

Challenges in Transitioning from a Unified Accounting System to
International Financial Reporting Standards: the case of Kurdistan, Iraq.

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Abstract

This dissertation investigates the primary factors affecting Kurdistan to transition from the current accounting system to International Financial Reporting Standards (IFRS) and the challenges ahead. It examines the challenges of the use of IFRS in Kurdistan to prepare corporate financial statements. International institutions have played a vital role in the development of Kurdistan's economy, particularly in the natural resources sector. Hence, accounting practices have been under internal (regulations) and external (international institutions) pressures to follow international accounting standards. Document analysis has been used employing institutional theory to identify the factors and challenges. The results reveal that the decision to implement IFRS in Kurdistan is based on the three forms of institutional isomorphism. From the analysis, it has been observed that external pressures from the World Bank and international accounting bodies are stronger than internal pressures. In this regard, the government is a key player in making the final decision of IFRS adoption in the region. The result shows that there are several challenges one set of which originated from Kurdish practitioners not being able to adopt IFRS. Further, this study provides evidence that the decision to adopt IFRS is mainly influenced by efforts to achieve international financial support and promote economic trade. The study suggests that Kurdistan can stay in the current accounting system and implement IFRS gradually. This study is appropriate for academics, professionals, and accounting researchers with an interest in Kurdish accounting practice. Also, the findings of the study will be useful for the Kurdish government and countries that plan to implement IFRS.

Keywords:

Kurdistan, Accounting system, IFRS, Institutional Theory, Institutional isomorphism.

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List of Abbreviations

BSA	Board of Supreme Audit
CG	Corporate Governance
CPA	Coalition Provisional Authority
DFI	Direct Foreign Investment
EITI	Extractive Industries Transparency Initiative
ESX	Erbil Stock Exchange
EU	European Union
GBOT	General Board of Tourism
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IBAAS	Iraqi Board of Accounting and Auditing Standards
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standard
IMF	International Monetary Fund
INOC	Iraqi National Oil Company
IPC	Iraqi Petroleum Company
IQD	Iraqi Dinar
IS	Islamic State
ISC	Iraqi Securities Commission
IT	Institutional Theory
IUAA	Iraqi Union of Accountants and Auditors
KDP	Kurdistan Democratic Party

KEPCO	Kurdistan Exploration and Production Company
KNOC	Kurdistan National Oil Company
KODO	Kurdistan Organisation for Downstream Operations
KOMO	Kurdistan Oil Marketing Organisation
KOTO	Kurdistan Oil Trust Organisation
KRG	Kurdistan Region Government
MoF	Ministry of Finance
MoP	Ministry of Plan
MoU	Memorandum of Understanding
NUAP	National Unified Accounting Plan
PUK	Patriotic Union of Kurdistan
SMEs	Small and Medium Enterprise
TCE	Transaction Cost Economics
UAS	Unified Accounting System

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ATTESTATION OF AUTHORSHIP

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgment), nor material which to substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

Signed:

Date: 31/01/2021

Chapter One

Introduction

1.1 Background

Since early 2001, the International Accounting Standards Board (IASB) has started its efforts to set a universal implementation of IFRSs. A current IASB report verifies that many jurisdictions have moved to the IFRS (IASB, 2016). Nevertheless, many of the jurisdictions have responded to IFRS based on their intuitional pressure (Phan et al., 2016; Sharma et al., 2017). Recently, accounting researchers have changed their interest from adoption to challenges in implementation. Such a move has also brought interest from stakeholders, for example, accounting practitioners, users of financial statements, as well as report preparers. The research in the area of the IFRS has moved from the universal spread and issuance rules of IFRS adoption to challenges and implementation of it (Ahmed et al., 2013; Barth et al., 2012; Joshi et al., 2016; Yip & Young, 2012). The result of scholars' efforts is influential in deciding whether to approve countries that have not yet joined and those that are in the process of change.

Accounting researchers have determined that each country has its institutional setting and context; thus, accounting practices should be different from one country to another one; thus, it needs to consider local institutional characteristics. Based on the research by Touron (2005), institutional factors have an impact on accounting practices within the country. As a result, institutional theory (IT) would be a suitable theory to completely understand what institutional rules and power affect the accounting change and improvement. In addition, the implementation of International Accounting Standards (IAS) is one of the essential

keys in emerging economies to reform the accounting system. However, pressures from internal and external parties have influenced the decision of IFRS adoption.

An academic focus on emerging economies offers useful insights as the region is witnessing a rapid political and economic transformation. Kurdistan Regional Government (KRG) as a part of Iraq went through various political regimes such as the Ottoman Empire, the British Mandate of Mesopotamia, Hashemite Kingdom, and Arab Socialist Ba'ath Party. Hence, accounting system development and formation have undergone different regulatory frameworks. Islamic rules during the Ottoman Empire were the first regulation, then moved to Western practices under the British system and then Unified Accounting System (UAS). However, in 2003, Kurdistan experienced a dramatic shift towards democracy. In addition, Kurdistan has gone through considerable economic development by increasing national income from 4,373 billion Iraqi Dinar (IQD) to 35,665 billion between 2012 to 2016 (Ramazan, 2016). Also, by increasing the oil market price, more revenue was added to enhancing the stability and fueling economic development in the region. This improvement re-shaped the KRG's economy. Further, Kurdistan has transformed from a central economy to an open-market economy by offering international companies to work in the region. Although economic, legal, and political systems are within the framework of government intervention, these changes have been effective and are evolving through various specialties. Such changes to the Kurdish business environment render vibrant motivations for investigating the current study of the challenges that KRG faces to change its accounting system. Kurdistan is experiencing a rapid transformation offers a rare opportunity to understand how various internal and external forces are driving change in the accounting system. This dissertation is motivated

by the limited information about the accounting system and policy in Kurdistan as well as by the need to investigate the possible influence of IFRS adoption in the region. Thus, this study aims to critically examine the factors and challenges for Kurdistan to change its accounting system and implement IFRS.

1.2 Research aims and contribution

This dissertation aims to critically investigate the factors and challenges that KRG faces to change its accounting system and adopt IFRS. This study has aimed to investigate the challenges to the KRG if it chooses to implement IAS. This dissertation is motivated by several different factors and will make meaningful contributions. First, it provides a general understanding of KRG's institutional background such as economic, political, accounting regulations, and cultural factors. Second, although a few studies have been done through documentary analysis in Iraq, the present study fills the gap, contributes, and adds to the literature by concentrating on the isomorphism institution. This dissertation is going to analyse the institutional setting that affects financial reporting improvement in Kurdistan which is demanding to investors and decision-makers. Third, the outcome of this dissertation can provide excellent knowledge and a better understanding of the current accounting system in Kurdistan. Also, this study is going to provide sufficient information about the opportunities and challenges that KRG will face in adopting IFRS from both theoretical and practical perspectives. Fourth, the results of this study can help KRG to decide whether to continue and remain with its accounting system or follow and adopt IFRS. Finally, this study is relevant and admissible to other Middle East countries and other Arab countries. These nations may have the same political and social environment as

Kurdistan. This study can provide sufficient information and assist them to gain extensive knowledge and make decisions about their accounting systems.

1.3 Research problem

The quality of financial information has an impact on decision-making processes for both internal and external users. Researchers have determined that IFRS provides standard language to financial statements, develops comparable financial reporting, and enhances the quality of financial statements.

The problem addressed in this dissertation is the challenges such as tax implications, preparation for transition to the IFRS, structural, education, institutional settings, and cultural obstacles that KRG will face to change its current accounting system and implement IFRS. The transition from one accounting framework to another is a major step and requires special consideration to ensure that the information of the previous system is available to financial statements resulting from the new system. IFRS standards are a common source of comparable information globally and essential interest to regulators. These standards can help KRG to enhance its economic efficiency by assisting investors to recognise risks and opportunities; therefore, increasing capital allocation.

1.4 Research questions

This study is seeking to find an answer to the following questions:

- 1- What are the primary factors affecting Kurdistan to transition from its current accounting system to IFRS?
- 2- What are the challenges KRG faces when implementing IFRS in Kurdistan?

1.5 Theoretical framework

Institutional theory can explain how organisations adapt, react, and respond to their institutional settings. Institutional theory has different variants. This dissertation is based on three types of institutional isomorphism, namely, coercive, mimetic, and normative pressures which were popularized by many researchers such as Meyer and Rowan (1977), DiMaggio and Powell (1983), Scott (1995). This dissertation applies to it as “institutional theory” throughout the analysis. From an institutional perspective, the environment seems to provide a common view of the organisational shape and how it should look and behave (Meyer & Rowan, 1977). Once environments have many different expectations and rules to which organisations should conform to gain the legitimacy needed, for social adaptation, it can be a useful starting point for deciding the actions of organisations (DiMaggio & Powell, 1983; Scott, 1995; Suchman, 1995).

1.6 Research Design

To address the research questions, this dissertation employs an analytical methodology based on institutional theory. This concept can be explained as a process by which organisations, in the same field, come to resemble each other. Organisations become homogenous in their processes by having a response to the isomorphic pressures. In nature, these pressures may be coercive, mimetic, or normative (Hersberger-Langloh et al., 2020). The current dissertation evaluates how the three types of isomorphism of the institutional theory, namely, coercive, mimetic, and normative effect the IFRS adoption in Kurdistan. Competitive isomorphism and institutional isomorphism are two different types of isomorphism. This dissertation follows the institutional isomorphism because it can

explain the influence and importance of external and political factors that would be faced by organisations.

Document analysis of KRG's annual reports, regulations of the ministry of finance, strategy documents of international funder firms, and the accounting regulations (Company Law No.21) has been used to gather data for analysing the accounting system change in Kurdistan. In doing so, firstly, I evaluate the influence of various factors on the KRG's economy as well as its accounting system. Secondly, I focus on the application of institutional theory as well as identify the institutional arrangements as coercive, mimetic, and normative. Thirdly, I compare current accounting practices in Kurdistan with international accounting practices. Finally, I determine the challenges ahead for Kurdistan, when it changes from the current accounting system and implement IFRS.

1.7 Scope of the study

The scope of this study is on the challenges that the KRG is going to face to change its current accounting system and adopt IFRS. The need to investigate the likely and potential impact of such changes has motivated me to critically examine the challenges of this change.

1.8 Organisation of the study

As illustrated in Figure 1.1, the dissertation is organised into six chapters. Except for chapter one, the five key chapters focus on Kurdistan as a means to discover and determine the challenges of IFRS adoption. The chapters of the dissertation are as follows:

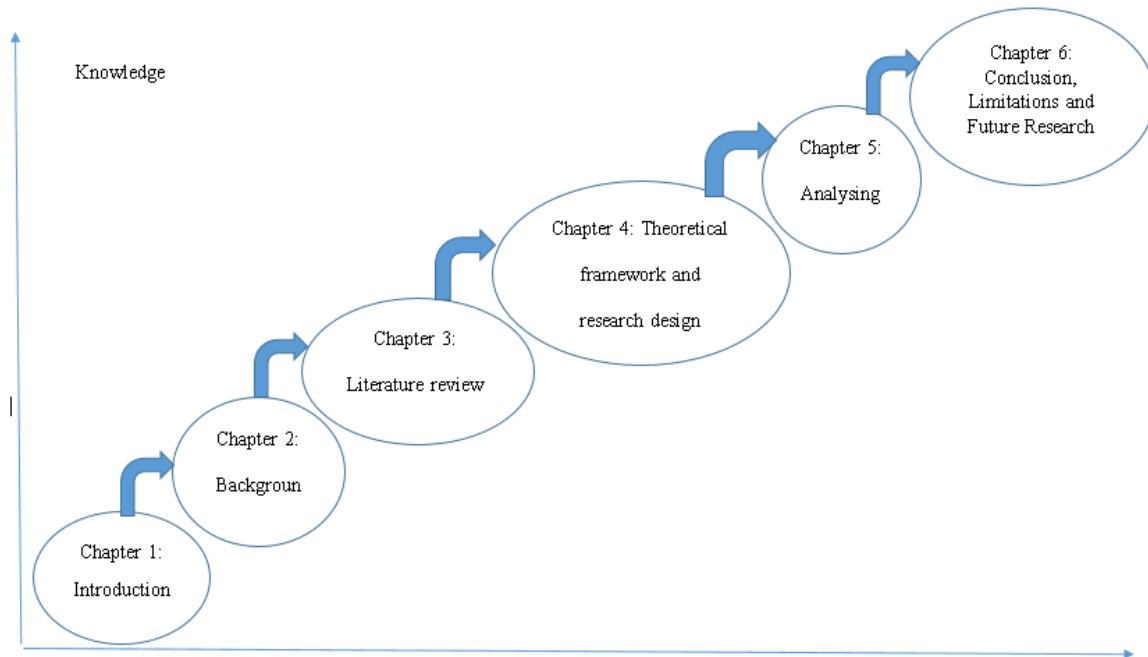


Figure 1.1: Organisations of the dissertation

Chapter 1: Introduction

This chapter deals with the outline of the dissertation. It simply defines the motivation for the study. It also explains the research problem, specifies the objectives and aims of the project, emphasises the research design, introduces the significance of the dissertation, features the theoretical framework, scope, and organisation of the research project.

Chapter 2: Background

This chapter provides the background and a summary of the political, economic, and accounting history and development in Kurdistan. Also, it presents a concise overview of the corporate sector, financing the economy, stock market, and extractive industries in the region.

Chapter 3: Literature review

This chapter reviews the literature with stress on the IFRS adoption as well as challenges, opportunities, and reasons for IFRS adoption. It also represents a background of the IFRS, the literature on the institutional structures, organisational setting in Kurdistan, external pressures to implement IFRS, and the challenges and opportunities of IAS for KRG.

Chapter 4: Theoretical framework and research design

The chapter describes the theory of this dissertation, institutional theory. Institutional theory is used in this dissertation to analyse and interpret the results. As the focus of this study is on the challenges of change in the accounting system, the isomorphism institution applied as a methodology. This study evaluates the impact of IT on the IFRS adoption process in Kurdistan.

