# The Impact of Mandatory IFRS Adoption on Accounting Quality: Iraqi Private Banks

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This paper examines the effects of adopting the International Financial Reporting Standards (IFRS ) on the quality of accounting in Iraqi private banks (IPB). The majority of the banks in Iraq have complied with International Accounting Standards regulations since 2015. This paper determines the connection of the IFRS adoption with the improvement in the quality of accounting of the banks that have been listed on the Iraqi Stock Exchange (ISE) according to the correlation between operation cash flow and net income. This study will utilise secondary data obtained from the financial statements that are available in the ISE from 2012 – 2018. The outcome revealed that there is a correlation between OCF and NI after the IFRS have been adopted in banks that are reflected to tow banks out of five has been improved in accounting quality. Besides that, there are also other reasons, such as legal and political systems, that impacted on the quality of accounting in Iraq.

**Key words:** *IFRS, Accounting quality, Iraqi private banks (IPO), Central Bank Iraqi (CBI).*

## Introduction

A lot of debates and controversies have been highlighted around the world in relation to the matter of changing the local accounting standards to the International Financial Reporting Standards (IFRS). This is because the practices of IFRSs are different from certain countries that are adopting it and this has become an alarming issue, as most countries around the world are significantly changing their ways around  preparing and reporting their financial statement once the IFRS is adopted ( Yurt & Ergun, 2015; \2011; Brown & Tarca, 2007).

Besides, changing the accounting standards may also affect the process of deciding the effects of spillover from the financial reports of other banks. If all of the banks are being more transparent in reporting, it can help a bank by reducing its hesitation towards the strategies conducted by the other banks (Durnev & Mangen, 2009). Before 2003, Iraq used to follow the accounting system from the Russian and Egyptian accounting system. Until 1968, a philosophy of the Arab Ba'ath Socialist party began to rule Iraq, which holds the philosophy of control introduced by the Unified Accounting System (UAS), similar to the previous centralised regime's agenda (Ibrahim, Stanton, & Rodrigs, 2014). This clearly shows that due to the political conducts in the country, it has impacted significantly on the accounting systems and the policies of the country, particularly Iraq. Hence, the practices of the accounting system in Iraq have been controlled and influenced by the British (Gray, 1988).

After  2003, the government of accounting policy in Iraq attempted to create accounting as a profession in governmental and private banks in Iraq, due to the external pressure that comes from the developed countries as they see the business opportunities in Iraq. In addition, as the country is in the phase of re-building,  international institutions such as the World Bank and Big four accounting firms are pressuring Iraq to implement the IFRSs by establishing the accounting information system and the Iraqi accounting standards. In 2015, the Central Bank of Iraq (CBE)  ordered the Iraqi private banks to the compulsory action of implementing the IFRS without considering the opinion of the auditor. In 2016, the Iraqi private banks became obliged to adopt IFRS in the annual report of banks (Yahya & Thabet, 2018).

As the IFRS is being adopted in Iraqi private banks, many studies have focused on developing and implementing the IFRS in Iraq. This study intends to fill the gap by examining the effects of implementing the IFRS on the IPO of Iraqi's private banks. The significant aim of this study is to determine the expected effects of the IFRS on the quality of the accounting standards in Iraqi private banks (IPO) which have been listed on the Iraqi Stock Exchange.

**International Financial Reporting Standards Adoption in Iraq**

Recently, the government of Iraq has obligated the companies in Iraq to implement the IFRS as the accounting standard to improve the quality of the financial reporting. The reason for doing so is because the accounting standards are changing,  and disclosing more financial information to the banks may increase the comparability and transparency of the financial information (Yurisandi & Puspitasari, 2015). The following exhibits the roadmap of IFRS adoption in Iraq:

