



The Influence of the Environmental Factors on the Adoption of the International Accounting System IAS/IFRS: Case of Iraq

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Abstract

Purpose: This research aims to study the impact of local environmental factors on the adoption of International Accounting system in Iraq. So the main objective of the research can be the evaluation of the role of local environmental factors in selecting the best method to adopt International Accounting Standards (IAS), and International Financial Reporting Standards (IFRS).

Design/methodology/approach: The researchers prepared a questionnaire contains 28 paragraphs which were coded and divided into 7 parts showing the independent variables of the study (the environmental factors) and the dependent variable (the adoption of IAS/IFRS)

Findings: The results of the research show that the local environment factors can effect on the choice of the country to adopt the best method of IAS/IFRS adoption, and the statistical analysis results show that there is a very good level of agreement for the participants about the effect of local environment factors on the adoption of IAS/IFRS.

Practical implications: The research offers insights to the need to activate national standards and principles that are appropriate to the local environment in order to adapt with the requirements of IAS/IFRS adoption.

Originality/value: The research presents significant pragmatic evidence in terms of its meticulous approach towards checking the robustness of results.

1. Introduction

Each profession has a set of rules that guide it in a way that is acceptable to others. Accounting as a science and a profession is very important to society because it has an important role in producing financial information and rationalizing the decision of the beneficiaries.

Accounting standards represent the rules of the accounting profession since the existence of appropriate standards is a good indicator to protect the rights of beneficiaries of the annual statements and financial reports which use to manage the organization.

The international economic expansion, the development of international trade and the spread of multinational companies have led to the increasing need to simplify and harmonize rules and procedures among the countries of the world in order to enhance their contribution to increasing the level of development and encourage investors to invest abroad. This has contributed to the development of accounting standards and their unification and adoption by many countries of the world.

2. The Theoretical Framework of International Accounting Standards

The international economic expansion, the development of international trade and the spread of multinational companies have led to the increasing need to simplify and unify accounting rules and procedures among the countries of the world in order to enhance their contribution in increasing the level of development and encourage investors to invest abroad. This has contributed to the development of accounting standards and their unification and adoption by many countries.

2.1. The Definition of International Accounting Standards:

An accounting standard is a set of laws, rules and principles generally accepted which issued by an expert accounting body or a governmental organization that contributes to explain the aspects of recognition, processing and disclosure of financial transactions in order to provide financial information to prepare the financial statements and annual reports (Pacter, 2015).

The accounting standard can also be defined as business rules that guide the accountant to explain the problem, discuss methods of addressing the problem and describe appropriate solutions based on accounting theory (Thabit & Al-Nasrawi, 2016).

So, the international accounting standards are internationally agreed rules to explain the financial transactions and non-financial events for the preparation of unified financial statements that contribute to enhance the reliability of financial statements, encourage foreign investment, and develop international trade.

2.2. The International Organizations Efforts to unify the Accounting Standards:

Several accounting organizations have been involved in issuing accounting standards that contribute to accounting compliance at the regional level (such as the European Union) or at the international level (such as IASC, and IFAC). These organizations have also contributed to unify the accounting standards in order to achieve international accounting compliance, so the most important of these organizations (Thabit, 2013):

- The European Union (EU):

EU was founded in 1957 by six European countries (Belgium, France, Germany, Italy, Luxembourg and the Netherlands), (Denmark, Ireland, United Kingdom and Gibraltar) joined in 1973 and in 1981 (Greece) joined EU and (Portugal and Spain) joined in 1986, while (Sweden, Austria and Finland) joined in 1995, (Estonia, Poland, the Czech Republic, Slovakia, Slovenia, Cyprus, Latvia, Lithuania, Malta and Hungary) joined in 2004. (Bulgaria and Romania) joined the EU in 2007, and finally Croatia joined in 2013 .Since its establishment, the EU has aimed to create a unified business environment by harmonizing corporate and tax laws and enhancing free trade among member countries, which led to the adoption of the euro in the EU in 2002. In order to achieve the goal of the European Union, it was necessary to harmonize financial reporting practices by issuing binding standards and guidelines to all EU countries (Ikpefan & Akande, 2012).