Chapter 5: Analysing

In this chapter, there is an analysis of three pressures that have influenced the changes associated with IFRS in Kurdistan. The analysis is focused on addressing the research questions. The factors have specific internal and external factors subjected to the changes associated with IFRS in Kurdistan. Hence, some forces need analysis before reconsidering the changes in the accounting system in Kurdistan. The chapter provides a deep analysis of these pressures of IFRS adoption based on three pressures, which are coercive, mimetic, and normative force.

Chapter 6: Conclusion, Limitations and Future Research

This chapter provides the results obtained from the analysis. It also summarises the whole dissertation by presenting the logical flow of the dissertation from beginning to end. It also provides a summary of the project: the contribution, implications, and motivation, relevant theory and research design, the key findings, limitations, and also provide suggestions for future research.

Chapter 2

Background

2.1 Introduction

This chapter establishes the context of this dissertation. The chapter aims to contextualise the study. To do so, it provides relevant facts about Kurdistan. Also, it provides the materials that have a link to the research questions and theoretical framework. Further, this chapter provides the background of the political, economic, and accounting history and development in Kurdistan. In doing so, the general background is introduced for this dissertation. The chapter is formed as follows. The first section is an introduction. Section 2 reviews the historical background of Kurdistan from 1923 until the time of autonomy and war with the U.S. Section 3 outlines KRG's political, government, and budget structure. The next section which is section 4 reviews the historical background of Iraq and KRG. Section 5 is financing the economy in the region. Section 6 highlights the main industries and corporate sector in Kurdistan. The next one, which is section 7 considers accountability and accounting history in Kurdistan. Section 8 introduces the nature of corporate financing and the stock market in the region. Section 9 focuses on extractive industries. Section 10 focuses on accounting in Kurdistan under the UAS. Section 11 examines changes in the economy. Section 12 is the intention of IFRS adoption in Iraq and KRG. The final section is the chapter summary.

2.2 History of KRG

Kurdistan is an old region of the Middle East with a rich history. The first historical mention of Kurds dates back to The Book of Honour (Sharafnama) in 1597 by Sharaf al-Din Bitlis. Generally, Kurdistan means "Land of the Kurds" (O'Shea, 2004, p. 139). The

Kurds have settled in the mountainous areas of the north of the Middle East. Currently, the Kurds have a population of between 25 and 35 million. They have resided in the border areas of Turkey, Iraq, Syria, Iran, and Armenia. It is the fourth-largest ethnic group in the Middle East which outnumbers both the Arab and North African races. With the collapse of the Ottoman Empire in 1918, Britain took over the province of Mousel in Iraq, taking wide Kurdish-populated zones under its rule. After one year, Mousel was added to Iraqi land, which comes under British rule. In 1920, the defeated Ottoman government signed the "Treaty of Sevres". According to Article 64 of this treaty, Kurds were allowed to settle in Mousel province (Lortz, 2005).

The history of Kurds can be explained in the following periods as depicted in Figure 2.1:

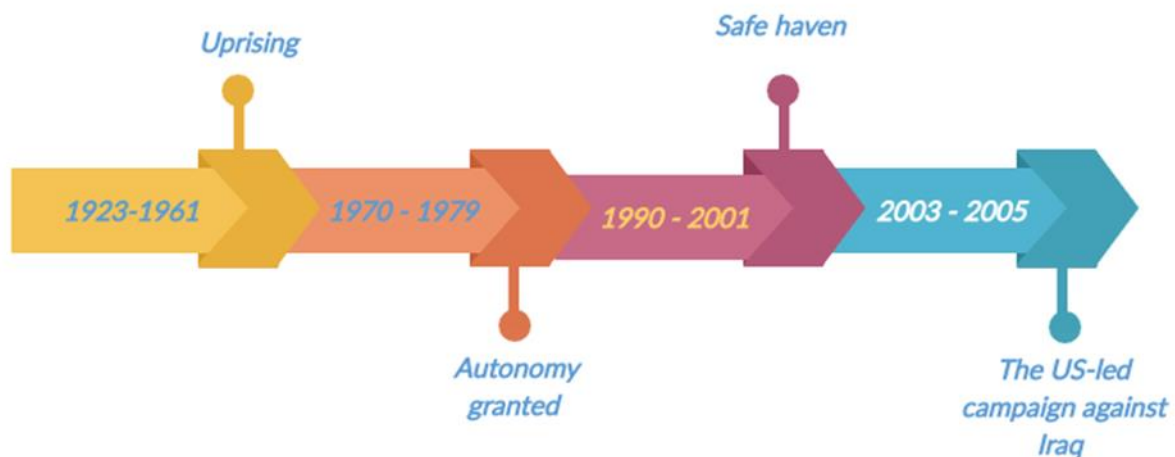


Figure 2.1: History of Kurds

2.2.1 Uprising from 1923-1961

In 1923, Shaykh Mahmud Barzinji started a revolt against the British and notified the Kurdish Kingdom. With ignoring the Kurdish demand for autonomy, their uprising began in the Barzan area in 1932 (Chaliand, 1993). In 1943, Mullah Mustafa Barzani started an uprising against the Iraqi government. As a result, he took control of the extensive of

Badinan and Erbil. In August 1946, British forces bombed the Peshmerga (Kurdish army) on the border with Iran because it planned to join Qazi Mohamed, who establishes an autonomous Kurdish kingdom in Mahabad (Ozoglu, 2012). After a few months of Congress which was held by the Kurdistan Democratic Party (KDP) in 1946, the "Mahabad Republic" collapsed and the Kurdish leader, Mustafa Barzani, was forced to flee to the Soviet Union (Gunter et al., 2004). In 1951, the KDP was revived by a new generation of Kurdish nationalists and Mustafa Barzani who was still in the Soviet Union was chosen as a president. After the overthrow of the Iraqi monarchy in 1958, Kurds were allowed to openly engage in their activities after many years of hiding (McDowall, 1996). Iraq's new constitution allowed Kurdish rights and Mustafa Barzani returned after many years in exile. In 1960, the KDP complained about the growing repression by the Iraqi government, and the relation between them became strained. After the Kurdish revolution in 1961, the Iraqi government defeated Kurdish groups and KDP was dissolved (McDowall, 1996).

2.2.2 Autonomy granted from 1970 - 1979

In March 1970, the Kurdish parties had a peace agreement with the Iraqi government. According to this accord, Kurd's autonomy was granted from the central government and the Kurdish language was recognised as an official language in Iraq. Further, the new Iraqi constitution declared that "the Iraqi people are made up of two nationalities, the Arab nationality, and the Kurdish nationality" (McDowall, 1996, p. 83).

Only after one year of the agreement, the relation between them collapsed. Thus, Mustafa Barzani officially asked for U.S assistance (Romano, 2006). In March 1974, Iraq prepared the first draft of the autonomy accord for the KDP. The draft put the Kirkuk oil fields under

the Iraqi government's control. Consequently, the Kurdish leader declined the accord and called for a new uprising. In 1975, the "Algiers agreement" between Iraq and Iran was entered into. Thus, Iran stopped its support for the Kurdish rebellion. Mustafa Barzani decided to step back from political life. A year later after much infighting, in 1979, Mustafa Barzani died and his son, Massoud Barzani, became a new leader of the KDP (Chaliand, 1993).

2.2.3 War with Iraq and chemical bombing of Halabja 1980-1990

In 1980, the war between Iran and Iraq started; KDP was decided to work with the Iranian army. At the end of the eight-year bloody war, on March 16, 1988, Saddam used poison gas against Kurds. As a result of this chemical attack, thousands of Kurdish civilians in Halabja died (Kelly et al., 2004).

2.2.4 Safe haven from 1990 - 2001

In April 1991, a Safe haven was created by US-backed coalition forces. Kurdish parties opened negotiations with the Iraqi president, Saddam Hussain, on autonomy. While negotiations were continuing in Baghdad, Peshmerga took control of Erbil and Sulaymaniyah. After autonomy was granted, an election was held in Kurdistan. In the election, both KDP and the Patriotic Union of Kurdistan (PUK) are identically balanced in the new government. This led to a civil war between KDP and the PUK between 1994 to 1997 (Romano, 2004).

2.2.5 The US-led campaign against Iraq from 2003 - 2005

In March 2003, US-led coalition forces invaded Iraq. Kurdish forces helped US forces to take control of the Kirkuk and Mousel. In 2005, a Kurdish leader was nominated as the interim Iraqi president (BBC, 2017).

Kurdish history has been full of pain and suffering to gain freedom. They have just asked to have an independent state. Kurdistan has one of the largest natural resources in the world. Therefore, it wants to have its independent economy and trade.

2.3 KRG's political, government, and budget structure

With having different principal branches of the state institutions, for example, courts, assembly, and executive, it can be concluded that there are signs of a political system in Kurdistan. Since 1991, a certain political system has been established in the region. This system is commonly recognised as a governmental system. Some observers do believe that the political system in the region is presidential. Nonetheless, it is KRGs' parliament that has the power to vote and determine the President (Abdullah & Hama, 2020). Thus, the parliament is a legislative body in Kurdistan. Although the KRG's political system is parliamentary, the nature of the political system in the region is complicated (Aziz, 2017). The Kurdistan Region has been governed by two political parties, namely, the KDP and the PUK over the last two and half decades. Since the 1970s, they have been involved in a violent and virulent rivalry. After 1991, the two parties had formed separate governments. The KDP is governing the provinces of Erbil and Dohuk, and the PUK is controlling Sulaymaniyah and Halabja. The political system is one of the biggest obstacles to defining

the economic system in Kurdistan. The two parties have tried to secure the interests of their parties, not the economy of Kurdistan (Abdullah & Hama, 2020).

The governmental system in Kurdistan is federalism. The KDP and PUK have been in the process of state-building since 1991 when KRG was established (Jongerden, 2019).

After the US occupation of Iraq in 2003 and also after the defeat of the Iraqi army in the face of the Islamic State (IS) in 2014, most of the areas that were considered part of Kurdistan and were under the control of Baghdad came under these parties. Therefore, both KDP and PUK received more land and natural resources to manage the economy (Jongerden, 2019). Again, the political division between the parties in Kurdistan is known as the biggest obstacle to the economic and political development in the region.

The Budgetary process usually starts at the beginning of the fiscal year. KRG's Ministry of Finance (MoF) asks other ministries to prepare their budget proposal for the fiscal year. Later, each ministry discusses its proposal with the budget officer at the ministry of finance to get an acceptance of the budget figure. After the discussion, the ministry of finance is responsible to prepare a single set of budget project and send it to the parliament for further investigation. After many discussions on the budget, the final draft is signed by the Kurdish prime minister and then returned to the ministry of finance to distribute shares of all ministries (KRG, 2013). Generally, Kurdistan's budget is based on 17% of the Central Government budget (Baghdad), and its domestic sources of income, for example, international trade, exporting oil, tourism, and agriculture (CIA, 2020).

After seven years, since 2013, Kurdistan prepares for the 2021 budget. Discussions have begun between the members of the KRG's high economic council. Both finance and planning ministers have prepared their reports on the current situation and submitted their

reports to the parliament. The prime minister has also stressed the need to reduce the expenses and transparency of revenue in the budget.

There are many problems between Erbil and Baghdad over financial and budgetary issues. Based on an agreement between Baghdad and Erbil, Kurdistan must send 250,000 barrels of crude oil to Baghdad daily. Baghdad has also demanded non-oil revenues from the region. If Kurdistan does not provide the above mentioned to Baghdad, the problems will remain and the central government will not be willing to send 17% of the national budget to Erbil.

2.4 The economic history of Iraq and KRG

The economic history in Iraq can be fairly explained in three distinct as following:

2.4.1 First period: from 1921-1958

In this period, the country's economy was significantly influenced by the British. During this period, economic institutions were slowly developed. The new Iraqi government tried to control the internal tensions, control the effects of World War II, and established itself (Marr, 2018). In the 1950s, with oil revenues increased, Iraq was able to focus on a greater degree in the country's economy. At this time, Iraq's economy was based on traditional principles and not a modern one. Then, a development board was established to prepare multi-year plans. These plans indicated three priorities, which were transportation and communications, construction, and agriculture (Sanford, 2003).

2.4.2 Second period: from 1958-1968

A group of military officers seized power through a military coup. For ten years from 1958 to 1968, revolutionary regimes changed the economic policies of the old regime. However, they tried to develop major resources such as military modernization and transportation. The first military leader, General Qasim, was influenced by socialist models. He focused on different schemes such as land reform, removal of foreign economic forces (especially in the oil sector), and stamp; a planned economy. Qasim's economic plans were continued by his two successors but at a slower pace. In July 1964, the Arif government nationalised insurance companies, all banks, and the 27 largest privately held manufacturing firms. In addition, the government rearranged other companies and asked them to share their profit with workers. Thus, all these measures led to the departure of trained management, a slump in industrial development, and capital flight from the country during the 1960s (Sanford, 2003).

2.4.3 Third period: from 1968 to 2003

In the early years of Saddam Hussein's rule, He pursued economic policies similar to those of previous military regimes, in line with Ba'athist socialist principles (Baker III et al., 2006). To manage its resources, the government decided to use central economic planning. Therefore, expenditures were divided between an investment budget, a government operations budget, and an annual import budget. With rising oil revenues, Iraq had pursued its socialist model for several years without having to make a difficult choice between paying off debt and other priorities such as welfare benefits, developing infrastructure, and even modernizing its armed forces. In this period, economic planning was concerned with

subsidization and social welfare. The growing economic load as a result of the long war with Iran prompted Saddam to change course in the mid of 1980s (Sanford, 2003). Saddam abandoned his socialist ideology. He started a feasible course of economic reform. In June 1987, Iraq embarked on its economic activities. In that year, the government abrogated a labor law. Consequently, thousands of government employees and workers (many of them were foreigners) were laid off (Baker III et al., 2006).

Next, it took steps to privatize state-owned enterprises, for example, agriculture and bus companies, gas stations, factories, and department stores. In late 1987, the Iraqi government announced that international companies could operate in the country.

Iraq faced a “twilight” economy after the invasion of Kuwait. The economic scene changed dramatically after the invasion. After this war, the only option that Iraq had was to focus on circumventing the international sanctions and try to obtain assistance from humanitarian organisations (Sanford, 2003).