**Figure 1.** Roadmap of IFRS Adoption in Iraq
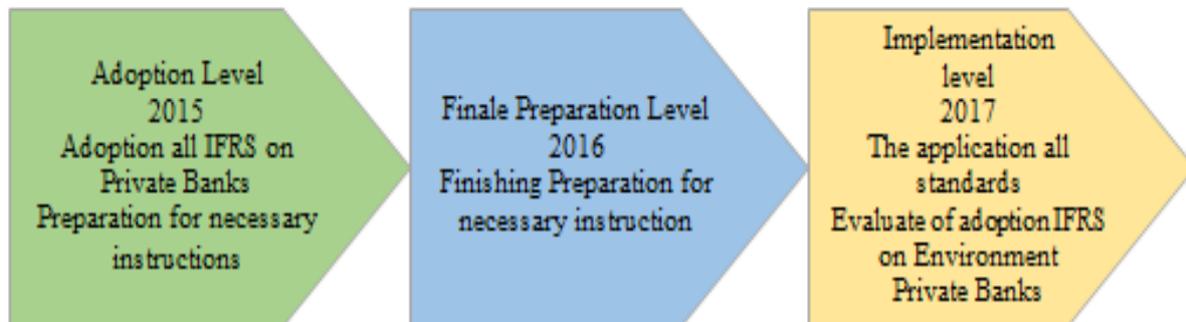


Prepared by the researchers according to Central Bank of Iraq (CBI) Instructions 2015.

On April 1, 2004, the companies in Iraq were urged to implement a more open market economy. The CPA and the Iraqi Governing Council Seven issued a modified version of the Companies Law of 1997 to cater to all the foreign and domestic investors. The law stated permission for the foreign investors to own 100% of the businesses in any sectors besides the natural resources sector. Subsequently, in November 2009, the law had changed and it had allowed  foreign investors to invest in the oil sector. Table 2 presents the key statistics with the number of listed companies, the ratio of domestic and foreign ownership, and listed capital per sector. Presently, the banking sector is the root  cause of the majority of finance for domestic enterprises, yet the Iraqi Stock Exchange is still a little  weak (World Bank, 2011).

In April 2004, the CPA, led by the US,  issued the Interim Law on the Securities Markets. There are a few matters that need to be highlighted to acknowledge the Iraqi Governing Council's aspiration to significantly alter the country's economic system and the hope to recover the capital markets in Iraq. The requirements are:

- the Iraqi Stock Exchange needs to be established as a member-owned self-regulatory organisation with the past Baghdad Stock Exchange ceasing operations;
- the listed firm's financial statements must be prepared according to the standards set by the IFRS in 2004;
- the financial reports need to be audited according to the international auditing standards and
- an interim Iraq Securities Commission is established

**Table 1:** Comparison between Iraqi NASs and IASs before 2004

| INAS | IAS | Title |
|------|-----|-------|
| 1 | 11 | Construction Contracts |
| 2 | 9 | Accounting for Research and Development Activities |
| 3 | 23 | Borrowing Cost |
| 4 | 21 | The Effects of Changes in Foreign Exchange Rates |
| 5 | 2 | Inventories |
| 6 | 1 | Presentation of Financial Statements |
| 7 | 7 | Statement of Cash Flow |
| 8 | 15 | Information Reflecting the Effects of Changing Prices |
| 9 | 10 | Events after the Reporting Period |
| 10 | 30 | Disclosures in the Financial Statements of Banks and Similar Financial Institutions |
| 11 | 41 | Agriculture |
| 12 | - | Capital Profit and Loss |
| 13 | 12 | Income Taxes |
| 14 | 25 | Accounting for Investment |

**Source:** (Hassan, Rankin, & Lu, 2014)

It appears that the strength and the business expertise in 27 private banks are gradually refining themselves, as they tend to provide a variety of products, such as consumer loans. Nevertheless, there are a few drawbacks to be highlighted, such as the staff skills, limited types of services offered by the banks, and most of the loans are short-term loans associated with the wholesale and retail trade. Meanwhile, syndication is not being used yet, as private banks are unable to obtain large projects due to their small size. A few researchers, including the CBI officials, had inquired about the professional capacity of the private banks and highlighted that they had not been able to support the continuous economic growth.

In 2004, the Central Bank Law No. (56) and the Banking Law No. (94) were used by many private, government and mixed banks as a guide to facilitate their financial statements according to the international standards. Meanwhile, the Iraqi Stock Markets Law No. (74) was implemented by the listed companies to prepare their financial statements in accordance with the International Accounting Standards.

