,

Dr Hafez Abdo

607 Newton Building

Nottingham Business School

50 Shakespeare Street

Nottingham, NG1 4FQ

Tel: 0115 8486098

Email: hafez.abdo@ntu.ac.uk

NOTTINGHAM TRENT UNIVERSITY

Nottingham Business School
Nottingham Trent University
Burton Street, Nottingham, NG1 4BU
Tel: 0115 941 8418 www.ntu.ac.uk/nbs

NOTTINGHAM BUSINESS SCHOOL

NOTTINGHAM TRENT UNIVERSITY

Appendix 5

Oil and gas companies operating in Libya

Fully Owned (12)

Arabian Gulf Oil Company

Brega Petroleum Marketing Company

Jowfe Oil Technology Company

National Oil Fields and Terminals Catering Company

National Oil Wells Drilling and Work over Company

North Africa Geophysical Exploration Company

Petro Air Company

Ras Lanuf Oil and Gas Processing Company

Sirte Oil Company

Taknia Libya Engineering Company

Zallaf Libya Oil and Gas Company

Zawia Oil Refining Company

Joint Ventures (7)

Akakus Oil Operation Company

Harouge Oil Operation Company

Mabruk Oil Operation Company

Mellita Oil & Gas Company

Nafusah Oil Operation Company

WAHA Oil Company

Zueitina Oil Company

Epsa (23)

Amerada Hess Company

BP Exploration Libya Limited Company

Chevron Libya LTD Company

Eni North Africa Company

Exxon Mobil Company

Gazprom Company

India oil Company

Medco Energy Company

OMV Company

ONGC Limited Company

OXY Company

Petro Canada Company

Petrobras Company

Polish Oil & Gas Company

Repsol Murzuq Company

RWE Company

Shell Company

Sonatrach Company

STATOIL Company

Tatneft Company

Total E&P Company

Turkish Petroleum Corporation

Wintershall AG Company

Centers & Institutes (5)

Libyan Petroleum Institute

National Oil Corporation - Houston branch

Oil Clinic

Petroleum Training and Qualifying Institute

The Specific Training Center of Petroleum Industrial (Zawia)

Appendix 6

(3)

الديمقراطية
بدون مؤتمرات شعبية

الجماهيرية العربية الليبية الشعبية الإشتراكية العظمى

اللجنة الشعبية العامة للمالية

قرار

أمين اللجنة الشعبية العامة للمالية

رقم (273) لسنة 1374 و.ر

بشأن تشكيل لجنة وتحديد مهامها

أمين اللجنة الشعبية العامة للمالية:

- بعد الإطلاع على قانون النظام المالي للدولة ، ولائحة التنفيذية ، وتعديلاتهما .
- وعلى القانون رقم (1) لسنة 1369 ور ، بشان المؤتمرات الشعبية واللجان الشعبية ، ولائحته التنفيذية .
- وعلى القانون رقم (1) لسنة 1373 ور ، بشـان المصارف .
- وعلى قرار اللجنة الشعبية العامة رقم (30) لسنة 1371 ور، بتنظيم الجهاز الإداري للجنة الشعبية العامة للمالية ، وتعديلاته .
- وعلى قرار اللجنة الشعبية العامة رقم (76) لسنة 1374 ور بتقرير بعض الأحكام في إختصاصات اللجنة الشعبية العامة لقطاع المالية .
- وعلى قرار أمين اللجنة الشعبية العامة للمالية رقم (161) لسنة 1371 ور ، بشان التنظيم الداخلي للجنة الشعبية العامة للمالية .

قـــرر

مـادة (1)

تشكل لجنة من الإخوة :.

1. د. مركز بحوث العلوم الإقتصادية رئيساً.
2. د. جامعة قاريونس عضواً.
3. د. جامعة قاريونس عضواً.
4. د. أكاديمية الدراسات العليا عضواً.
5. د. جامعة قاريونس عضواً.
6. د. مصرف ليبيا المركزي عضواً.
7. د. أمين اللجنة الشعبية بكلية الاقتصاد جامعة قاريونس عضواً.
8. أ. غرفة التجارة والصناعة عضواً.
9. م. نقابة المحاسبين عضواً،
10. أ. السوق المالي عضواً.
11. أ. محاسب ومراجع قانوني عضواً.
12. أ. جهاز المراجعة المالية عضواً.
13. ع. اللجنة الشعبية العامة للمالية عضواً.

مـادة (2)

تتولى اللجنة المشكلة بموجب المادة السابقة وضع تصور لتأسيس هيئة أو موسسة علمية مهنية تتولى تطوير بيئة المحاسبة والمراجعة في الجماهيرية العظمى بما يودي إلى تطوير وتحسين نوعية المعلومات المالية ، وبيان إختصاصات هذه الهيئة وكيفية تمويلها وتحديد أسلوب عملها وإداراتها لتحقيق المهام المناطة بها .

الجماهيرية العربية الليبية الشعبية الإشتراكية العظمى

اللجنة الشعبية العامة للمالية

الديمقـــراطية
...ون مؤتمرات شعبية

مـــادة (3)

تجتمع اللجنة بدعوة من رئيسها في المكان والزمان المحددين في دعوة الإجتماع .

مـــادة (4)

على اللجنة الإنتهاء من عملها وتقديم تقرير بما توصلت إليه خلال مدة أقصاها ثلاثة أشهر من تاريخ العمل بهذا القرار .

مـــادة (5)

يعمل بهذا القرار من تاريخ صدوره ، وعلى المعنيين بأحكامه تنفيذه .

أمين اللجنة الشعبية العامة للمالية

الجماهيرية العربية الليبية الشعبية الاشتراكية العظمى
القرارات
اللجنة الشعبية العامة للمالية

صدر بتاريخ 7/17/1374و.ر (2006 مسيحي)

د.منيسي ع - ماروز

Appendix 7

Title	LPL	IFRS
LPL and IFRS	Libya's accounting practice is a rules-based system comparable to the United States in that it is based on regulations and Laws.	IFRSs is a principles-based approach.
Statements	the financial position (balance sheet) statement and income statements required by the tax legislation.	financial position statement as well as the comprehensive income statement (profit-loss report); also, other statements require such information on changes in equity, cash flow statement and a note summarising pertinent accounting policies adopted by the organisation.
Libyan Oil and gas law and IFRS 6	the acquisition costs, as stated in Article 14, paragraph 4, oil and gas companies are not permitted to deduct acquisition costs from their accounts.	the acquisition costs on both Successful Effort (SE) and full costing (FC) methods should be capitalised.
Libyan Oil and gas law and IFRS 6	Article 14, paragraph 3 of the Libyan Petroleum law states that oil and gas companies are only permitted to capitalise tangible assets whereas intangible costs can be capitalised or set as expenses.	according to SE, successful costs are capitalised, and unsuccessful costs are expensed. According to FC, on the other hand, both successful and unsuccessful exploration costs should be capitalised.

Asset valuation	the valuation of an asset is computed using the historical cost.	the international standards (IFRS13 and IAS16 recommends using the market (current) value or fair value approach to evaluate the assets.
Inventories treatment	The inventory cost is usually computed by either; the first-in-first-out method or last-in-first-out. Whereas the weighted average is not used in Libya.	The inventory cost is usually computed by either the first-in-first-out method and weighted-average (lowest between the cost and net realisable value). whereas the use of last-in-first-out method is prohibited in IFRS.