- International Accounting Standards Committee (IASC):

IASC was founded in 1973 as an independent, non-profit, non-governmental organization by (Australia, Canada, France, Germany, Ireland, Japan, Mexico, the Netherlands, the United Kingdom and the United States) to publish international accounting standards .IASC currently consists of 156 professional accounting bodies from 114 countries representing more than 2 million accountants, and it is funded by member bodies, multinationals enterprises, financial institutions, and accounting firms. In 2001, IASC, through one of boards, the International Accounting Standard Board (IASB), issued a number of international financial reporting standards (IFRS), which changed the direction from consensus to convergence and thus the beginning of a new era of international standards Which led to change the orientation of compatibility to convergence and thus this changing was the beginning of a new era of development of international standards to prepare the international financial reporting (Boolaky, 2004).

- The International Federation of Accountants (IFAC):

IFAC was founded in 1977 with 63 members representing 51 countries. IFAC currently consists of 158 members from 123 countries representing more than 2.5 million accountants. Its mission is to serve the public interest, strengthen the accounting profession globally and contribute to the

development of strong international economies by establishing and strengthening high quality professional standards in auditing, accounting ethics, education, and training. In 1999 IFAC established the International Forum on Accounting Development (IFAD) in order to respond to the criticism of the World Bank after the Asian financial crisis that the accounting profession did not perform its duties required to strengthen the accounting practices in developing countries. IFAD currently consists of international financial institutions (such as World Bank, the International Monetary Fund, and the Asian Development Bank), main international organizations (such as US Securities and Exchange Commissions, and International Accounting Standard Board), and the major accounting firms. The main objective of this forum is to enhance transparency in financial reporting and to audit it according to high quality standards by a good accounting and auditing profession (Leventi, 2009).

3. The Adoption of IAS/IFRS

IAS/IFRS represent a set of generally accepted accounting principles used by companies to prepare financial statements and reports which are an important source of financial information published annually and useful to stakeholders in understanding the company's financial performance and managing the company's resources (Thabit & Abbas, 2017).

The applying of IAS/IFRS has been adopted in most countries to enhance the role of the accounting profession, strengthen foreign investment and promote international trade.

3.1. The Advantages of the Adoption of IAS/IFRS:

The Adoption of IAS/IFRS will benefit companies as follows (Zehri & Chouaibi, 2013):

- Improving the comparability of financial information to companies locally and internationally.
- Facilitating cooperation agreements among foreign companies and enhancing foreign investment.
- Helping SMEs to access international markets.
- Improving the results of company credit rates, which will strengthen the relationships of companies with credit institutions.
- Strengthening the financial position of companies, this will enhance the confidence of sellers and increase futures transactions.

3.2. The Impact of adoption of IAS/IFRS:

There are many positive and negative impacts of adopting IAS/IFRS on various aspects of financial and accounting transactions as follows (IASB, 2007), (IFRS, 2010), (Bushman & Smith, 2001), (Healy & Palepu, 2001):

- The Positive Impacts:
 - Strengthening the ability of financial institutions to grant international loans.
 - Enhancing the ability of sellers to assess the financial situation of clients in countries before selling goods or providing services in debt.
 - Cross-border consolidated development for credit institutions that helps to consolidate company credit rates.
 - Improving the consolidation of financial statements internationally, which help many parties to benefit from them.
 - Improving the quality of audit quality consistency and facilitating the accounting education and training.
 - Reducing the heterogeneity among the accounting information.
 - Improving the relations and communications among managers and concerned parties which will reduce the cost of the agency and reduce the capital issuing cost.
 - Providing relatively coherent, reliable and comparable accounting information to international decision makers.
 - Enhancing the quality and credibility of accounting information and improving the flow of capital and investment, which it will lead to the economic development.
- The Negative Impacts:
 - The accounting practices resulting from the adoption of IAS/IFRS add burdens and costs to SMEs rather than reducing them.
 - The excessive disclosures and high level of transparency impact negatively on SMEs because of the international competition.
 - The IAS/IFRS emerged after many financial crises in the developed countries, which made these standards represent solutions to these crises, so these standards are historical and not future solutions, for that many researchers find them ineffective to address some accounting problems such as the valuating of fair value.
 - Expanding the gap between developed countries and developing countries through the absence of applying of IAS/IFRS in the least developed countries and the deviation of applying them in countries with negative economic development.
 - Impeding the performance functions of accounting profession in the local market, since not all IAS/IFRS can be applied in all environments equally.