The tax laws have not been amended, as Iraq still operates based on the Income Tax Law No. 113 of 1982, as well as the Companies Law No. 21 of 1997. All these laws are proportional to the socialist economic environment that dominated the economic behaviour of the former regime, despite attempts to change towards a market economy . After 2003, the public sector continued to dominate the largest part of the size of the Iraqi economy. The distribution of

economic activities between the public and private sectors shows that the input from the private sector is declining in the form of fixed capital. This is an indicator of an enabling environment and a negative investment climate for the private sectors.

According to data from the year 2015, it was discovered that the participation from the private sector in the formation of capital amounted to 34.7%, while the public sector  was 65.3%. Based on the trend of the economics and the policies, the National Development Plan 2018-2022 was targeted to strengthen the private sector's function and to create appropriate opportunities to play its part in the process of development, particularly in the state of declination in their role and the postponement of government projects, because of the crisis in terms of their financial stability and the small financial revenues. The development plan aims at the private sector's contribution in investment to reach 38.3% in 2022 and 61.7% from the public sector, as presented in the table below:

**Table 2:**  Public / Private Contribution to capital formation in fixed price

| Sector | The standard year 2015 | | The target year 2022 | |
|---|---|---|---|---|
| | Public Sector % | Private Sector % | Public Sector % | Private Sector % |
| Agriculture | 67.6 | 32.4 | 60.0 | 40.0 |
| Oil | 100.0 | 00 | 95.0 | 5.0 |
| Mining | 66.4 | 33.6 | 66.0 | 34.0 |
| Transformational industry | 39.5 | 60.5 | 30.0 | 70.0 |
| Power & Water | 80.8 | 19.2 | 75.0 | 25.0 |
| Construction & Building | 43.1 | 56.9 | 40.0 | 60.0 |
| Transportation & telecommunication | 9.9 | 90.1 | 5.0 | 95.0 |
| Trade | 13.1 | 86.9 | 13.0 | 87.0 |
| Finance & insurance | 4.1 | 95.9 | 4.0 | 96.0 |
| Services | 81.8 | 18.2 | 70.0 | 30.0 |
| **Total** | **65.3** | **34.7** | **61.7** | **38.3** |

**Source:** http://investpromo.gov.iq

Therefore, Abdel (2016) asserted that despite the expansion of the private sector in the fields of banking, tourism, education, and trade, their contributions to the GDP and the formation of fixed capital are still low as their investments are either in short-term projects or investments. Thus, it did not meet the role to fill the shortage in the field of investments and economic activity in the country.

**Determinants of Accounting Quality after the Implementation of IFRS**

The determinants of the accounting quality are shown in a schematic framework as presented in Figure 2. It depicts the standards of accounting, the legal and political systems, and the incentives of the financial statements that can affect the quality of the accounting. Although it is known that changing to the IFRS may have an impact on the financial report, it is the only factor that can measure the quality of accounting. Meanwhile, other determinants in other countries may differ from one another, giving a variety of outcomes in the quality of accounting following the adoption of IFRS.

Soderstrom and Sun (2007), had made a clear model of the determinant that impacted the quality of accounting which they found in two systems; political and legal, and the standards of accounting.