2.4.4 KRG-Economy

Geography, Kurdistan has a wide border with its neighboring countries. Erbil, Duhok, Halabja, and Sulaymaniyah are four governorates of KRG. KRGs' government is based in Erbil. Under the 2005 Iraqi constitution, Erbil has the right to exercise executive, judicial powers, and legislative (Abdallah et al., 2015). Additionally, KRGs' economy mainly depends on the sales of oil, agriculture, and tourism. It has its sources of clean water from several lakes that are sourced from the mountain areas of the region. Except for natural resources, the KRG economy is not productive. Whereas the differences with other parts of the country are concerning security climate, political stability, and economic prosperity

are clear to the observers that the KRG's economy remained invisible. There are two main reasons for this invisibility. Firstly, reports by agencies such as the International Monetary Fund (IMF) and World Bank only provide statistics and financial data for Iraq. Secondly, statistical data for Iraq as a whole and KRG, in particular, are inadequate and not reliable. Therefore, there is an astonishing lack of knowledge of the KRG economy. Furthermore, available data only focuses on the oil sector (Leezenberg, 2015).

Generally, the economy in Kurdistan is hugely reliant on natural resources and oil export revenue. Oil accounts for 90% of government revenues and 90% of foreign currency earnings in the country (IndexMundi, 2020).

Recently, the Kurdish government awarded contracts to international oil companies. These companies are Aspect Energy, Chevron, Hess, Hunt Petroleum, Murphy Oil Corporation from the United States. Abu Dhabi National Energy Company (TAQA) from the United Arab Emirates. Gazprom from Russia. Addax Petroleum from China and also some other international companies. Whereas oil production has been raised to the almost highest level, oil companies still have difficulties linked to political uncertainty and under-developed infrastructure (Chazan & Blas, 2012).

From the 1990s to 2003, following the international trade ban of the United Nations Oil-for-Food program, oil export from Kurdistan was restricted. With KRG's export partners from the U.S. Italy, India, and South Korea, oil still remains a considerable export. As a result of the ongoing conflict and struggle, the manufacturing sector was generally inactive. Therefore, KRG must import the majority of its food, medicine, and manufactured goods from China, the U.S., Turkey, Syria, and Jordan. The KRG is keen to enliven the economy. To do so, it is going to encourage direct foreign investment (DFI), mostly within joint

partnerships with local institutions. Specifically, KRG is focusing on collaborations with other countries (Leezenberg, 2015).

The former prime minister of Kurdistan has long proposed the idea of creating a capital market for Kurdistan to boost its economy. To investigate this matter, after countless meetings, a committee was formed. The committee consisted of advisers to the Minister of Planning and the Minister of Commerce, the Chamber of Commerce, and managers of the Central Bank. As a result, the committee decided to establish the Erbil Stock Exchange (ESE). After that, the government had an agreement with "Nasdaq Omex" to establish a system to operate stock selling. The ESE aims to economic growth, propel investment, provide a better environment for trading. Thus, it is a new gateway for investors in the region (Wavetec, 2020).

2.5 Financing of the economy

In Kurdistan, the Ministry of Finance and Economy is responsible for financial planning, control of public revenue and expenses as well as setting the general budget. KRG's state-dominated economy is driven by the oil, tourism, and agriculture sectors. Oil provides more than 90% of the KRG's revenue. Tourism industries, especially after the IS war, continue to grow and become a good source for financing the economy. According to the report which was published in 2013 by the General Board of Tourism (GBOT), in 2012, Kurdistan earned \$650 million from the tourism sector. The GBOT is anticipated to rise to \$1 billion in 2013 and \$1.5 billion in 2015. On the other hand, agriculture is one of the traditional income sources in Kurdistan. This sector plays an important role in the economic development in Kurdistan (Jongerden et al., 2019). While KRG has an adequate capacity

of resources, the basic problem of financing the economy is how to allocate the real resources. In addition, Kurdistan suffers from a list of problems such as a lack of investment banking, financial crisis, permanent budget suspension by Baghdad, and the weak role of financial institutions in providing facilities and bank loans.

2.6 The corporate sector and the main industries

The main corporate sectors are oil and gas, tourism, agriculture, electricity, and services industries. The majority of the largest companies are private sector companies. Almost all of these companies are diversified conglomerates with local and foreign capital. Among the top 10 large companies, there are 2 telecom operators, namely, Korek telecom and AsiaCell, 1 bank (Kurdistan international bank), and 7 diversified conglomerates such as the Qaiwan group, Darin Group, etc. The mentioned companies are mainly local that operate in the private sector. The capital of these companies consists of domestic and foreign investors as well as shares of the powerful men in the KRG.

The Kurdistan investment law No.4, which was issued in 2006, provides many privileges to both local and foreign companies in Kurdistan. For example, based on this law, the foreign worker is treated as a citizen (Article No.1). Also, investment companies that can get the license to work in Kurdistan will be exempted from income tax for the next ten years.

The majority of the labor force is engaged in the governmental sector, therefore, the private sector demonstrates less than 50% of the economy (MarcoPolis, 2020).

On the other hand, Corporate Governance (CG) is not taken seriously in Kurdistan. Based on the research done by Najim (2013), even the Iraqi regulations and law did not cover CG.

The capital market law, investment law, and accounting and auditing regulations in Kurdistan did not declare anything on CG (Khudir & Ali, 2019). KRG needs to pass good CG and practices to enhance the stock market.

Additionally, regarding the ownership of the firms, both parties have private companies and independent financial resources from the KRG. The KDP owns Kar Group while PUK owns Qaiwan Group. This is the main reason that prevents the KRG to own and establish public companies (Mills, 2016). Since the enactment of the oil and gas law of the Kurdistan region in 2007, the KRG attempted to establish public companies for managing oil and gas in the Region. “Kurdistan Exploration and Production Company (KEPCO), Kurdistan National Oil Company (KNOC), Kurdistan Oil Marketing Organisation (KOMO), Kurdistan Organisation for Downstream Operations (KODO), and Kurdistan Oil Trust Organisation (KOTO)” are the companies that were supposed to be established. However, none of them has been established because they are against the interests of the private companies of the main political parties (Hasan, 2019, p. 748).

2.7 Accounting history and accountability in Kurdistan

In Iraq, accounting history dates back to the Mesopotamians (Keister, 1963). During the 7th and 8th centuries, Iraq was influenced by Islamic laws. The double-entry system was introduced in the 19th century and became a primary method of bookkeeping (Al-Akra et al., 2009). The system was maintained until the end of World War I when Iraq came under British control and they introduced a double-entry system (Dawisha, 2005; Robson, 2008). The Arab Baath Socialist party took control of Iraq in 1968 (AlNajjar, 2009). It looked for the means to allow basic control of the economy. To do so, it began with the National

Unified Accounting Plan (NUAP) which later evolved into the Unified Accounting System. In 1979, the Arab Baath Socialist party was taken over by Saddam. However, a fundamental instrument of government control over the economy remained without changes. Although in 2003, the Saddam regime fell, the accounting system in Kurdistan indicates the same centralised regimes' agenda (AlNajjar, 2009).

The first implementation of UAS was in 1969 in the Ministry of Trade. After three years, in 1972, the system became mandatory for its firms. The system used double-entry accounting using a standardized construction for preparing financial statements. In the 1970s, one system was developed to cover all Iraqi sectors. The government set up a Central Committee of Accountants from various government agencies with the mandate to promote a national uniform accounting system. As a result, the UAS became compulsory for all Iraqi sectors in 1982 (AlNajjar, 2009).

Whereas few pieces of research have been done on accounting in Kurdistan, accounting practices have been affected by different political systems, beginning with the British. Therefore, KRG's accounting system has been affected by the British, the Russian accounting system, and also the Egyptian accounting system (Al Najjjar, 2009).

Since the Iraqis' independence in 1932, the government heavily regulated accounting. During this period, several accounting laws, for example, the 1951 Law were enacted. This law combines Islamic Law (Shari'a), and European legal concepts (commonly French laws). The 1951 Law was arranged for the Ottoman Empire and carry out leases, sales, courts, companies' drafts (Majid, 2001).

Generally, Kurdistan has two accounting systems. Both systems are operating on an annual basis. One system is only for governmental sectors and the other one is UAS for-profit

organizations. For the first system Ministry of Finance & Economy and the second one the Iraqi Board of Supreme Audit (BSA) is responsible (Al-Kassar & Soileau, 2014).

The accountability system is not strong in Kurdistan. KRG's economy is always subject to notable risks, arising mainly from oil price volatility, obstacles in the construction of oil infrastructure, remarkably fragile security weakness, political situation, and institutional and capacity constraints. Many of the problems and challenges that KRG faced to develop its accountability are related to weak governance, lack of transparency, budget management, and institutional capacity. For financial accountability, financial and budgetary measures are important for Kurdistan. The following table identifies the key periods of political, economic, and accounting development.

Table 2.1: Political, economic, and accounting development

Year	Political development	Economic development	Accounting development
7th and 8th centuries	Muslims settled in the country	Iraq became the center of commerce. Trading was determined by Islamic laws.	During the Mesopotamians (4500 B.C.), accounting was determined by Islamic laws too.
15th century.	Iraq became a part of the Ottoman Empire	Agriculture, trade, religion, and transportation formed the economy.	Ottoman Empire used Merdiban as an accounting method, particularly to report liabilities and collect taxes.

1914 to 1931	World War I and Semi-independence	Economic institutions expanded gradually. Iraq comes under the British command.	Double-entry system was established as a major method of bookkeeping.
1932	Independence declared - Hashemite Family.	The economy was almost based on agriculture.	The Bookkeeping method was maintained.
1968	Arab nationalist Ba'ath took a key role	Manage the economy by using a central planning system. Change almost all the economic policies of the old regime. Allocate major sources to transportation and communications.	Iraq used a central planning system and set up Accounting Uniformity System Committee
1979	Saddam took power	The economy was successful and well-off. Iraq had almost \$35 billion reserves in foreign exchange.	

1980 – 1988	War with Iran	Significant debts with rising economic difficulties	2- Governmental accounting system based on Ministry of Finance regulations. Also, in 1997, companies law NO. 21 and NO. 22 were issued.
1990 – 1991	Kuwait war	The international sanction and oil for food program inflicted as a result of the war.	
2003	U.S. war	Crash the economy, creating decades of economic depression, poverty, and foreign debts.	Reform Iraq's accounting system and investment environment. The government slowly regulates the accounting system. A commercial law system was issued.

2.8 Stock market and the nature of corporate financing

A stock market is a place where financial securities and shares such as stocks and bonds are traded by different institutions and corporations. This concept is proportionately a new notion in Kurdistan. KRG has never had such a market in its history. Nevertheless,

Baghdad Stock Exchange was opened in 1992 and for the first time governed by the Ministry of Finance (Bradosti & Singh, 2015).

The only stock exchange in Kurdistan is the Erbil Stock Exchange (ESX). ESX is working with the Iraqi Securities Commission (ISC). The companies that would like to be listed on the ESX need to follow certain requirements, for example, they are required to submit their audited financial accounts. One of the main challenges for ESX is inspiring family-based companies to “go public”. Also, many Kurdish people such as government employees or middle-class residents of the society may not have adequate capital to open a successful business. Preferably, most of the people in Kurdistan prefer to buy gold or have kept their cash at home. By injecting this idle cash into the financial market, the economy in Kurdistan will easily grow significantly. If the political system in the region will be stable, the ESX can be the first step to improve KRGs' economy (Bradosti & Singh, 2015). Corporate financing in Kurdistan is based on a mix of local and foreign capital. Also, there are some shared limited companies like Korek Telecom in Kurdistan.

2.9 Emphasis on extractive industries

It is vital to know how the history of the oil sector has affected the economy and thereby the accounting system. KRG can use natural resources as a potential factor to drive its economy and reduce poverty in the region. Also, extractive industries play a significant role in the political, social, and economic in Kurdistan. Although natural resources have many economic impacts, they have a potential political and environmental footprint in Kurdistan. Since 2003, KRG has been one of the main oil-producing regions in the Middle East. The following review focuses on the most relevant events in this dissertation.

In 1986, the Ba'ath Party controlled the political power in the country. There were problems between the government and the Iraqi Petroleum Company (IPC). The IPC was a British Organisation that was established in 1929 with exclusive rights to export from Iraq (Tripp, 2002). In 1972, the Iraqi government forced IPC to follow its demands. Therefore, IPC gave the government a small portion of the company's share. This small contribution greatly aided in Iraq, and the Iraqi government announced the end of British power in June 1972. After that, the government formed the Iraqi National Oil Company (INOC). This nationalisation gave full power to the Ba'ath Party to control the economy without giving attention to the people's interests (EIA, 2017).

All local oil companies such as the Marketing Oil Company, Oil Exploration Company, North Oil Production Company, and Oil-drilling Company were controlled by INOC until the 1990s that reflects different activities in the oil industry.

2.9.1 Saddam's War against Iran

Iraq is a country that does not have a maritime border with its neighbors, so oil exports without access to the sea created many problems. In September 1980, Iraq entered a war with Iran to gain access to the Shatt Al-Arab waterway. Under the UN's umbrella (UN Resolution 588), in 1988, both countries signed a ceasefire agreement. As a result of this war, the country's oil infrastructures were severely damaged and left more than US\$10 billion in debts to Russia for arms purchases (Schmemmann, 2002).

2.9.2 Kuwait invasion and Oil for Food Program

After the first war with Iran, the country's debts created many economic issues in Iraq. In August 1990, Saddam decided to invade Kuwait. The need for cash to cover debts was the main reason to start this war. Arab mediation and diplomatic relations were unable to solve the problem. This conflict was also about access to the sea. Iraq's nearest port to Gulf waters was "Umm-Quasar". This port is located on the south of the Gulf water at the Shatt al-Arab waterway. Iraq needed a site in the Gulf waters for exporting oil (Kostiner, 2009). At that time, Iraq decided to decrease its oil production. Many analysts believe that the Kuwait invasion was the biggest mistake of Saddam. Indeed, they do believe that Iraq started a war with the US, not Kuwait. As a result, Iraq lost the war, and also the country suffered a lot of sanctions. Oil, trade, and the military were part of the UN's sanctions. Accordingly, OPEC has controlled Iraqi oil and limit its profits. Sanctions caused human suffering. Thus, the UN decided to give a new offer to Iraq. This program was called "Oil for Food" (Le Billon, 2005).