- The IAS/IFRS cannot be applied without making some appropriate changes according to the local environment, which will led to intentional or unintentional distortion of the principles of those standards and will limit the activation of their main functions.

3.3. Methods of Adoption of IAS/IFRS:

The adoption of IAS/IFRS is very difficult, especially in active economies. First, it is necessary to ensure the effectiveness of these standards and their conformity with local standards and then start to adopt them. Different countries have used various methods to adopt these standards as follows (Zehri & Abdelbaki, 2013):

- Adopting the international organizations processors:

This way can be one of the best ways to adopt IAS/IFRS. The supreme financial authority requires from companies to use the standards as issued by international organizations, but very few countries have used this method such as South Africa.

- Reformulating of IAS/IFRS (without significant change) to be within the law:

This method can be considered as a traditional method of applying the modified local accounting standards to conform to IAS/IFRS, which can be updated over time. Canada can be considered as an example.

- Supporting IAS/IFRS:

In this way, IAS/IFRS can be compared with local or national standards and update IAS/IFRS. EU can be the best example.

- Full convergence with IAS/IFRS (with intent to commit):

This method means that IAS/IFRS are adapted to the local environment by changing some terminology into localized terminology, so that local accounting standards are comparable to IAS/IFRS but differ in some details to allow them to be applied effectively. Such as Australia.

- Adopting IAS/IFRS partly:

According to this method, the IAS/IFRS can be adopted as a starting point and then make the necessary changes during implementation to be suitable for the local environment such as China and Venezuela.

- Recognizing of IAS/IFRS:

In this method, countries may use IAS/IFRS instead of local accounting standards as necessary to prepare financial statements and reports such as Switzerland.

4. The Local Environmental Factors

Accounting treatments can be varied according to the country's environment (Thabit & Jasim, 2016). So, the adoption of IAS/IFRS can be influenced by a number of environmental factors that effect on the development of accounting systems in the country.

4.1. The impact of environmental factors on the adoption of IAS/IFRS:

Environmental factors affecting the adoption of IAS/IFRS can be classified as follows (Thabit & Raewf, 2016):

- **The Economic Factors:**

The difference in economic systems among the countries of the world clearly affects the adoption of IAS/IFRS, according to the following (Lee, 2005):

- The different nature of the entity ownership
- The economic progress level
- The level of government intervention in economic activity.
- The Impact of price changes.
- The funding sources.

- **The Political Factors:**

Political systems influence the adoption of IAS/IFRS, as countries with a capitalist economy focus on the concept of entity, while countries with an oriented economy focus on the concept of national economy (Scottilotta, 2013).

Hornngren argues that the adoption of IAS/IFRS is more than a logical result of political activity because it is a social decision, and the IAS/IFRS can be a set of obstacles on the users of financial statements and annual reports, so the IAS/IFRS must be accepted by all beneficiaries (Howell, 2007).

- **The Legal Factors:**

The Country's legal system (the legislation on accounting practices, corporate law, and tax law) is one of the most important factors influencing the adoption of IAS/IFRS (Shima & Yang, 2012). So, the adoption will be not flexible in the countries that adopt written law as an approach to regulating accounting practices, while the adoption will be flexible and adjustable in countries where public law is an approach to regulating accounting practices.

The legislative environment is a pressure element of on accounting practices, so there is a clear discrepancy in the process of adopting IAS/IFRS in countries where government agencies adopt the issuing of accounting practices laws compared to countries that grant this right to professional bodies (Choi & Meek, 2008).