**Figure 2.** Determinants of Accounting Quality
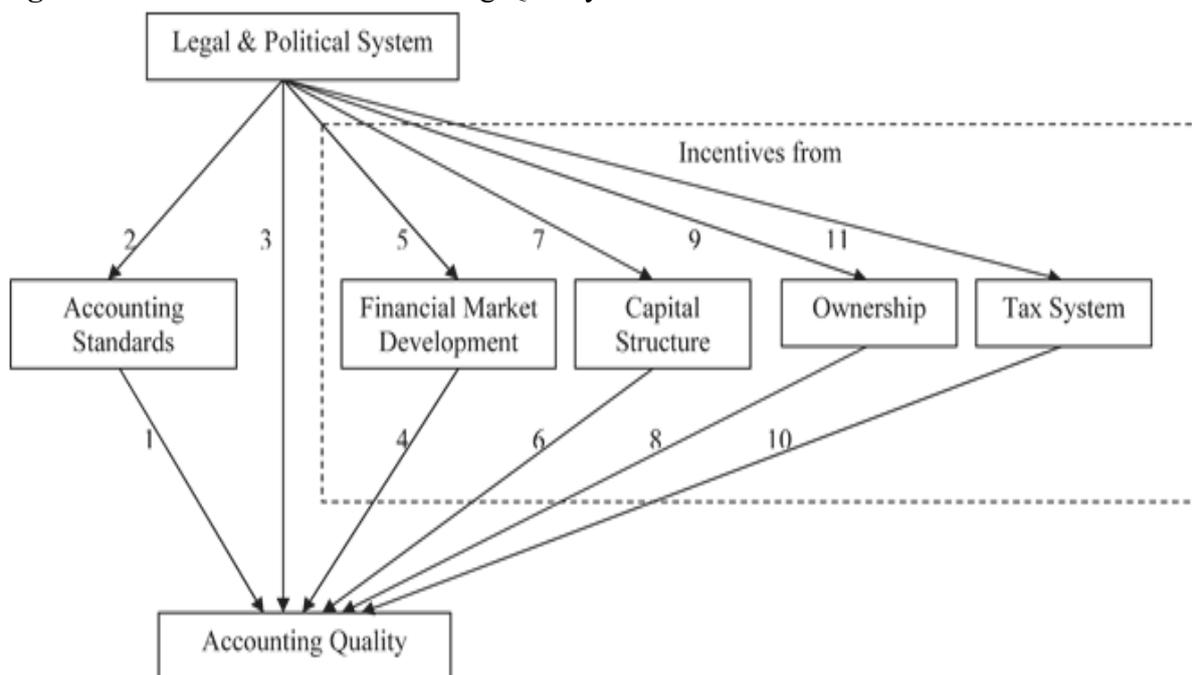


**Source :** (Soderstrom & Sun, 2007)

**Lessons from the Iraq's Experience for other Nations in the Middle East**

Several past studies support this statement, such as Judge et al. (2010). They discovered the differences in the effects of coercive pressures once the IFRS is approved to be implemented across the nation, and even globally, as they manage to attain support for the proposed idea that foreign aid is a significant predictor of adopting IFRS. In the Unites Arab Emirates, the coercive pressures were originally from the World Bank, which decided to implement the

IFRS at the national level (Irvine, 2008). In Pakistan, the function of IMF is demonstrated in the accounting practices (Flayyih, 2013); (Ashraf & Ghani, 2005).

The simulated force that Iraq faces comes from their partner in the Arab League, where they are likely to compare with other countries that are developing. This has caused them to be conscious of "fitting in" to the situation to earn the benefits from the trade partnership with the neighbouring countries. Irvine (2008), asserted that the pressure of copying the action will increase, as many countries are adopting the IFRS. In addition, countries that are reluctant to change are most likely to miss the golden opportunities in the trading and development aspects (Hassan, Rankin, & Lu, 2014).

Nevertheless, the force may not be consistently affecting other regions such as the United Arab Emirates, Saudi Arabia, and Egypt, as they have stronger economies. Thus, these countries are less likely to be influenced by the changes carried out in Iraq. In contrast, countries with weak economies such as Libya and Algeria tend to be influenced by the flow-on effect, due to the economic development that is related to the growth of the oil industry in Iraq and other nations. Hence, they will encounter the same pressure with other big trading partners in the Arab League to strive for the limited properties in the area. Borker (2014), noted in his research that the Iraqi environment is similar to the Iranian environment, whereas the Egyptian environment in the Iraqi environment is the same as the rest of the neighbouring countries that are legally subjected to the accounting systems called Unified Accounting System (UAS). Based on the investigations carried out on the MENA countries, the highest cultural orientation towards the level of accounting standards such as IFRS is demonstrated by Iraq, even though the status of IFRS adoption is at stage zero .