2.9.3 Invasion of Iraq

The US and its allies invaded Iraq in March 2003. They believed that Saddam's regime used banned weapons of war (Frei, 2004). US coalition forces tried to protect and shield Iraqi oil fields. They took control of two offshore oil terminals in the Rumaila and Basra. After Saddam's regime, a new provisional government was organised under US supervision. The new Iraqi government needed to rebuild the infrastructure of the oil industries. The new government believed that oil revenue would be the best way to establish and improve the economy in Iraq (EIA, 2017).

2.10 Accounting in KRG under UAS

In 1968, the Arab Baath Socialist started to control the Iraqi economy by following the Egyptian and Soviet social perspectives. In 1972, the government nationalized private oil companies. It means that the government had full power in the oil industry (Al Najjar, 2009). The government classified those companies according to their type of activities. At that time, the government aimed to place them under state-organized supervision, which was "Iraq's National Oil Company (INOC)". Consequently, INOC had power and control over all Iraqi oil (Ibrahim et al., 2014). Introducing and streamlining the UAS was the next step that the government took. As a result, the UAS became compulsory for all Iraqi's sectors in 1982 (Al Najjar, 2009).

The UAS is used as a tool for central economic planning. The primary purpose of the UAS was to achieve control of the economic system, social and economic rationality, protect resources, and to ensure the best use of economic resources. The UAS uses a fund-based accrual methodology (Al Najjar, 2009). It focused on stewardship and accountability (Peng & van der Laan Smith, 2010). Based on the government's Central Committee, the UAS provides the necessary information that might be used for monitoring, implementation, and planning of the economy. The system can create links between the national accounts and economic units. These links can be used to prepare the national accounts including Gross National Product (Ibrahim et al., 2014).

Currently, there are nine major classes of accounts under the UAS in Kurdistan. These accounts are based on the accounts code of the Arab League. Assets, liabilities, expenses, and revenue are the first four classes. These four accounts demonstrate the financial performance and position of the reporting entities. Additionally, these classes are divided

into more sub-classes. On the other hand, other classes that deal with cost accounting are called control accounts. These accounts are designed to help the reporting entities to prepare their reports based on the nature of activities (Al Najjar, 2009).

Table 2.2: General accounts in Kurdistan

General accounts in Kurdistan under the UAS	
Account number	Account name
1	Assets
2	Liabilities
3	Expenses
4	Revenue
5	Control of production center
6	Monitoring production center
7	Monitoring marketing center
8	Monitoring administrative center
9	Monitoring the position of the financial operation center

Table 2.3: The general framework of the UAS in Kurdistan – Budget accounts

The general framework of the UAS in Kurdistan – Budget accounts			
number	Account name	Number	Account name
1	Assets	2	Liabilities
11	Fixed assets	21	Capital
12	Project under implementation	22	Reserves
13	Inventory	23	Allocation
14	Loans	24	Loans received
15	Financial Investment	25	Creditor banks
16	Receivables	26	Payables
18	Monitory	28	Current operations
19	Accounts receivable	29	Accounts payable

Elements are used instead of classes in IFRSs. Elements are analogous to classes 1 to 4 under UAS. IFRS is related to financial accounting. Thus, the other UAS classes are not related to IFRSs.

In Kurdistan, the Income Statement and Balance Sheet are two required financial statements under the UAS. Additionally, an operation account is only used for oil companies with accompanying notes. The cash flow statement is not required under the UAS. This is the main difference between UAS and IFRSs. Instead of this statement, UAS uses a total added value statement. Ministry is responsible to prepare it for each sector. This statement is also used in other countries such as Russia and China (Al Najjar, 2009). Based on those nine account classes, a chart of accounts is prepared. The accounts classes reverse the classifications of cost and financial accounting transactions. Under UAS, assets value is based on historical cost accounting. The cost is calculated as the “acquisition or manufacturing cost plus transportation, installation expenses, and other expenses before using” (Ibrahim et al., 2014, p. 3).

The UAS uses the same measurement methods that are used in western countries. Except for methods that link to central planning history, UAS requirements are different than IFRSs standards. These differences occur in accounting treatments that differ between the two systems. UAS is rules-based in contrast IFRSs standards are principles-based. KRG's accounting system is alike to that of the U.S. in that it is rules-based. Rules relating to the goals of the UAS. However, complex rules may lead to needless difficulties in the preparation of financial statements (Shortridge & Myring, 2004). The following table determines the development of UAS in Iraq.

Table 2.4: Development of UAS in Iraq

Year	Uniformity of accounting systems	Description	Type of organisation affected
1969	Corporate	UAS took over the tourism sector as the accounting system responsible for all the financial activities.	Ministry of trade
1972	Corporate and public accounting	The taking over of all the oil industries in the region.	Public and private oil companies.
1976-1979	Forensic, government, public and corporate accounting.	The follow up of all the activities responsible for the implementation of UAS.	All the organisations embracing UAS.
1982	Corporate, government and public accounting	UAS made to focus on providing information to the central government	All the government sectors (Oil companies, tourism sectors, an education curriculum)

In Kurdistan, the Council of the Minister is the highest authority to issue laws and demand for the standards. Then, MoF is responsible for proper planning to carry out the order

received from the Council of the minister. After, The MoF obliges the other ministers to follow and carry out the new regulation. In doing so, the MoF issues a new regulation for other ministers.

On the other hand, the council of the minister and prime ministers' advisors followed by the preparers from the MoF are the standard-setting committees in the region.

Overall, from the demand and supply perspective, the council of the minister and its advisors seem to have the most important participatory capacity in the standard-setting process in the region.

2.11 Changes in the economy

Internalisation through local and foreign initiatives has given great importance recently. According to the report which was published by KRG's Ministry of Plan (MoP), economic development has been shown by the improvement in various local products in the different economic sectors. The MoP believes that it is vital to choose a new strategic planning approach to improve the economy. Thus, The MoP is prepared for a multi-year strategic plan according to the understanding of the KRG's current situation and vision for the future. This multi-year plan can a reference for economic development and also capital investment projects. Besides, this strategic plan can help KRG for the execution of the annual budget.

2.12 The intentions of IFRS adoption in Iraq and KRG

The fast combination of capital markets over the past two decades has indicated the need to establish and produce a unique set of IASs. With the increasing acceptance of IAS, the IASB received the power to develop and focus on this project (Ibrahim et al., 2014).

Kurdistan is a region where its accounting practices have been determined by various views and philosophies from inside and outside of the region during its history. Many countries have decided to follow and adopt IFRS for their general and national use. Countries that have decided to adopt IFRS usually expect necessary changes in their financial reporting systems (Guerreiro, Lima Rodrigues, et al., 2020).

Adopting IFRS can create many opportunities for the region. IFRS is connected to foreign direct investments, multinational firms, the extension of international trade, and the growth of global organizations (Agca & Aktaş, 2007). With the globalization of the capital market, the advantages of IFRS were respected and recognised. Using international standards can help companies to follow a single set of standards in their financial statements. This will help them to cut the costs of preparing supplementary information and also will able them to open their businesses across borders. Thus, the financial information would be more comparable and users across the world can evaluate, analyse, and have a better understanding of the information (Liviú-Alexandru, 2018).

2.13 Chapter summary

Iraq's policies and laws still cover Kurdistan. However, Kurdistan has gained special semi-autonomous status since 1991, and the KRG parliament is a legislative body in the region. The chapter provided the background of the political, economic, and accounting history and development in Kurdistan. Agriculture, oil, and tourism are key factors of the economy in Kurdistan. KRG has sufficient capacity of resources, but the basic problem of financing the economy is how to allocate the real resources. KRG's economy is subject to notable risks; thus, the accountability in the region is not strong enough. Local and foreign capital

make the KRG's corporate financing. Many economic factors need to be considered when preparing financial statements. These considerations and the objective for which the financial statements are prepared result in the UAS standards differing from the IAS in Kurdistan. Kurdistan has a centralised control history.

Chapter 3

Literature Review

3.1 Introduction

This dissertation analyses the challenges presented in the change process from UAS to IFRS in Kurdistan. However, to present the information entirely, the literature review drives the identification of the legitimacy of the information offered. The first purpose of the chapter is to create an understandable path where there is well-traced evidence of what the perceived benefits to adoption and challenges of the transformation are. The second purpose of the chapter is to identify the potential additional research, which creates justification statements. Since the chapter has a continuation, this chapter acts as a stepping stone on what other chapters will include. Further, the chapter offers a comparison of different works from different authors, gauging on what they have presented against each other and create a healthy option. I have achieved the purpose of the chapter by creating a pattern of research that ensures that when a different person goes through it, there is the ease in understanding. Further, the use of more than 35 sources presents enough research on the chapter's topic, and this offers a base on the purpose of the chapter. I compared the works from different authors who conflicted with some information to fit the purpose of the literature review.

This chapter is presented in eight sections. In doing so, I am going to examine academic research linked to the implementation of IFRS, with the main focus on the understanding of its effects and outcomes. Also, it is vital to review the literature on the institutional structure of nations and changing the institutional structure to suit IFRS. Besides, I examine

organisation setting of KRG with opportunities, challenges, and external pressure of adopting IFRS in Kurdistan.

3.2 Background of IFRS

3.2.1 History and growth

Fifteen years ago, for the first time, the European Union (EU) decreed IFRS for listed firms on the European stock exchange. After the adoption of IFRS by EU-listed companies, it has had its share of advocates and critics (De George et al., 2016).

One of the most important achievements of IFRS is its universality. Recently, many companies around the world have reported adapting or adopting their local standards with IFRS. On the other hand, the main IFRS criticisms have arisen from professionals, who have squabbled against the governance structure of the board, the transparency, as well as the requirements of fair value that arises from the standards.

IFRS history dates back to 44 years ago. In 1971, the first set of IASs was approved by the International Accounting Standards Committee (IASC). Later, IASC was reconstructed to build the IASB. Thus, IASB was able to reshape the financial reporting map as evidenced by many countries that have chosen IFRS.

Many securities traded companies have been asked to prepare consolidated accounts under IFRS for financial years commencing on or after January 2005 (De George et al., 2016).

The introduction of IFRS appears to have had a significant impact on the quality of financial reporting at companies. While the UK GAAP has been observed to be similar to IFRS, the companies' financial reports have been changed adequately under the adoption of IFRS. For example, under IFRS profits reconciliation, Vodafone has revealed a net profit

of £6.5 billion for 2005 and a net loss of £6.9 billion based on UK GAAP. Another example is British Airways. Under the IFRS, it announced a drop of almost two-thirds of the stockholder's equity as a result of the recognition of pension and retirement liabilities on the balance sheet. Under UK GAAP, companies have disclosed the liabilities in their footnotes (Barth et al., 2014). These cases indicate how only one accounting item may significantly influence profits on a company's report. Besides, these examples have clearly shown that IFRS adoption has had an impact on the financial reporting of the companies.

3.2.2 Objectives for IFRS adoption

Improving the quality of financial reporting and enhancing financial statement comparability are two main objectives of IFRS. The main intention of IFRS is to provide a particular set of accounting standards. The IASB's goal is that IFRS needs to be connected to the economic decisions of capital markets associates and user groups (Pope & McLeay, 2011). Whereas the aim of improving the quality of financial reporting should be always embraced, the meaning of high-quality aim is not well explained.

In addition, Nguyen and Rahman (2019) suggest a quick fix, situationist, transfer of technology, and evolutionary as four standard-setting pathways. The first path refers to IFRS adoption as a set of national standards. Situationist is a second path points out on developing countries that have tried to readjust accounting techniques to their country's context from various sources. The third path applies to multinational companies and international accounting firms. In developing countries, they can be used as a source to disseminate international accounting techniques. The final path is evolutionary. Based on

this path, developing countries have improved their standards without mention the reference.

3.3 Adoption of IFRS

For a region such as Kurdistan, adopting IFRS revolves around economic decisions. Based on the research by Al-Nasrawi and Thabit (2020), the local environmental factors create more challenges in the adoption of IFRS in Kurdistan. As much as the adoption of IFRS in Kurdistan brings about advantages such as assisting the Small and Medium Enterprise (SMEs) to access international markets. Still, when it is viewed from a different angle, it increases the burden of the SMEs. To adapt to IFRS, then Kurdistan has to abandon not only the UAS but also other systems brought about by other influenced accounting systems. According to the research by Hassan and Bakr (2019), which was focused on identifying the potentiality of IFRS in some companies, Kurdistan needs to adapt to IFRS because of the need to increase foreign direct investment, multinational firms, and growth of international trade. Based on the sampled companies from the research, there is a limit in the diversification of the financial market, and it is lagged by the use of UAS. Similarly, UAS has been made as accounting culture in Kurdistan, and changing it requires a lot of evidence, which shows that the market will still work correctly even after the adaptation of IFRS.

Riahi and Khoufi (2019) have tried to develop an understanding of the adoption of IFRS in countries that are growing, and one of them was Iraq. The developing countries usually have a lot of problems, which include the institutional structures that require more understanding than the actual change (Riahi & Khoufi, 2019). While understanding the

adoption of IFRS, the two found out that as much as IFRS is significant and has more advantages over UAS, still embracing it is very hard, which requires a change in institutional structure. Changing the institutional structure poses a threat to the running of accounting management, and for the first few months, the country might experience some challenges.

While accessing the quality of adaptation of IFRS in Iraq, Thabit (2019) creates an understanding of hardness triggering the transformation. According to the article, specific factors such as non-exposure to an accounting system, and the geographical location of the country pins the region towards considering a lot of things before IFRS is considered. The UAS was influenced by Iraq's Baath socialist, meaning it controls almost all the resources in the region; hence trusting other forms of accounting system poses a threat to resource ownership in the country. The UAS offers valuation methods which are different from western countries, meaning adopting IFRS creates more complication in the connectivity of the country towards other countries (Thabit, 2019).

Based on the factors contributing to most of the emerging markets in Kurdistan, there is more of what is considered bogus. According to the research of the Alabama institute, the considerate issues of IFRS need to change to a better issue rather than UAS. To negotiate the decrease of majority factors of what is needed to change. The UAS was interfered with by the change in coronavirus pandemic and needed to be considered a significant factor. From 2020, there is a difference in majority opinions and the need to change the perception of the difference existing. Most agencies tend to corrupt a better option for the factuality of the required structures. As the year changes, there is a need for the bitterness of what is needed.