- The Educational Factors:

The level of accounting education directly affects the adoption of IAS/IFRS. So, the interest in accounting education stems from the constant need to develop accounting practices according to the global development and the need of the financial statements users (Paknezhad, 2017).

The nature of the contemporary accounting environment requires constant updating of the knowledge possessed by accountants in order to develop their skills and enhance their professional competence in handling financial transactions, and preparing the financial statements and annual reports (Zeghal, 2006).

- The Technological Factors:

The use of accounting technology improves the performance of accounting information systems and makes them more accurate and flexible for developments and more useful to the management by providing them with the necessary feedback to make rational decisions (Nobes, 2011).

Technology achieves many competitive advantages as an effective economic tool by reducing costs and saving time to improve the quality of financial information, increase the reliability of financial statements and annual reports, as well as develop channels of communication at the local and international levels (Li, 2010).

- The Cultural and Social Factors:

The Cultural and Social Factors effect on the Accounting profession as a social science affect society and affected by society. The adoption of IAS/IFRS can be influenced by a number of social and cultural factors (HSE, 2009):

- Power Distance Index (PDI)
- Individual Index (IDV)
- Uncertainty Avoidance Index (UAI)
- Masculinity (MAS)
- Long Term Orientation (LTO)
- Indulgence versus Restraint (IVR)

- The Religious Factors:

The religion effects on business transactions significantly and this is reflected in many financial transactions, where the Islamic religion is denied some transactions and the most important of these transactions is the usury (Riba), which means the prohibition of most types of loans and affects the banking activity in the country (Al-Nasrawi, 2017).

The adoption of IAS/IFRS is heavily influenced by religious factors through some standards that overlap with the principles of the Islamic religion, while IAS/IFRS have been developed for a non-religious environment.

4.2. The Issue of Environmental Factors in Iraq:

The general framework of the Iraq has many advantages that have enhanced the role of environmental factors in influencing the adoption of IAS/IFRS. The most important characteristics of environmental factors in Iraq are the following (Hassan, Rankin, & Lu, 2014), (Ibrahim, Stanton, & Rodrigs, 2014), (Thabit, Aldabbagh, & Ibrahim, 2019), (Thabit & Ibraheem, 2019):

- Iraq is a country with a federal democratic parliamentary system based on pluralism and decentralization.
- The national economy of Iraq depends on the export of oil, where the contribution of oil imports is about (95%) of GNP.
- The Iraqi law is one of the least flexible in the world because of bureaucracy and routine.
- The curriculum of education in Iraq was developed according to the needs of the local business environment prevailing for the stage before 2003 without considering the requirements of foreign markets, accounting profession, trade and multinational companies.
- The use of information and communication technologies in Iraq has been delayed and the digital divide has been caused by the disparity of technical knowledge between Iraq and the rest countries of the world.
- The nature of Iraqi culture tends to open up and overlap with other cultures in order to diversity and integration, and it is expected that the Iraqi community environment will tend towards individuality and independence of personality and the emphasis on promoting creative thinking, competition, and excellence.
- Iraq is an Islamic country, since most of its population is Muslim. Islam is considered the official religion of the country and it is not possible to enact laws that contradict Islamic law.

5. Research Methodology

5.1. Research Problem:

The adoption of IAS/IFRS can be useful to attract the foreign investment, achieve international accounting compliance, and enhance the accounting role of local organization, but this adoption can collide with the local environmental factors, so the researchers can identify the research problem by below question:

What is the impact of local environmental factors (economic, political, legal, educational, technological, cultural and social, and religious factors) on the adoption of IAS/IFRS?

5.2. Research Objectives:

The research aims to achieve the following objectives:

- Discuss the concept of IAS/IFRS and their significance and characteristics.
- Explain the effects of local environmental factors on the adoption of IAS/IFRS.
- Evaluate the role of local environmental factors in selecting the best method to adopt IAS/IFRS.

5.3. Research Importance:

The importance of the research can be shown as a study to evaluate the role of local environmental factors in choosing the best method of IAS/IFRS adoption.