The researchers have noted that there are two countries with similar conditions to Iraq, which are Turkey and Egypt. Both countries have applied the international standards of quality accounting. This is due to the strength of legal orientation and its impact on the economic trends of companies in those countries. According to Ebaid (2016), a study had revealed that quality of accounting declined after implementing the IFRS, compared to the time before IFRS was implemented. The outcome was similar to past studies, whereby it was stated that the implementation of IFRS does not consequently result in higher quality in accounting. Hence, it can be perceived that the quality of accounting can be determined based on the incentives that govern the accounting standards. Meanwhile, Yurt and Ergun (2015), mentioned that the adoption of IFRS was able to enhance the accounting quality for several years in Turkey. This has been proven by the trend analysis that had been conducted to determine the level of impact (Mohammed, Flayyih, Mohammed & Abbood, 2019).

**Empirical Study**

This paper uses quantitative research, which aims to discover the impact of IFRS adoption on the connection between the cash flow of the operation and the total income of selected private banks in Iraq. The cash flow is normally negative, because the operating cash flow of private Iraqi banks is measured by net income. This is noted in the income statement and the net income (profit).

In this paper, the connection between the OCF and NI is examined by applying the linear regression model. The model comprises two main components which are scalar dependent variable 'y' and independent variable 'x'. The basic linear model is presented as follows:

**y= β0 + β1x + Ɛ**

*y* refers to the dependent variable and *x* refers to the independent variable. When the *x* is zero, the intercept β0 displays the value of *y*. When the mean of *x* changes, the slope β1 will show the mean of *y*. β0 and β1 are parameters also known as the regression coefficients. Meanwhile, Ɛ refers to the error term, which indicated the lack of consistency in the mean.

The default position of the dependent and independent variables leads to the development of null hypothesis. This indicates that there is no major connection between the variables. There are three factors that may affect the correlation in the linear test which are p-value, F-value, and R-square. P-value is the possibility of the null hypothesis, of which the significance F determines the reliability of the regression test. This will show the probability of the chance to attain the results. The value of F ranges from 0% to 100%. If the p-value is lesser than 5%, the null hypothesis may be rejected. Hence, F with small value can confirm the strength of the test. Meanwhile, R-square is the measurement of the gap between the fitted line and the data point. This shows the extent of prediction of the independent variable to the dependent variable. Therefore, higher R-square indicates that the model is suitable to the data.

Linear regression analysis is applied to the following model to explore the differences in the quality of accounting:

OCFi,t = β0 + β1NI i,t + Ɛ

*OCF i,t* refers to the operating cash flow to equity from time *I* to time *t*. Meanwhile, *NI i* is the net income from time *I* to time *t*. The null hypothesis, *Ho* stated that there is no major changes in the relationship between the net income and operating cash flow after implementing the IFRS in the Iraqi private banks.

*Sample Selection*

The Iraqi stock exchange (ISE) official website was used to determine the number of private banks listed on the market for 2018. According to this website, and in the first step, we excluded the Islamic banks as they follow the principles set by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), which is called Shari'ah Standard and the banks have not yet been harmonised with the IFRS. Table 1 presents the 23 private banks subjected to this study.

**Table 3:** Iraqi Private Banks (IPO)

| Ref. | Bank Names | Ref. | Bank Names |
|---|---|---|---|
| 1 | Mosul Bank For Development And Investment | 13 | Babylon Bank |
| 2 | Al Mansour Bank For Investment | 14 | Bank Of Baghdad |
| 3 | National Bank Of Iraq | 15 | Economy Bank For Investment & Finance |
| 4 | North Bank For Finance And Investment | 16 | Dijlah & Furat Bank Development & Investment |
| 5 | Credit Bank Of Iraq | 17 | Dar Es Salaam Investment Bank |
| 6 | Region Trade Bank For Investment And Finance | 18 | Economy Bank For Investment & Finance |
| 7 | Sumer Commercial Bank | 19 | Erbil Bank For Investment And Finance |
| 8 | Trans Iraq Bank For Investment | 20 | Gulf Commercial Bank |
| 9 | United Bank For Investment | 21 | Investment Bank Of Iraq |
| 10 | Union Bank Of Iraq | 22 | International Development Bank For Investment And Finance |
| 11 | Warka Bank For Investment & Finance | 23 | Iraqi Middle East Investment Bank |
| 12 | Ashur International Bank | | |

**Source:** https://www.cbi.iq

In the second step, we excluded the banks that did not apply the IFRS. According to the Financial Statements of Banks in ISE, we discovered that only five banks have applied these standards completely and these banks can be used to measure the effects of implementing the international standards on the accounting quality.