According to Khdir and Białek-Jaworska (2020), emerging markets need an adaptation of IFRS, especially in Iraq. However, it brings about a more considerate factor that holds down the decision to change to IFRS. The authors argued that as much as IFRS is critical, it still does not comprise characteristics that UAS offers. UAS uses historical cost accounting on value assets, and people here know that historical values keep on recurring, unlike for IFRS. The historical background of the region ensures that the new adoption of any system is well understood before implemented, and the IFRS is one of the cases in place (Khdir & Białek-Jaworska, 2020).

The research by Ipino and Parbonetti (2017) on the mandatory adoption of IFRS in Iraq shows more negative impacts. Based on the study, compulsory adoption creates more chaos in the real earning management because of not understanding IFRS properly as the new accounting system. The country's social-political environment creates the accounting, and for the case of Kurdistan, the Iraq political environment makes it hard for the use of IFRS. Further, the article creates an understanding of the importance of IFRS adaptation in the region, which creates more relationships with other companies in the world (Ipino & Parbonetti, 2017).

A study by Hussein et al. (2020) focuses on the influence of the implementation of IFRS in the Iraq banking systems. The article tries to connect the relationship which exists between financial fragility and financial efficiency, which drags down the adoption of IFRS as an accounting system in the region. The banks in Iraq do not certify IFRS as a potential system that might bring about financial fragility, and this leads to fear of using a new system because of less proof. Upon analysis of data on the case of financial fragility, the

article shows the importance of sticking to the accounting system, which a country is used to until a full understanding of the new system to be implemented (Hussein et al., 2020). Based on the research by Mushjl and AL-Gherebawy (2019), there is a possibility of the adoption of IFRS 6 in crude Oil production companies. The focus on the article creates an understanding of IFRS not being adopted by most of the crude oil companies that need to use it. IFRS 6 is crucial in creating a discernible pattern for the companies. However, UAS has taken over, and companies seem not to adopt IFRS. Companies want to avoid more costs in teaching the employees how to use IFRS, the need to change the pattern of communication, and the focus created by the system (Mushjl & AL-Gherebawy, 2019). Most countries that need to adopt IFRS, have to consider their institutional structure. According to the research by Cai et al. (2014), to adopt IFRS, there is a need for support from the institutional structure of the country. A country such as Iraq whose accounting system is based on its historical background and environmental factors has the difficulty of adopting a new accounting system. The authors further argue that the countries' government structure dictates if IFRS will go through. The adoption of IFRS has advantages, but the institutional structure craves a different perception. The form of the government needs to change so that there is clear support over IFRS inflicted in the country's accounting system(Cai et al., 2014).

3.4 Literature on Institutional Structure

While focusing on goodwill impairment in Australia Kabir and Rahman (2016) tries to understand the role of corporate governance. Based on their argument, what matters is who governs the institutions, which brings about profits to the country, and so long as there is

strong governance, there is more challenge in changing the system. The firm's performance dictates the institutional structures, and if the performance is positive throughout, it means that it will be hard to change them to the new accounting systems. The relation between strong governance and the economic factors creates a gap in what should be considered in running the economy (Kabir & Rahman, 2016).

Historical accounting systems, such as UAS, have been one of the trusted systems in Iraq, and this is because of the situation associated with the trail of advantages it serves. However, the research by Lin et al. (2019) demonstrates the effects the institutional structure has on the implementation of IFRS. The governance in Iraq follows the trail of the influence from other countries, and it has well adapted to the first system. For the institution of Iraq to fully implement IFRS, then it needs to corrupt the way out from the institutional structures (Lin et al., 2019).

Scott (2001) defines institutions “as multifaceted, durable social structures, made up of symbolic. Elements, social activities, and material resources”. Institutions create pressure in adopting a new system, especially the ones that revolve around monetary decisions. According to Pricope (2016), the developing countries are the ones exposed to a lot of chaos when deciding on the way forward. Usually, the developing countries tend to have institutions that are only controlled by the government, and this affects the accounting systems. From the research, developing countries such as Iraq need to focus on implementing new institutional rules and regulations that focus on the future aspects of the country. To apply IFRS, then there is the need to check its general impact on the institutional formation, and usually, the historical rules win (Pricope, 2016).

Based on the article by Koning et al. (2018), IFRS is the reason behind the changing of institutional drivers in some countries. The adaptation of IFRS cuts across the countries in the world and the institutional structure of the countries does not allow it to fit properly. IFRS only requires a change in the accounting systems of a government, but it does not work effectively without alteration from the institutional structures. The chain of command in countries' institutions triggers the way forward for the use of IFRS, and more institutions in a country demonstrate the hardship in the implementation of IFRS (Koning et al., 2018). According to El-Helaly et al. (2020), the institutional structures encourage national corruption, and therefore to implement IFRS, some parties feel like they will not have the opportunity to squander resources. The accuracy offered by IFRS and the benefits is more than the use of UAS, and therefore, people who benefit from it tend not to consider a new system because they might have little to benefit. Further, the authors have tried to use diffusion theory to demonstrate the hardship associated with the country's institutional structure towards embracing IFRS. Therefore, for such a country to be able to adopt IFRS, it needs to avoid the individual benefits, which are set by the institutional structures (El-Helaly et al., 2020).

Guerreiro argues that institutional theories create more implications for the future consideration of IFRS in countries (Guerreiro, Lima Rodrigues, et al., 2020). The institutional structures dictating the IFRS adoption in countries follow how the leaders understand the market structure of the world. However, from the research, countries will have to adopt IFRS as their accounting system because it is constantly compared to the institutional structures. Embracing the new way of handling accounting makes it possible for the change in the design of the institution. The plan of ensuring countries use the IFRS

will make the countries change their institutional structures towards something accommodative (Guerreiro, Lima Rodrigues, et al., 2020).

The accounting systems are changing; however, the institutional structures of the countries create more confusion on the implementation. Ball (2016) tries to speculate the future of IFRS in ten years and tries to counter the way forward of the countries that institutions tend not to follow the system. The reduction of effectiveness of other systems, including UAS, is because of the institutional structures of the country. The historical and environmental factors drag down a country such as Iraq. The surrounding of the country dictates what they need to adapt to, for the case of Kurdistan, there is more pressure on not using the IFRS because of the countries which are the neighbors not using them (Ball, 2016).

3.5 Organisational Settings of Kurdistan

Based on the research by Jongerden (2019), governing Kurdistan requires not only the help of one country but different countries in the region. The availability of other countries with Kurdistan creates a more challenging factor in changing the accounting system. The change in the accounting system from UAS to IFRS means that the entire region has to take part in the agreement of adopting the new approach. Through the follow-ups from Northern Syria, the organisational setting of Kurdistan creates a loop in making a faster decision on anything which touches the region (Jongerden, 2019).

The worldwide study on the adoption of IFRS analyses the institutional structures closely. The countries which have not adopted IFRS have different structure as the ones which are currently using the system. According to Oppong and Aga (2019), the mandatory adoption of IFRS creates a change in institutional structures depending on how deep the system was

considering the previous system. From the market view, a visible advantage is considered over speculated ones, and the article focusing on the EU shows only the benefit of the structure associated with IFRS (Oppong & Aga, 2019).

The determinants of IFRS are the institutional structures, and it has made most countries fail to adopt the system. The research by Zahid and Simga-Mugan (2019) demonstrates the intense structure of the institutions that bring the hardship of IFRS. However, through embracing the changes in institutional structure, SMEs tend to benefit because IFRS will fit in the market properly. For the case of Kurdistan, then one of the requirements is to change the course of the institutional structure from the historical nature and towards the one that embraces the current trends (Zahid & Simga-Mugan, 2019).

Kurdistan being a region that spans across different countries face different dimension of an accounting system, and the embrace of UAS shows the potential they have. According to the research by Mohammed and Ahmed (2020), the cultural values portrayed from the different countries associated with Kurdistan brings about more requirement on the changes of the institutional structure. The companies related to Kurdistan have a different accounting system, and the specification of shifting from UAS to IFRS leaves out others that are crucial (Mohammed & Ahmed, 2020).

3.6 Opportunities for Adopting IFRSs for KRG

Ağca and Aktaş (2007) cited that, development of international trade, foreign direct investment with multinational firms, diversification, and development of financial markets are primary reasons for adopting IFRS. Also, many benefits can be gained from mutually

respected IFRS because the globalization of capital markets is an inevitable process (Madawaki, 2012). Having a single set of financial statements can help multinational companies to reduce the costs of doing business around the world. Further, they do not need the reconciling financial statements that are compiled by national standards. Therefore, their information would be more comparable, improving analysis and evaluation by users around the globe (Madawaki, 2012). The accepted set of practices may provide a “level playing field” for all firms around the world. On the other hand, this common set of practices does not mention who will carry the costs of convergence. The reduced costs for investors, creditors, and multinationals will not flow to the taxpayers in converging nations to offset the costs of retaining and education (Smith, 2008). Mobilizing capital while reducing costs can be a fundamental motivation for accepting IFRS for developing region like Kurdistan (Irvine, 2008). In addition, Kurdistan has an excellent opportunity to promote the quality of financial reporting and a more efficient allocation of resources by adopting IFRS. Some researchers have suggested that adopting IFRS will improve the quality of financial reporting in emerging economies. They also believe that the implementation of IFRS may attract foreign investment to those countries.(Chamisa, 2000; Gallhofer et al., 2011). Despite this, by adopting IFRS, Kurdistan can increase its hope to share in the advantages promised by the implementation of IFRS.

3.7 Challenges for adopting IFRS for KRG

With changes, obstacles always come. Many obstacles have been mentioned in IFRS literature concerning the implementation of IFRS (Kushniroff, 2012). One of the main obstacles to achieving a standard set in the accounting profession is political pressures.

This pressure might be created by the action and initiative of the board to prescribe specific accounting treatments, impose further disclosed requirements, and eliminate other treatments (Zeff, 2002). Political pressure is a phenomenon that has been related to economic consequences term. It consists of self-interested attention or pleadings by others that might be harmful to the interest of users and investors (Zeff, 2002).

A research study in the area of IASB counseled that the prosperous efforts method to be assigned for pre-production costs. This is a move that may resolve the existing choice between the prosperous effort's methods and the full cost. Despite the confirmation of this view by almost 78% of the components who had a response to the study, the result changed nothing and the choice is maintained. while the big oil companies controlled the board, the IASB was led by the very constituents which supposed to regulate (Zeff, 2007).

Another obstacle to worldwide comparable financial statements was identified by Zeff (2007) which is comparability factors through culture and convergence. Kushniroff (2012) also focused on politics, culture and added the challenge of government in her study. Culture is a major factor in differences between countries. It is also a potent environmental factor that influences the accounting system. Also, it influences how individuals in the nation use and understand accounting information.

Accountants' attitude is associated with societal values and also affects accounting system. Auditors' perspectives, the reporting of financial information, and the management control are three domains in which culture has been found to influence accounting standards (Doupnik & Tsakumis, 2004). Culture does not only influence accounting practices, it has also influenced politics which in turn can change accounting practices (Kushniroff, 2012).

Another study was conducted by Combs et al. (2013) on implementing international accounting standards and their relation with culture. The study focused on the impact of culture on the harmonization of Russian Accounting Standards. The study focused on the influence of culture on the harmonization of Russian Accounting Standards. The study used semi-structured interviews with accountants in Russia. In their study, authors emphasise the attitudes of the accountants towards reporting. The authors conducted their study under harmonized Russian Accounting Standards by comparing Hofstede's theory and Soviet culture. Consequently, the study determined that the Russian culture features, for example, statutory control, uniformity, conservatism, and secrecy are references of the Russian accountants. They also found that Russian culture has an impact on accountants' attitudes. Finally, the study demonstrated that Russian accountants were unwilling to disclose financial information, especially for external users.

3.8 External pressures to implement IAS

Both The World Bank and IMF are held main performers in the capital market globally (Annisette, 2004). To stimulate economic development, these firms provide loans to countries (Neu et al., 2002). The World Bank and IMF perform as the most important actors in developing accounting and help harmonization in developing regions like Kurdistan (Cooke & Wallace, 1990).

Some researchers believe that the adoption of IFRS can bring resources and attract foreign investments to these regions. Also, it may help them to increase the quality of accounting information. However, IFRSs are not quite relevant to the economic, environmental, social,

and political systems of those regions (Annisette, 2004; Askary et al., 2008; Chamisa, 2000; Gallhofer et al., 2011; Mir & Rahaman, 2005).

The world Bank always asked countries to follow and adopt international accounting standards. Sometimes, they make the IFRS adoption a mandatory condition of the loan (Alfredson et al., 2005). To make sure the adoption of IFRS in developing nations, both firms used the Big 4 accounting firms. Consequently, these firms have performed an essential role in the globalization of accounting. They always focus on improving international accounting standards in all different areas of accounting (Perera et al., 2003). The role that professional accounting standards play is well understood. A good example is a Syrian case. Gallhofer et al. (2011) has investigated the influence of globalization on the accounting profession in the middle eastern and Islamic context. The authors interviewed professional accountants in Syria. As a result, they concluded that Syrian accountants faced competition and conflict from the Big 4 accounting firms. This competition has threatened accounting and auditing jobs in Syria. Besides, the implementation of IFRS in Syria needed extensive training for professionals.

3.9 Chapter summary

This chapter provides comprehensible evidence on the challenges facing KRG to implement IFRS. To do this, the chapter provides the relevant literature on challenges, advantages, as well as opportunities of IFRS adoption. In the transformation process of any county's accounting system, several things need to be considered, and one of them is the organisation setting. Kurdistan can transform into IFRS; however, the few challenges such as the surrounding countries' accounting system and organisational setting affect the

change. IFRS does not change the operational setting of a country; instead, the country needs to change first so that it can embrace IFRS. Ensuring countries use the IFRS will make the countries change their institutional structures towards something accommodative.