5.4. Study Hypotheses:

Basically, the study is based on the following hypotheses:

H1: There is a statistically significant impact between the economic factors and the adoption of IAS/IFRS.

H2: There is a statistically significant impact between the political factors and the adoption of IAS/IFRS.

H3: There is a statistically significant impact between the legal factors and the adoption of IAS/IFRS.

H4: There is a statistically significant impact between the educational factors and the adoption of IAS/IFRS.

H5: There is a statistically significant impact between the technological factors and the adoption of IAS/IFRS.

H6: There is a statistically significant impact between the cultural and social factors and the adoption of IAS/IFRS.

H7: There is a statistically significant impact between the religious factor and the adoption of IAS/IFRS.

6. The Practical Part

6.1. Population and Study Sample

The study population of this paper is the academics from 4 universities in the middle and south of Iraq which are university of Kufa, university of Al-Qadisiyah, university of Kerbala, and Al-Muthanna University, who are in touch to accounting scientifically or professionally. They are approximately 1120 individuals.

The researchers choose randomly their sample based on Yard equation, they calculated the sample of size by equation (1):

$$n = \frac{N}{1+N(e)^2}$$

Where,

n = Sample size

N = Population = 1150

e = margin of error which is 0.05

So, the total size of the sample is estimated at (295). The researchers distributed (320) questionnaires electronically using google forms, and the number of valid questionnaires were (182) by (56.9%) of the distributed questionnaires, (61.7%) of the study sample, and (16.3%) of the study population.

6.2. Study Tool

The researchers prepared a questionnaire contains 28 paragraphs which were coded and divided into 7 parts showing the independent variables of the study (the environmental factors) and the dependent variable (the adoption of IAS/IFRS), as shown in tables (1-7).

Table 1: The Codes of 1st Part of the Questionnaire

| Code | Paragraph |
|-------------|--|
| A1 | The participation of the private sector in economic activity leads to development based on IAS/IFRS, which contributes to the achievement of international combatibility. |
| A2 | The adoption of IAS/IFRS in controlling the mechanism of competition in the market between the public and private sectors contributes to the development of accounting practices and meets the needs accounting information's users. |
| A3 | The adoption of IAS/IFRS contributes to the rehabilitation of the industrial and commercial sectors and changes the reality of the country from a consumer to a productive country. |
| A4 | The adoption of IAS/IFRS contributes to the development of accounting systems and the accounting profession as a tool to remove accounting barriers and enhance globalization. |

Table 2: The Codes of 2nd Part of the Questionnaire

| Code | Paragraph |
|-------------|--|
| B1 | The adoption of IAS/IFRS creates a stable environment for interaction with external environments and produces of local accounting rules that are compatible with foreign policies. |
| B2 | The political conflict contributes to creat many opportunities for corrupters to confuse the country's reality and instability and influence the accounting combatibility. |
| B3 | The adoption of IAS/IFRS contributes to a high level of compatibility between countries in addition to develop the local institutions. |
| B4 | The adoption of IAS/IFRS contributes to enhancing accounting compliance and facilitating access to international trade and investment organizations. |

Table 3: The Codes of 3rd Part of the Questionnaire

| Code | Paragraph |
|-------------|--|
| C1 | The shift from written law to public law contributes to the adoption of IAS/IFRS and creates an international policy for the preparation of financial statements and annual reports. |
| C2 | The adopting of written lawleads to the difficulty of adapting to the local and international working environment and thus effects negitavly to adopt IAS/IFRS. |
| C3 | The shifting to public law is a rapid response by developing countries to the requirements of the labor market, which contributes to organiz the accounting profession and enhance the adoption of IAS/IFRS. |
| C4 | The establishment of an independent committee to prepare accounting standards under the supervision of the country contributes to release the accounting profession from the constraints of the law and create more compatible accounting practices. |