**Collected Data**

Table 2 presents the transition figures of the net income and the cash flow of the selected banks after implementing the IFRS for one year. Based on the table, many transitions occurred in 2015, showing the calculated values in millions of Iraqi dinar.

**Table 4:** Net Income and Cash Flow in the transition year

| Banks | Net Income in IGAAP( ID) | Net Income in IFRS (ID) | Cash flow in IGAAP (ID) | Cash flow in IFRS (ID) |
|---|---|---|---|---|
| Commercial Bank of Iraq | 8.19 | 7.36 | 10.78 | 10.82 |
| Ashur International Bank | 14.42 | 17.78 | 41.26 | 45.01 |
| Bank Of Baghdad | 13.26 | 6.45 | -121.53 | -26.57 |
| Babylon Bank | 5.33 | 3.58 | 34.22 | 59.46 |
| Al- Mansour Bank for Investment | 24.20 | 20.01 | -40.08 | 6.95 |

**Source:** http://www.isx-iq.net

From Table 4, it is observed that after the IFRS is implemented, all of the selected banks underwent the similar increment as AIB. As many banks had a significant rise in cash flow, the BOB experienced a slight decrease in losses. This indicated that the adoption of IFRS has more significant effect on CF than NI according to the numbers that had been observed. The relationship between the net income and the operating cash flow are calculated and presented as shown in Tables 5 and 6.

**Table 5:** Net Income from 20*12* to 20*18*

| Operating Cash Flow | | | | | |
|---|---|---|---|---|---|
| Year | Commercial Bank of Iraq | Ashur International Bank | Bank Of Baghdad | Babylon Bank | Al- Mansour Bank for Investment |
| 2012 | 41.68 | **7.90** | **163.8** | 63.38 | 163.83 |
| 2013 | 493.0 | 45.0 | 413.7 | -124.8 | 85.3 |
| 2014 | 31.8 | 27.2 | 68.9 | -30.7 | 55.4 |
| 2015 | -29.7 | 59.4 | -303.6 | -17.1 | -54.5 |
| 2016 | 29.7 | -11.42 | -250.9 | -76.3 | 40.3 |
| 2017 | 25.3 | -13.29 | 26.2 | 40.6 | 218.9 |
| 2018 | 7.46 | -15.33 | 261.5 | 36.8 | 261.5 |

**Source:** Extracted from the annual reports

**Table 6:** Operating Cash Flow from 2012 to 2018

| Net Income (x) | | | | | |
| --- | --- | --- | --- | --- | --- |
| Year | Commercial Bank of Iraq | Ashur International Bank | Bank Of Baghdad | Babylon Bank | Al- Mansour Bank for Investment |
| **2012** | 13.27 | 19.80 | 13.83 | 11.64 | 13.89 |
| **2013** | 10.70 | 19.19 | 38.80 | 4.90 | 30.00 |
| **2014** | 10.50 | 13.34 | 32.85 | 5.74 | 20.60 |
| **2015** | 81.10 | 14.43 | 13.26 | 5.33 | 24.20 |
| **2016** | 75.80 | 14.74 | 20.25 | 73.51 | 14.39 |
| **2017** | 10.10 | 13.50 | 61.22 | 300.42 | 14.83 |
| **2018** | 10.86 | 17.90 | 3.100 | 30.60 | 21.16 |

**Source:** Extracted from annual reports from 2012 to 2018

During the transition year 2015, IGAAP is used as a reference to calculate the collected data. The differences in the figures of before and after the implementation of IFRS were determined by comparing the two periods, which are period one between 2012 to 2015 and period two between 2016 to 2018.