Chapter 4

Theory Framework and Research Design

4.1 Introduction

This chapter provides a literature review of the published papers on the adoption of IFRS, the institutional structure of countries, and the changing institutional structures to meet the needs of IFRS adoption. In doing so, an appropriate theory is identified for this study. The chapter concludes by proposing a research design/methodology for examining the accounting institutional setting of Kurdistan to gauge the opportunities and challenges of adopting IFRS in Kurdistan within its current state. In this dissertation, it is anticipated that the decision taken by KRG for IFRS adoption indicates isomorphism at both the national and international levels. To do so, this dissertation will apply to all three forms of institutional isomorphism.

This chapter is organised as follows. After the introduction, the second section focuses on IFRS adoption with different theories that have been used in prior literature. The third section reviews papers that have used IT as a theory in their studies. The fourth section examines the institutional theory as a theoretical framework for this dissertation. The fifth section focuses on the institutional context of financial reporting in KRG. The next section identifies the research design. The last section is the relationship between IT, institutional isomorphic pressures, and IFRS adoption in Kurdistan.

4.2 Adoption of IFRS with different theories

Different authors have used different theories in their research about IFRS adoption. The following table has shown a summary of different theories.

Table 4.1: Papers using a different theoretical framework to analyse the IFRS adoption

Author(s)	Theoretical Framework	Purpose	Research Design	Country /Region
Sharma et al. (2017)	Neo-Institutional Theory	To understand the performance and challenges with IFRSs at the pre-implementation step	Opinion of accounting practitioners using questionnaire	India
Ezenwoke and Tion (2020)	Agency Theory	To provide academic literature based on research published on the Scopus database.	Analysed 73 published papers using bibliometric analysis	Africa
van der Laan Smith et al. (2014)	Stakeholder Theory	To investigate the influence of IFRS adoption in annual reports.	Descriptive statistics analysis of fifty European and nine Australian companies.	Australia and Europe
Fox et al. (2013)	Stockholder Theory	To explore the opinion of internal stakeholders about the advantages and the cost of IFRS adoption	Semi-structured interviews with accountants, auditors, and users of annual reports.	UK, Ireland and Italy

Smith (2016)	Arrow's social choice theory	To explore the influence of IFRS adoption on Canadian credit unions' performance	Exploratory study using 50 largest credit unions	Canada
Abuarqoub (2018)	Transaction Cost Economics (TCE) theory	To determine strategies that financial professionals can use to reduce the cost of change from GAAP to IFRS	Qualitative case study using interpretive method and thematic analysis approach	U.S California
Iatridis (2008)	Signaling theory and agency theory	To explore the volatility impacts and influence of IFRS adoption on financial measures of firms	Empirical analysis, sample includes 241 companies	UK
Djatej et al. (2012)	Theory of Planned Behavior	To investigate behavioral characteristics of accounting practitioners to the possibility of IFRS adoption.	Questionnaire survey of 138 accounting professionals	U. S

Table 4.1 lists several studies that have been published by researchers in different years. This table consists of various columns to cover the objectives of IFRS studies in different countries based on the theory that has been selected. It highlights the review studies with different theories dealing with IFRS adoption. There has been a regular rise in the number

of studies, notably after 2007, seemingly due to the EU's compulsory adoption of IFRS in 2005. Researchers have been used different theories, for example, agency theory, Neo-Institutional theory, and stockholder theory in their studies to explain compliance with accounting regulations and IFRS adoption. These theories may explain the possibilities of challenges in the implementation of IFRS in different business environments.

The main objective of these studies was to provide literature and investigate the challenges with IFRS adoption. To do so, different research design has been used by researchers. Although there is not a globally accepted research design in this area, both qualitative and quantitative approaches were conducted by authors in obtaining the objectives of the studies. Based on the literature, interviews, and questionnaire survey are suitable for descriptive and explanatory research of IFRS. Thus, many studies have followed this approach in their studies.

From the above table and literature, I can conclude that authors have been used different theories in their studies to explain the IFRS adoption. The major streams of their focuses are, first, the motives for the implementation of IFRS. In this stream, the macroeconomic decision in developing nations has been explained by isomorphism. The next stream was the degree of compliance and corporate characteristics. At this level to determine the role of the micro-level firm, the majority of authors have used agency theory. The economic consequences in developing nations were another stream. Finally, the last stream was the regulation used as an implementation mechanism to monitor IFRS compliance. Here, the regulation theories were based on public and private interest altercations.

Eventually, from the literature, it is clear that studies have focused on IFRS adoption in a particular country. Nevertheless, no research has been found based on a region. Hence, to the best of my knowledge, this study is considered to be the first research-based in a region.

4.3 Adoption of IFRS with institutional theory

Several researchers have employed IT to examine the institutional dynamics concerned with IFRS adoption. (Hassan et al., 2014; Mir & Rahaman, 2005; Nurunnabi, 2015; Touron, 2005). The studies on the impact of IFRS adoption have emphasised the challenges, opportunities, and advantages of the process. For instance, many researchers have shown that the IFRS application may result in enhancing the quality of financial reporting, comparability, and transparency.

Papers that have used IT framework to analyse IFRS adoption have been shown in the following table:

Table 4.2: Papers that have used IT framework to analyse IFRS adoption

Author(s)	Theoretical IT resource	Purpose	Research Design	Country/Region
Aburous (2019)	Institutional work	To investigate how IFRS adoption, influences the power imbalance between audit and corporate accounting, roles, and changes in accounting practices.	Empirical – Qualitative method. Interviews and archival data	Jordan

Albu et al. (2014)	Institutional pressures - isomorphism	To highlight the application of IAS in a local setting.	Empirical – Qualitative method. Interviews and archival data	Romania
Albu et al. (2011)	Structuration theory	To explore the problems associated with IFRS adoption in a developing country and explained the issues	Empirical – Qualitative method. Interviews and archival data	Romania
Alon and Dwyer (2014)	Dependence theory with institutional pressures	To examine the factors that led to the initial-level implementation that may happen before the IFRS adoption on a global level. Also, to investigate the relationship between IFRS adoption level and national macro factors	Empirical - Quantitative method. Data have been collected from Deloitte, the World Value Survey, and the World Bank	Based on a comparative study in countries.
Carneiro et al. (2017)	Institutional logics	To compare the converging process of IFRS by different countries	Empirical – Qualitative method. Interviews and archival data	Latin America.
Guerreiro et al. (2012a)	Institutional logics	To investigate how institutional pressures impact IFRS adoption decisions.	Empirical - Quantitative method: survey	Portugal

Guerreiro et al. (2012b)	Institutional logics and pressures	To determine factors linked with companies readiness to adopt the IFRS	Empirical - quantitative method: survey	Portugal
Guerreiro et al. (2015)	Institutional entrepreneurship	To improve the knowledge of organisational change processes when implements IAS.	Empirical - Qualitative method: interviews and actual data	Portugal
Hassan et al. (2014)	Isomorphism - Institutional pressures	To identify the factors that influence IFRS adoption in Iraq.	Theoretical and historical development	Iraq
Irvine (2008)	Isomorphism - Institutional pressures	To introduce the institutional pressures which may have contributed to the IFRS adoption.	Theoretical study, used publicly available documents	United Arab Emirates
Judge et al. (2010)	Isomorphism - Institutional pressures	To identify why some countries have immediately adopted IFRS while some countries partially embrace IFRS and however, some countries continue to use national standards.	Empirical - Quantitative method, data source: The World Bank	132 traditional, developed, and developing countries
Lasmin (2011)	Isomorphism - Institutional pressures	To examine the relationship between the implement of IFRS decision in developing countries	Empirical - Quantitative method, data source: The World Bank	A comparative study based on 46

		and those nations' institutional settings.		developing countries
Mantzari et al. (2017)	Isomorphism - Institutional pressures	To investigate the motivation for prepares in non-listed companies to implement IFRS	Empirical - quantitative and quantitative Methods: survey and interviews	Greek
Maroun and Van Zijl (2016)	Institutional pressures and logics	To identify how different types of isomorphism driving the ability to comply with the IFRS.	Empirical - Quantitative approach: interviews	South Africa
Mir and Rahaman (2005)	Isomorphism - Institutional pressures	To explore the decision of the accounting profession and the Bangladeshi government about embrace IFRS.	Empirical - Qualitative method: interviews and actual data.	Bangladesh
Nurunnabi (2015)	Isomorphism - Institutional pressures	To examine the influence of culture on IFRS adoption	Empirical - Qualitative method: interviews and actual data	Bangladesh
Pricope (2015)	Isomorphism - Institutional pressures	To recognise the factors that may justify the IFRS adoption	Empirical - Quantitative method; Data source: IMF databases, Deloitte,	45 developing countries

			reports, and The World Bank.	
Tahat et al. (2018)	Isomorphism - Institutional pressures	To investigate the organisational factors that influence the improvement of accounting practices.	Empirical - Qualitative and quantitative methods; interviews and survey	Jordan
Touron (2005)	Isomorphism – Institutional pressures	To document the selection of GAAP by companies since 1973	Comparative case studies – Qualitative method	France

Table 4.2 places studies that have used IT framework to analyse IFRS adoption. This table consists of several columns and highlights the studies that have been done by authors concerning IFRS adoption based on IT. Some of the authors, for example, (Hassan et al., 2014; Mir & Rahaman, 2005; Touron, 2005) have used the very first concept of IT in their studies. They have reviewed the institutional dynamics concerning IFRS adoption and examined conformity, isomorphism, and stability. Constantly, this theoretical framework has developed and focused on the consequences of uncertainty, fragmentation, and complexity of institutional requirements on the forms of organisations. Based on this development, IT now sets significant stress on the agency notion and the impact of vital pre-existing structures on the agency (Modell et al., 2017). These evolved in IT have encouraged many accounting researchers, for example, (Aburous, 2019; Albu et al., 2014; Alon & Dwyer, 2014; Carneiro et al., 2017; Guerreiro, Lima Rodrigues, et al., 2020;

Guerreiro et al., 2012, 2012b, 2015; Irvine, 2008; Maroun & Van Zijl, 2016) to study the agency concept and focus on institutional logics in counties and organisational level when analysing IFRS adoption in their studies. In my view, the study of IFRS in different countries is a great idea to determine the outcomes of IFRS adoption, institutional entrepreneurship manners, the issue of institutional dynamics within social policies, and the keeping of new accounting systems.

The review of the above studies demonstrates that different research design has been applied by researchers in evaluating the problems, opportunities, and challenges associated with the implementation of IFRS. The methodology that has been employed by authors can be classified into qualitative, quantitative, theoretical, and historical development. Thus, researchers should be careful in selecting relevant research designs that proportional to the purpose of their studies.

From Table 4.2, I have noticed that the improvements in IT have motivated accounting researchers to examine the importance of institutional logics when investigating the implementation of IFRS by organisations and countries. Hence, using this theory based on the institutional prospect of accounting to analyse the IFRS adoption by organisations and countries has strong potential. This may improve the comprehension of the organisational complexities of development and change processes in the convergence of IFRS and obtain a precise comprehension of the basic and crucial factors influencing its success.

4.4 Theoretical framework – Institutional theory

Since the 1970s, researchers are using IT to consider organisational changes. At that time, advocates of IT have discussed that organisations must think and examine the institutional

and technical environment when considering the change (DiMaggio & Powell, 1983; Scott, 2013). Thus, this appeal for a focus on IT represented a significant change in thinking from rational-choice theories that had been prevailing before.

IT can investigate the impact of the institutional environment's pressures, for example, professional bodies, regulatory authorities, as well as state on organizations' practices (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), also nations' strategic decisions (Irvine, 2008; Mnif Sellami & Gafsi, 2019). These institutional pressures shape the isomorphism of countries/organisations which may be led to legitimize their practices through using universally accepted models like IFRS (Judge et al., 2010).

The main assumption of IT is that organisational procedures and structures are largely formed by external factors and not only by economic purposes such as profit-maximization and cost-minimization (Moll et al., 2006).

The rationalized myth is one of the critical factors prompting the growth of IFRS and the IT framework can be used to understand how IFRS has become the global accounting benchmark. This is that the standards incorporated in IFRS will develop the comparability, transparency, and quality of financial reports (Lara et al., 2008); and that, therewith, the primary needs of financial statements will be adequately served the users (Albu et al., 2013; Mantzari et al., 2017; Maroun & Van Zijl, 2016).

Accounting can be considered as an institution because it is a system of standardized social practices and rule-bound concerning power and actors. Therefore, accounting practices are rationalizations to keep aspects of legitimacy (Dillard et al., 2004). Chua and Taylor (2008) believes that economic rationales present weak evidence for why IFRS has achieved broad acceptance. The declared economic advantages of IFRS lack substantive empirical support.

Hence, institutional discussions have the potential to contribute to wider evidence for the distribution of IFRS.

Constantly, IT has emerged to reflect the impact of fragmentation, ambiguity, and complexity of institutional conditions on organizational forms (Scott, 2008). Based on this evolution, IT currently emphasises the agency notion and the importance of vital pre-existing structures on the agency (Modell et al., 2017). These advancements in IT have inspired accounting scholars to examine the use of agency and the impact of institutional logics when investigating the adoption of IFRS by nation-states and organisations (Aburous, 2019).

Institutional theory is concentrated on the deeper aspects of social structure. It examines the processes and activities by which structures such as rules, routines, norms, and schemas set as legal guidelines for social behavior. It also investigates how elements are adopted, adapted, and created (Scott, 2005). This theory is frequently used to analyse corporate practices. It mainly explains how an organisation operates in its environment (Hodgson, 1994). It also illustrates the relationship between organisational practices and its environment. This theory seeks to appreciate any kind of institutional arrangements existing in the business. Also, this theory is commonly premised that organisations adopt or comply with institutional norms, laws, and rules to achieve stability (Rahman et al., 2010).

Through acceptance and adaptation processes the institutional norms, laws, and rules have an impact on the organisational procedures, policies, and programs (Scott, 2005). Institutional theorists have shown that all existing organisations in the institutional environment specify and define social reality. Thus, institutional environments are varied

and change over time (Scott, 2013). This theory also propounds that organisations should be affected by "common understandings of what is appropriate and, fundamentally, meaningful behavior"(Rahman et al., 2010, p. 5). As a result, the theory suggests that organisational structures are adjusted by the institutional environment (Lincoln et al., 1986). Furthermore, IT can explain organisational behavior in various settings. IT is also capable to address why businesses have analogous cultural elements and organisational constructions in a specific socio-cultural setting. In turn, this theory can explain and elucidate why the characteristics of an organization in a specific set are different from others (Rahman et al., 2010).