Table 4: The Codes of 4th Part of the Questionnaire

| Code | Paragraph |
|-------------|--|
| D1 | The involvement of local educational institutions with international educational institutions such as IAESB contributes to the strengthening and development of the accounting profession. |
| D2 | The strengthening of accounting curricula in terms of globalization, IT and financial markets contributes to the adoption of IAS/IFRS. |
| D3 | The integration of accounting terms with the terms of administrative, financial and technical sciences contributes to a positive environment for the adoption of IAS/IFRS. |
| D4 | The organizing of training courses and scientific conferences to enhance the technical knowledge of academics contributes to the adoption of IAS/IFRS and accounting profession. |

Table 5: The Codes of 5th Part of the Questionnaire

| Code | Paragraph |
|-------------|--|
| E1 | The use of IT enhances the capacity of accounting information systems and makes them more responsive to the local and international environments. |
| E2 | The use of IT improves the performance of the accounting information system and makes it more accurate and reliable to feed management with suitable information to make decisions which enhance the adoption of IAS/IFRS |
| E3 | The use of IT reduces costs by reducing the number of employees, storing data with less space, and producing financial statements rapidly which will satisfy information users' need and enhance the adoption of IAS/IFRS. |
| E4 | The use of IT contributes to the provision of new channels of communication at the national and international levels and the provision of finance and investment sources. |

Table 6: The Codes of 6th Part of the Questionnaire

| Code | Paragraph |
|-------------|---|
| F1 | The independence of individuals contributes to enhance the civil governance and regulate the accounting profession by the independent organizations. |
| F2 | The reduction of class differences among individuals contributes to create standardized accounting applications and policies and enhances the adoption of IAS/IFRS. |
| F3 | The avoiding uncertainties of future events in the management of the organization reduces the impact of accounting disclosure and negatively affects on the adoption of IAS/IFRS. |
| F4 | Iraqi culture tends to interact with other cultures and promote independence and creative thinking, which contributes to enhance the adoption of IAS/IFRS. |

Table 7: The Codes of 7th Part of the Questionnaire

| Code | Paragraph |
|-------------|---|
| G1 | The policy of financing by loans is not allowed in the principles of Islamic law, which makes it difficult to adopt IAS/IFRS. |
| G2 | The self-financing of projects through rational investment of profits generates a stable financial system in Islamic countries and enhances the adoption of IAS/IFRS. |
| G3 | IAS/IFRS cannot be applied in Islamic countries without changes that are compatible with Islamic law. |
| G4 | The applying of Islamic accounting standards which are compatible with the principles of Islamic law contributes to the adoption of IAS/IFRS. |

6.3. The Statistical Methods Used for Data Analysing

To achieve the aims of the study, the researchers used the following tools for analyzing data by SPSS 22.0:

- Percentages and frequencies
- Arithmetic averages
- Standard deviations
- T-test

In addition, the researchers used Cronbach's Alpha to determine the stability of the questionnaire.

- The Analysing of Questionnaire Stability

To evaluate the consistency degree of the questionnaire paragraphs, the test of Cronbach's Alpha was used. So, the value of Cronbach's Alpha coefficient must be $\alpha \geq 0.6$ to accept the value.

Based on the SPSS results, the value of $\alpha = 0.691$, and the reliability value of $\alpha = 0.722$ which means they are acceptable.

- The Test of Hypotheses

H1: There is a statistically significant impact between the economic factors and the adoption of IAS/IFRS.

Table 8: The Result of Analysing the 1st Part of the Questionnaire

| Code | Arithm. Average | Stand. deviat. | T-Test | Rank | Statis. decision |
|------|-----------------|----------------|--------|------|------------------|
| A1 | 3.02 | 0.774 | 5.27 | 4 | Sign. |
| A2 | 3.27 | 0.842 | 7.24 | 3 | Sign. |
| A3 | 3.08 | 0.872 | 6.14 | 2 | Sign. |
| A4 | 3.41 | 0.739 | 6.51 | 1 | Sign. |
| | 3.195 | | | | |

Table (8) shows the following:

- A4 obtains the highest rank of acceptance among all paragraphs of the 1st part of the questionnaire (3.41) as a value of arithmetic average and (0.739) as a value of standard deviation, so it confirms a very good compatibility of the respondents.
- The researchers accepted the hypothesis H1 because the arithmetic average of all paragraphs (A1 – A4) is (3.552).