***Results and Explanation***

By using the Excel regression test, the outcome of the linear model is gathered and presented in Table 7 as shown below.

**Table 7:** Coefficient Summary

| Summary of coefficients | slope | | | | Intercept | | | |
|---|---|---|---|---|---|---|---|---|
| | Coefficient | | P value | | Coefficient | | P value | |
| | Before | After | Before | After | Before | After | Before | After |
| Commercial Bank of Iraq | -3.231 | 0.201 | 0.534 | 0.555 | 227.548 | 14.344 | 0.336 | 0.407 |
| Ashur International Bank | -2.741 | -0.616 | 0.597 | 0.493 | 80.616 | -3.880 | 0.392 | 0.749 |
| Bank of Baghdad | 15.738 | -2.075 | 0.307 | 0.845 | -302.763 | 70.768 | 0.438 | 0.857 |
| Babylon Bank | 20.234 | 22.18 | 0.167 | 0.743 | -166.976 | -23.857 | 0.141 | 0.805 |
| Al- Mansour Bank for Investment | -6.500 | 21.445 | 0.515 | 0.514 | 206.645 | 186.583 | 0.391 | 0.711 |

Based on Table 7, there is a significant change in the slope. This shows that there is a connection between the operating cash flow and the net income. When the value of the slope CBI, BB, and AMBI increased, the other banks encountered a declination in the value after implementing the IFRS. However, the value of the AMBI slope increased from -6.50 to 21.44. This shows that the correlation between the operating cash flow and the net income in AMBI and BB becomes stronger after three years of implementing the IFRS. According to Figure 1, only two banks are being observed.

**Figure 3.** The Matter of Net Income Effect on the Operating Cash Flow
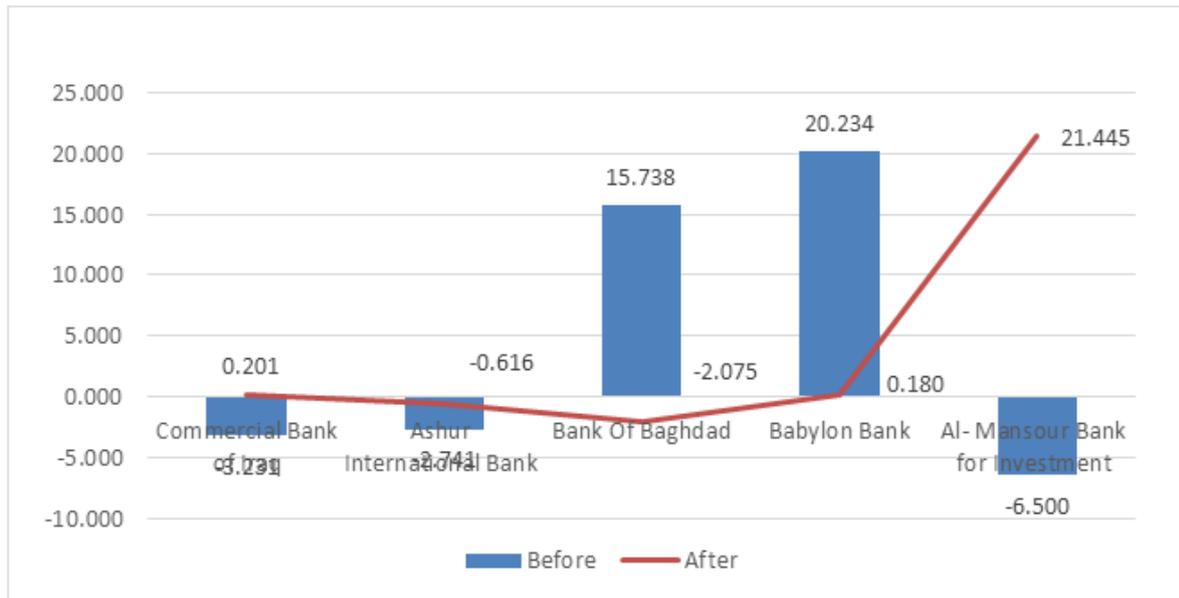


In the matter of net income effect on the operating cash flow, we discovered that there is a positive connection between the NI and the OPC. Yet, the relation becomes negative as the IFRS is being implemented. This includes the AIB and the BOB. This shows that the increase in earning slows down the increment of operating cash flow due to the slope's negative coefficients.