4.5 Theoretical Framework of the Institutional Context of Financial Reporting in KRG

There are three main reasons to choose IT as one of the relevant theoretical frameworks for a study on the adoption of IFRS in Kurdistan. First of all, the adoption and institutionalisation of a new accounting system in Kurdistan can arise from extremely complex cultural and social processes, including struggles for power, legitimacy, and purposeful agency (Guerreiro, Rodrigues, et al., 2020). While the fact of demanding IFRS adoption can be characterized as a coercive power form, a new development in IT foster investigation of the area of IFRS adoption is shaped by the interests of actors and agency included in the adoption process.

Second, IT can be used to understand and explain the globalization dynamics (Suddaby et al., 2007) and the impacts of those dynamics on national accounting regulations (Alon & Dwyer, 2016). Further, legitimacy arguments can be used to understand the diffusion of

IFRS should consider how wider and lower institutional logics of action are sources of legitimacy. IT is considered as a role of institutional logics, it can explain strategies company's repertoire in the IFRS adoption process and use to cope with competing and multiple institutional demands (Guerreiro et al., 2012a, 2012b). Third, IT improves knowledge and understanding of how institutional dynamics flow into the different societal levels through the institutionalization phase and how the organisational change to a new accounting system transpires (Guerreiro, Rodrigues, et al., 2020).

External forces, namely, international oil companies, The World Bank, IMF, and Big 4 accounting firms have influenced an emerging economy like Kurdistan to push the region to adopt and follow international accounting standards. Conversely, literature demonstrated that internal factors such as political ideology, public sector interest, regulations, and legal system within the countries resist change to IFRSs. These factors and some other factors such as company law, international markets, and labour markets all have impacted accounting structure in the countries to obtain governments' aims and plans. Consequently, previous studies have shown the conflict between both external and internal factors in shaping the accounting system within the country. This is expected to be the case in Kurdistan.

Drawing on these challenges and framework for Kurdistan to change its accounting system and adopt international accounting standards, this dissertation focusses on two research questions:

- 1- What are the primary factors affecting Kurdistan to transition from its current accounting system to IFRS?
- 2- What are the challenges KRG faces when implementing IFRS in Kurdistan?

Institutional theory may provide the right way to think about the question of whether Kurdistan should adopt international accounting standards (Figure 4.1).

The accounting system depends on external, internal, and some other factors that purport to affect Kurdistan to move to IFRSs. The primary internal factors are the Kurdish government, KRGs' Board of Supreme Audit in Erbil, and accounting standards setters. These organisations are playing a vital role in imposing the government's view. Outcomes of financial reporting do not only depend on financial reporting standards. It also depends on constraints and incentives that internal factors within the country play in ensuring preparers of financial reporting comply with those standards.

The external factors are IMF, the World Bank, and the Big 4 accounting firms. The standard-setting system provides incentives to design financial reports to produce high-quality financial statements. The standard-setting regime depends on the business level corporate governance forms and the country level arrangements too.

The balance between firm-level and the country-level impression is expected to create differences between countries. If the country-level implementation framework is not strong, firm-level governance mechanisms are likely to have large impacts on preparers' incentives to comply. On the other hand, if the country-level implementation framework is powerful, firm-level governance mechanisms are likely to have less important, and intra-country variation in change may be lower (Pope & McLeay, 2011).

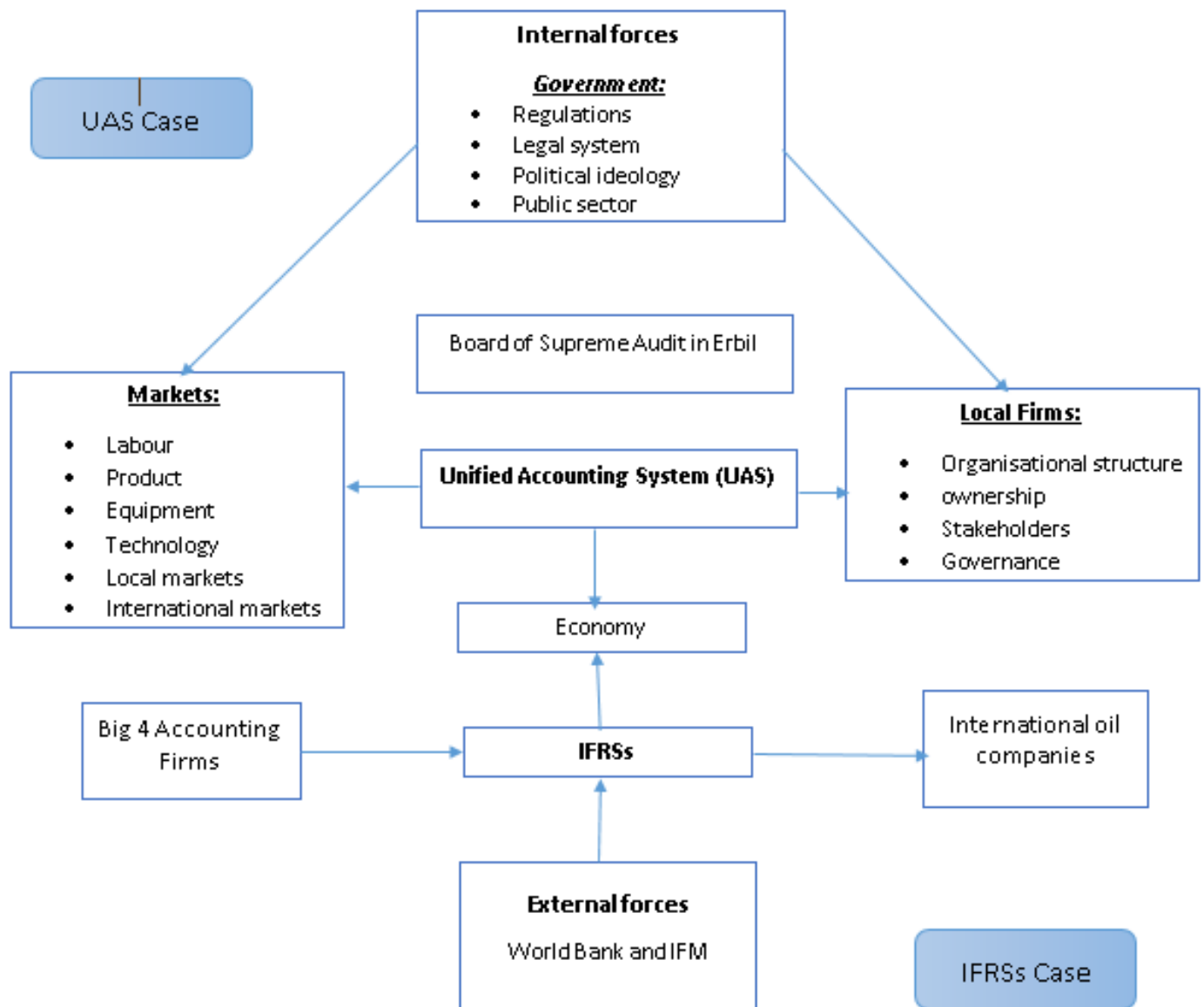


Figure 4.1: Institutional context of Financial Reporting Framework in Iraq and KRG
Source: Adopted from Pope and McLeay (2011)

4.6 Research Design

Simply, research is a precise investigation and consideration of specific issues, concerns, and problems using scientific methods. As the focus of this dissertation is to explain the challenges that KRG will face to adopt IFRS, the present dissertation employs isomorphism institution as a methodology. The current dissertation appraises how the impact of institutional isomorphism, namely, coercive, mimetic, and normative affects IFRS adoption in Kurdistan.

Institutional theorists, for example, Covalleski and Dirsmith (1988) and DiMaggio and Powell (1983) have focused on isomorphism in their research. DiMaggio and Powell (1983) determined a process by which organisations prefer to adopt and accept the same practices and structures called isomorphism. The authors explained this as a "homogenization of organisations"(DiMaggio & Powell, 1983, p. 148). However, some researchers like Hannan and Freeman (1977) have revealed that isomorphism may result because organisational decision-makers can learn proper responses to their behaviour.

Two different types of isomorphism that have been identified by DiMaggio and Powell (1983), Meyer (1983), and Fennell (1980) are institutional and competitive. Competitive isomorphism is essentially related to open market competition (Carpenter & Feroz, 2001) and therefore is not relevant to this dissertation. On the other hand, institutional isomorphism may be used to explain the significance and impact of politics and other external pressure faced by institutions.

Coercive, mimetic, and normative are three mechanisms of institutional isomorphism (Pilcher, 2011). The first form is a coercive isomorphism. Coercive isomorphism arises

from external expectations of the legal and cultural environment of organisations as well as the political impact that is transmitted by regulations and laws.

Mimetic isomorphism stems from organisational doubtfulness and uncertainty. Whereas organisations are continually facing problems, methods, procedures, and ways of solving problems are usually not clear. Therefore, it is a flexible strategy to determine how alike organisations cope with difficulties and challenges. In such a situation, organisations just copy sufficient problem-solving methods without much consideration. The third form is the normative isomorphism. Normative isomorphism, on the other hand, arises from the normative pressure of legitimate professional practices development and professional values. This form of isomorphism is mainly linked to members in the organisations, their professional background, the level of education, and their level to support and develop professional norms. One of the most important contexts of this form is to expand the networks by providing new models and ideas. (Scott, 2005; Seyfried et al., 2019). These forms will be adopted to notify and inform this dissertation and to explain and explore the results.

Many researchers have been used institutional isomorphism in their studies. The following table determines how they identified three different types of institutional isomorphism in their studies.

Table 4.3: Identify the three different isomorphism in prior studies.

Authors	Coercive pressures	Mimetic pressures	Normative pressures
Caravella (2011)	Political and Legitimacy problems	Organisational response to uncertainty	Professionalism value
Mills et al. (2009)	To feature the link between dependent and dominant institutions	Notable level of ambiguity and uncertainty in the organisational environment	Result of same socialization rules and habits, training methods within professionalism processes.
DiMaggio and Powell (1983)	Influence of the formal and informal requirements that an institution experiences from other institutions.	Standard level of response to ambiguity	Connected with the professionalization
Almansour (2019)	Take places by external determinants	Is driven by simulating the internal measures and structures of other institutions.	When organisations adopt the guidelines provided by professional experts

Phan and Mascitelli (2014)	Result of formal and informal pressures by the international funder firms.	Is driven by multinational corporations and trade partners.	Is driven by professional bodies, professional training programs, and university education.
Pricope (2015)	Legitimacy and political problems	Tendency of social actors to follow another social actor	Collective values of professionalism
Phan (2014)	Pressures from multinational corporations	Desire to follow others' practices that are identified and recognised to achieve conformity	Pressures from professions to obtain legitimacy.
Riahi and Khoufi (2019)	Cultural expectations with international pressures	Uncertainty, adopted and copied	Conflict of professions to specify the conditions of the work
Khdir and Białek-Jaworska (2020)	The World Bank, IMF, and WTO	Attract multinational corporations, FDI, and attract	Accounting professions and IFAC

		international partners for local private organisations	
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Different authors worldwide have identified the factors available in the three forces, hence the need to consider their approaches. Previous studies that have tried to identify IFRS challenges have addressed different challenges with different theories, for example, agency theory, legitimacy theory, institutional theory, and regulatory theory. Researchers have attempted to identify the IFRS adoption issues. Most of the researchers consider the ruling political and legal system, cultural with economic difficulties, and international pressures as the main cause of the challenge in their studies.

Changing to IFRS in Kurdistan is subject to the three pressures: coercive, mimetic, and normative. The factors have specific internal and external factors subjected to the changes associated with IFRS in Kurdistan.

The following table shows the internal and external pressures for IFRS adoption in Kurdistan.

Table 4.4: Internal and External pressures to adopt IFRS in Kurdistan

	Internal factors	External factors	Institutional actions
coercive pressures	<ul style="list-style-type: none"> • legal and cultural environment • Interim Law on Securities Markets • Politics • Ministerial authority • Social, environmental, and institutional factors. 	<ul style="list-style-type: none"> • The World Bank • IMF • World Trade Organisation (WTO) • OECD • Confidence of investors and multinational companies 	<ul style="list-style-type: none"> • Politics • Fragile NGO's • The administration laws • Governmental mandates
Mimetic pressures		<ul style="list-style-type: none"> • International corporate community • International oil companies • Emulating other countries • Foreign partners to local entities 	<ul style="list-style-type: none"> • Following laws of other countries
Normative pressures	<ul style="list-style-type: none"> • Accounting profession • Tradition (belief and history) • Accounting education 	<ul style="list-style-type: none"> • International practice • International accounting professions • International accounting bodies 	<ul style="list-style-type: none"> • Lawsuits and threats • Forced demographic changes

Table 4.4 highlights the main features of internal and external pressures to adopt IFRS in Kurdistan based on document analysis. It explains that the isomorphism form has three

domains, namely, coercive, memetic, and normative pressures to show their internal and external effects on the research design. The isomorphism form has been considered by former literature and researchers. Also, it has identified the features of institutions and institutional actions, like laws and regulations.

4.6.1 Data Collection and analysis

This study is a document study. It is implemented the existing institutional theory where there are three forms of isomorphism. According to Bowen (2009), document analysis is a form of qualitative research. In this dissertation, documents that were issued by the Iraqi government, KRG's council of ministers, and KRG's ministry of finance were analysed and interpreted depending on the authorised nature.

Document analysis of KRG's annual reports, regulations of the ministry of finance, strategy documents of international funder firms, and the accounting regulations (Company Law No.21) has been used to gather data for analysing the accounting system change in Kurdistan. Also, archival documents, namely, the UAS book (Arabic language), formal documents and regulations from the ministry of finance (Kurdish language), Iraqi Local Accounting Standards, the World Bank and IMF agreements report and documentation, and annual reports have been examined.

Content analysis is used for analysing the perspectives of institutional isomorphism and IT. To cover different aspects such as the social and economic system, accounting policy, and political ideology in Kurdistan, IT needs detailed information. Thus, archival document resources can provide considerable support to the analysing.