H2: There is a statistically significant impact between the political factors and the adoption of IAS/IFRS.

Table 8: The Result of Analysing the 2nd Part of the Questionnaire

| Code | Arithm. Average | Stand. deviat. | T-Test | Rank | Statis. decision |
|-------------|------------------------|-----------------------|---------------|-------------|-------------------------|
| B1 | 3.57 | 0.821 | 6.37 | 3 | Sign. |
| B2 | 3.82 | 0.687 | 6.79 | 2 | Sign. |
| B3 | 4.08 | 0.796 | 6.24 | 1 | Sign. |
| B4 | 3.27 | 0.728 | 6.55 | 4 | Sign. |
| | 3.685 | | | | |

Table (9) shows the following:

- B3 obtains the highest rank of acceptance among all paragraphs of the 2nd part of the questionnaire (4.08) as a value of arithmetic average and (0.796) as a value of standard deviation, so it confirms an excellent compatibility of the respondents.
- The researchers accepted the hypothesis H2 because the arithmetic average of all paragraphs (B1 – B4) is (3.685).

H3: There is a statistically significant impact between the legal factors and the adoption of IAS/IFRS.

Table 10: The Result of Analysing the 3rd Part of the Questionnaire

| Code | Arithm. Average | Stand. deviat. | T-Test | Rank | Statis. Decision |
|-------------|------------------------|-----------------------|---------------|-------------|-------------------------|
| C1 | 3.68 | 0.728 | 5.71 | 2 | Sign. |
| C2 | 3.71 | 0.724 | 5.22 | 1 | Sign. |
| C3 | 3.12 | 0.696 | 5.27 | 4 | Sign. |
| C4 | 3.57 | 0.804 | 5.74 | 3 | Sign. |
| | 3.520 | | | | |

Table (10) shows the following:

- C2 obtains the highest rank of acceptance among all paragraphs of the 3rd part of the questionnaire (3.71) as a value of arithmetic average and (0.724) as a value of standard deviation, so it confirms a very good compatibility of the respondents.
- The researchers accepted the hypothesis H3 because the arithmetic average of all paragraphs (C1 – C4) is (3.520).

H4: There is a statistically significant impact between the educational factors and the adoption of IAS/IFRS.

Table 11: The Result of Analysing the 4th Part of the Questionnaire

| Code | Arithm. Average | Stand. deviat. | T-Test | Rank | Statis. Decision |
|-------------|------------------------|-----------------------|---------------|-------------|-------------------------|
| D1 | 4.01 | 0.699 | 8.45 | 1 | Sign. |
| D2 | 4.00 | 0.712 | 6.78 | 2 | Sign. |
| D3 | 3.94 | 0.758 | 5.57 | 3 | Sign. |
| D4 | 3.92 | 0.737 | 6.95 | 4 | Sign. |
| | 3.968 | | | | |

Table (11) shows the following:

- D1 obtains the highest rank of acceptance among all paragraphs of the 4th part of the questionnaire (4.01) as a value of arithmetic average and (0.699) as a value of standard deviation, so it confirms an excellent compatibility of the respondents.
- The researchers accepted the hypothesis H4 because the arithmetic average of all paragraphs (D1 – D4) is (3.968).

H5: There is a statistically significant impact between the technological factors and the adoption of IAS/IFRS.

Table 12: The Result of Analysing the 5th Part of the Questionnaire

| Code | Arithm. Average | Stand. deviat. | T-Test | Rank | Statis. Decision |
|-------------|------------------------|-----------------------|---------------|-------------|-------------------------|
| E1 | 3.99 | 0.812 | 6.71 | 4 | Sign. |
| E2 | 4.12 | 0.782 | 6.92 | 3 | Sign. |
| E3 | 4.29 | 0.788 | 7.31 | 1 | Sign. |
| E4 | 4.28 | 0.807 | 6.42 | 2 | Sign. |
| | 4.170 | | | | |

Table (12) shows the following:

- E3 obtains the highest rank of acceptance among all paragraphs of the 5th part of the questionnaire (4.29) as a value of arithmetic average and (0.788) as a value of standard deviation, so it confirms an excellent compatibility of the respondents.
- The researchers accepted the hypothesis H5 because the arithmetic average of all paragraphs (E1 – E4) is (4.170).