As for the null hypothesis, the intercepts and the slope's p-value tend to be over  the preferred level, which is 5%. Before the IFRS was implemented in most banks between 2016 to 2018, the p-value of the slopes was exceeded in all banks. The enhancement in the p-value signifies that there is a significant improvement in the connection concerning the NI and the OPC. AIB, BB, BOB, and AMBI had the highest slopes' p-values over  50%. This implies that the null hypothesis can be seen in two situations. Generally, the connections between NI and OPC in banks are considered to be good.

**Table 8:** The Statistical Result of the Observation

| Summary of coefficients | $R^2$ | | Significance F | | $\varepsilon$ | |
|---|---|---|---|---|---|---|
| | Before | After | Before | After | Before | After |
| Commercial Bank of Iraq | 0.22 | 0.41 | 0.53 | 0.55 | 261.43 | 12.75 |
| Ashur International Bank | 0.16 | 0.51 | 0.60 | 0.49 | 24.99 | 1.93 |
| Bank Of Baghdad | 0.48 | 0.06 | 0.31 | 0.84 | 262.85 | 351.98 |
| Babylon Bank | 0.69 | 0.15 | 0.17 | 0.74 | 52.20 | 86.37 |
| Al- Mansour Bank for Investment | 0.24 | 0.48 | 0.52 | 0.51 | 96.85 | 119.87 |

Table 8 presents the statistical results of the observation. It is noted that there is a development of R-square in the AIB, while the moderate inflation recorded the CBI with value. AIB and AMBI had the highest R-square values at 0.51 and 0.48 respectively. This indicated that there is a positive effect of IFRS on the quality of accounting. This directly indicates also that there are other factors affecting the accounting quality on Iraqi private banks, such as the legal and political systems. We found the linear test was best applied when handling the AIB and AMBI data. In addition, AIB shows convincing enhancements in the quality of accounting. This also concludes that the IFRS could explain the difference in the dependent variable of accounting quality at an acceptable rate. The other banks, such as CBI, BOB, and BB did not reveal a convincing effect from the results in Table 8.

**Conclusion**

This paper examined how the quality of accounting changes in a group of selected Iraqi Private Banks (IPO). These banks were chosen as they have fully complied with IFRS. The main objective of the study was to determine the noticeable improvement in the quality of accounting of the Iraqi Private Banks (IPO) once the IFRS had been implemented. An additional aim was to determine the ability of these banks to adopt IFRS in a binding manner, instead of IGAAP, as of 2015. This paper also analyses the impact of binding the Iraqi private banks together.

Based on the statistical analysis, we have discovered that there is a correlation concerning the net operating cash flows and net income in these banks, therefore, the impact of the obligation to apply the international standards for financial reporting in Iraqi private banks slightly affects the accounting quality. Furthermore, this shows that the preparation of the financial statements based on the standards of the International Accounting in the Iraqi private banks needs a lot of advanced work on the professional side of accounting and the accounting environment. In addition, Iraq at the present time must be stable and able to progress through the establishment of works and education related to accounting, even though it is a major obstacle in the Iraqi accounting environment.

Finally, other factors that affect the accounting quality are the political environment, laws, and others that contribute to the stability in providing an appropriate environment for the accounting profession to achieve optimal convergence of the international standards for financial reporting. The process of convergence will involve major investments in training and education for accountants and auditors to provide the knowledge base and infrastructure to ensure a smooth transition. Accounting programs in universities will also encounter major modifications to cater for sufficient training for the next accounting generations. Other nations are expected to encounter the same pressure and investment as they need to be on par with the education and training standards. The programs in the universities can be reflected

based on the newly-recruited knowledge and skills that can ensure the academics will offer beneficial skills to other countries. Additionally, collaboration between organisations such as IFAC and AOSSG will help to develop skills and experience towards accounting careers and in the development of the accounting programs in the universities.

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