H6: There is a statistically significant impact between the cultural and social factors and the adoption of IAS/IFRS.

Table 13: The Result of Analysing the 6th Part of the Questionnaire

| Code | Arithm. Average | Stand. deviat. | T-Test | Rank | Statis. Decision |
|-----------|-----------------|----------------|--------|------|------------------|
| F1 | 3.75 | 0.697 | 5.27 | 3 | Sign. |
| F2 | 3.91 | 0.752 | 4.78 | 1 | Sign. |
| F3 | 3.87 | 0.802 | 5.71 | 2 | Sign. |
| F4 | 3.51 | 0.749 | 6.11 | 4 | Sign. |
| | 3.760 | | | | |

Table (13) shows the following:

- F2 obtains the highest rank of acceptance among all paragraphs of the 6h part of the questionnaire (3.91) as a value of arithmetic average and (0.752) as a value of standard deviation, so it confirms an excellent compatibility of the respondents.
- The researchers accepted the hypothesis H6 because the arithmetic average of all paragraphs (F1 – F4) is (3.760).

H7: There is a statistically significant impact between the Religious factor and the adoption of IAS/IFRS.

Table 14: The Result of Analysing the 7th Part of the Questionnaire

| Code | Arithm. Average | Stand. deviat. | T-Test | Rank | Statis. Decision |
|-----------|-----------------|----------------|--------|------|------------------|
| G1 | 3.18 | 0.752 | 6.14 | 3 | Sign. |
| G2 | 3.39 | 0.744 | 5.28 | 2 | Sign. |
| G3 | 3.08 | 0.762 | 5.94 | 4 | Sign. |
| G4 | 3.67 | 0.754 | 7.18 | 1 | Sign. |
| | 3.331 | | | | |

Table (14) shows the following:

- G4 obtains the highest rank of acceptance among all paragraphs of the 7h part of the questionnaire (3.67) as a value of arithmetic average and (0.7454) as a value of standard deviation, so it confirms an excellent compatibility of the respondents.
- The researchers accepted the hypothesis H7 because the arithmetic average of all paragraphs (G1 – G4) is (3.331).

7. Conclusion and Recommendations

7.1. Conclusions

- The results of hypotheses test show that there is a statistically significant impact at the level of $\alpha \leq 0.05$ for the local environmental factors (economic, political, legal, educational, technological, cultural and social, and religious factors) on the adoption of IAS/IFRS.

- There is a variation in the degree of local environment factors impact on the adoption of IAS/IFRS as follows:
 - The 5th local environmental factor (technological factor) is more influential than the other factors at an agreement value equals (4.170).
 - The 1st local environmental factor (economic factor) is less influential than the other dimensions at an agreement value equals (3.195).
- The level of all local environmental factors agreements is good with equals (3.661).
- The paragraphs of all parts of the questionnaire are clear and all are considered significant according to their arithmetic average and standard deviation values.
- The statistical analysis results of the research show that there is a very good level of agreement for the participants about the effect of local environment factors on the adoption of IAS/IFRS.

7.2. Recommendations:

- The need to prepare a specialized staff in the accounting profession by organizing training courses and scientific conferences to develop technical and practical skills which are necessary to deal with IAS/IFRS.
- The need to activate national standards and principles that are appropriate to the local environment in order to adapt with the requirements of IAS/IFRS adoption.
- Strengthening the infrastructure of the local accounting and auditing institutions and encouraging the establishment of private institutions to develop the accounting profession skills.
- Enhancing the role of the government and the Federal Bureau of Supreme Audit (FBSA) in adopting and developing local or regional standards as well as updating the laws and local financial decisions to be suitable with IAS.
- Iraq can partially adopt IAS/IFRS such as China and Venezuela because of the negative effects of local environmental factors as a temporary action until the fully adoption of IAS/IFRS in the future.

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