Analysing the documents that are mentioned can help in understanding the accounting system in Kurdistan, and also can help the researcher to select factors that have an impact on the accounting system.

4.6.2 Institutional pressures affecting IFRS adoption in Kurdistan

In this section, I am going to explain how three different forms of isomorphism have impacted to adopt IFRS in Kurdistan. Also, KRG's experience can be used as an example and appropriate experience for other Middle East countries that have difficulties to adopt IFRS. The following figure shows the conceptual framework of the analysis.

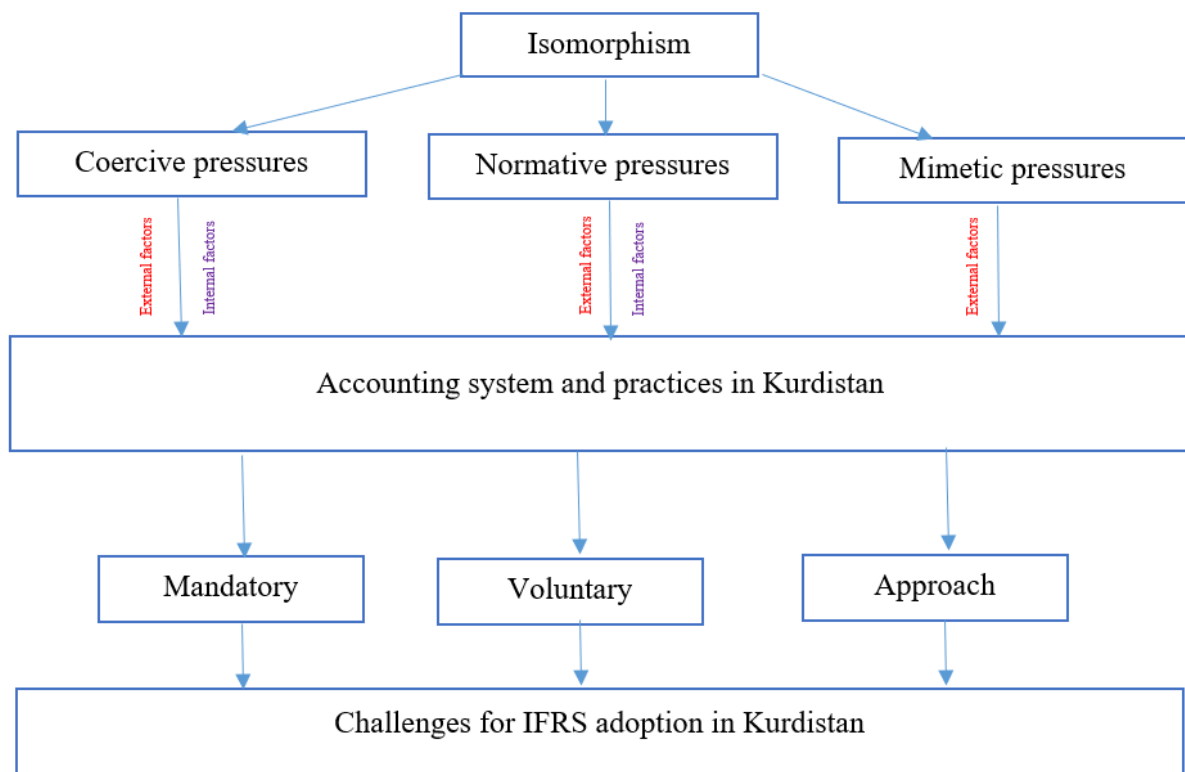


Figure 4.2: Conceptual Framework for IFRS adoption in Kurdistan

4.6.2.1 Coercive pressures: international agencies

In the era of global marketing, nation-states are strongly encouraged to follow international regulations and rules. Almost all nation-states would like to receive funds from international organisations through direct foreign investment and the global capital market. Thus, they need to follow regulatory systems considered acceptable by other market participants (Irvine, 2008). Before 2003, Iraq was operated as a centrally-planned economy. Foreign ownership was not allowed and almost all businesses, projects, and companies were state-owned. Also, to support internal products and investment, the Iraqi government was imposed major tax conditions and tariffs on imports (Looney, 2004). However, after 2003 the situation was dramatically changed and Kurdistan became a free-market economy.

One of the important aspects of economic transformation in Kurdistan, especially after 2003, was to provide unique support for the private sector both domestics and foreign enterprises. KRG's government allowed private sectors to play an essential role in KRG's economy. Taking this step was anticipated to lead Kurdistan to deregulated the banking system, a powerful private sector, establishment of a functioning stock exchange, macroeconomic stability, and finally diminished government intervention. Hence, the government has created the basis for a competing free market (Looney, 2004). Having a free market has created the need to transform and reform the accounting system in Kurdistan, a strong accounting system that can keep pace with international development. Another pressure came from international organisations such as the IMF and the World Bank. Thus, Kurdistan is also subjected to coercive pressures. These organisations have always been actively involved in economic development across many countries. They have

also provided loans and funds in many jurisdictions. These organisations have also played a significant role in the capital market (Annisette, 2004) and provide active organisational facilities (Neu et al., 2002). The World Bank has continually pushed nations to adopt IAS. In some cases, the adoption of IFRS is an obligatory requirement of its loans (Alfredson et al., 2009).

To have better macroeconomic stability, KRG and these international organisations are working together. They have assisted KRG to create sustainable employment opportunities, reconstruct financial services, and economic growth (IMF, 2012; World Bank, 2011). This is being obtained by having financial support and policy advisor. The World Bank's financial sector has recommended KRG to ameliorate financial report and auditing in the region. It has also counseled KRG to have better corporate governance to support the capital market and banking sector improvement (World Bank, 2011).

Finally, another international organisation that can push coercive pressure on KRG is the World Trade Organisation (WTO). Unfortunately, until now, KRG was not able to obtain membership with WTO.

4.6.2.2 Mimetic pressures: business partners and multinational enterprises

Mimetic isomorphism is from imitating or following those organisations and countries that are recognised as legitimate, legal, or successful. Commonly, domestic firms would like to imitate prosperous multinational organisations that adhere to IFRS (El-Gazzar et al., 1999). Based on an institutional perspective, organisations/nations that followed and modeled other organisations/nations in their field are considered more successful and legitimate (Irvine, 2008), and this is noticeable in times of uncertainty. Organisations do not desire to

be different in terms of being different, thus, their behaviors are ethically acceptable. The more organisations that present a certain form of behavior, the more pressure will be created on other organisations to copy and follow that behavior. The more uncertain of the organisation's aims, the greater the confidence the organisations will be set on modeling provided by successful nations to conceal that ambiguity and uncertainty (Hassan et al., 2014).

Intimately related to the regulatory management of the dominant nation-states, they have strengthened the advantages and desirability, for emerging economies, of compliance with the practices of both nations' trading partners and multinational corporations (Hassan et al., 2014). KRG aspirations to bring foreign investment to the region, both directly or within the partnership with its local enterprises. Therefore, it is expected to make a demand for a higher standard level of financial reporting by local firms. Guler et al. (2002) have determined the amount of inward foreign direct investment has strongly associated with international quality standards choosing in the country. The authors have noted that the extent level of inward foreign direct investment can lead to a higher economic level at a national level. With this coherence, domestic institutions can understand and imitate what is the minimum expectation to join the global market.

After 2003, KRG has improved its relation with international oil companies and also has tried to obtain international assistance and funds to improve its economy by joint ventures with regional partners and direct foreign investment. These domestic institutions, from an international perspective, are more likely to model themselves based on other organisations in their field to be recognized as more successful and legitimate (Hassan et al., 2014). This

is probably to be a powerful driver of the demand and need for financial reporting performed with globally recognised accounting standards.

With the support of the international corporate community, KRG is currently working to use its oil reserves. Consequently, KRG has become one of the major powers in the global oil industry. KRG is presumably facing pressure to establish reporting systems following those of its competitors and trading partners. Thus, the mimetic perspective emphasises adherence to identity and orthodox structures, especially in situations of uncertainty. As strong multinational organisations have developed their “global reach”, they have also developed complex systems of “financial coordination” of their subsidiaries (Cooper et al., 1998, pp. 531-532). Further, they have modeled to other nations the advantages of harmonization of financial reporting.

Finally, Previous research, for example, (Hassan et al., 2014; Ibrahim et al., 2014; Irvine, 2008; Judge et al., 2010) also provides evidence that mimetic isomorphism can be the result of emulating other countries, forecast IFRS adoption.

4.6.2.3 Normative pressure: The accounting profession

Normative pressure is based on the values and norms of the profession. It influences the degree to which a country can adopt and apply for the best international practice. To support the above debate, Parboteeah et al. (2005) have found that national culture in the U.S. and Japan has less influence on accounting practices compare to the values and norms of the accounting profession. Also, this pressure from the international accounting profession's view has influenced Egypt to adopt IAS and move away from its accounting standard (Hassan, 2008).

One of the professional organisations for accountants in Iraq is the Iraqi Union of Accountants and Auditors (IUAA). The IUAA is a member of the International Federation of Accountants (IFAC). IFAC is anticipated to push normative pressure to develop IFRS used in listed companies in Kurdistan. Besides, KRG can create relations and interaction with accounting standard setters in other nations, to have access to the professional guidelines and improve the level of accounting education. This step can lead the KRG to future changes in accounting training and education.

4.7 The relationship between IT, institutional isomorphic pressures, and IFRS adoption in Kurdistan

Since the last decade, many countries have decided to commit or adopt IFRS. Up to the present, many researchers have focused on factors that are related to IFRS adoption. Some of them have argued that IFRS has economic benefits for countries. However, Taylor et al. (1986) point out financial statements based on IFRS are usually relevant, comparable, and more transparent compared to domestic standards. In the era of capitalist globalization, International standards help to reduce the costs of providing information, and it also assist investors to have a better understanding of a single set of accounting standards (Barth, 2008; Leuz, 2003). As a result, IFRS offers a wide diversity of economic resources, draws a higher number of investors, as well as the better functioning of capital markets to the country.

On the other hand, some researchers state institutional and environmental factors as crucial encouragements for the implementation of IFRS (Lasmin, 2011; Zeghal & Mhedhbi, 2006).

Based on this reason, the adoption of IFRS in Kurdistan is a result of the pressure determined by political, social, and environmental factors.

The institutional theory is implemented by using the three isomorphisms, which include mimetic, normative, and coercive. The isomorphic change model will focus on the changes in behavioral appearance and homogeneity change. The adaptation of IFRS in Kurdistan needs to ensure that the political forces change to be accepted in the field. Coercive isomorphism will therefore act on the political influences. Through coercive isomorphism, there will be an analysis of the possibilities of political factors that might need to be altered to fit in all the organisations.

Under normative isomorphism, there will be focus on what other countries have been doing to use IFRS. Identifying other organizations' functionality will constitute a mimic behavior to paste in the functionality of the Kurdistan organisations, constituting mimetic behaviors. The combination of the three will offer a greater understanding of the functionality of IFRS and how they need to be implemented.

After 2003, KRG has tried to develop its international trade and have access to the global capital market. For his reason, KRG has expanded its friendly relations with other countries and also with international companies. Creditors, investors, and multinational companies use a single set of IAS to avoid reconciliation costs of financial statements (Murphy, 2000). Financial information is one of the most critical factors to make economic decisions on different levels. Thus, KRG needs an accounting framework equipped to take all financial information. Interpret and compare financial statements that are prepared based on different standards are not easy for investors.

IT provides more insight into the position and role that institutional factors can play in the IFRS dissemination process on a global scale. In the universal scene, KRG seeks acceptance and legitimacy and will most likely minimize the acceptance of formal structures based on political and social factors (Scott, 2001). Based on this view, IFRS adoption provides legitimacy rather than develop the economic performance in the region. Isomorphism, at the same time, is one of the core concepts of IT. This concept considers that actors implement procedures and structures which are assumed legitimate as well as socially acceptable by the other actors (Rodrigues & Craig, 2007). In the globalization context, isomorphism changes can explain why countries quickly take on the same shapes and forms and seem to resemble a hundred other countries in the world. Based on IT, countries bear to implement principle standards and norms. If they do not implement, they are going to lose their legitimacy (Carruthers, 1995; DiMaggio & Powell, 1983). This promotes the spread of the universal scale of universally accepted practices and structures. Consequently, IT can create structural isomorphism in which countries begin to imitate the behavior of each other.

To examine the determinants of the implementation of IFRS, IT has been employed by researchers in accounting literature (Lasmin, 2011). These studies have shown that institutional factors are playing essentially in decision-making in the adoption of the IFRS process.

Institutions frequently affect organisations in the country to join in enlargement activities. Therefore, it is logical to expect that institutional actors may affect a great range of social behavior. Now, Kurdistan needs not only for developing its economic performance and compete for resources but also it should seek to become legitimate and socially accepted.

Transition and development of the accounting system in Kurdistan to IFRS may result from all three different forms of institutional isomorphism. Precisely, the implementation of IFRS and accounting development in Kurdistan may have the result of coercive pressure which could be generated by international organisations. Coercive pressure in Kurdistan drives from political forces and legitimacy concerns. A region like Kurdistan needs numerous ranges of international norms. KRG needs to enhance capital market performance and increase the confidence of investors and multinational companies. To do so, International firms, for example, the World Bank, IMF, UN, and OECD support KRG to implement IFRS. Further, KRG requires financial aid from these international firms to improve its economy. Consequently, KRG should adopt IFRS standards, procedures, and practices to meet the necessary criteria for financial aid and funding. Neighboring countries of Kurdistan, such as Jordan, have accepted the international standards and follow IFRS for the same reasons.

Mimetic and normative pressures are factors that can assist KRG to develop an accounting system. Normative pressure through the membership of IFAC as an example can promote the accounting profession in Kurdistan to support with accounting training programs. Further, this pressure is likely to reconstruct accounting education in Kurdistan, especially at the university level. On the other hand, mimetic pressure can be originated from the ambition to bring foreign partners to local entities, drive FDI by equity markets, and desire to bring multinational organisations to the region especially in extractive sectors.

4.8 Chapter summary

This chapter covered the literature review of the published papers on institutional theory and isomorphism on IFRS adoption. Also, it has been embraced the research methodology and theoretical framework for investigating the accounting institutional setting of Kurdistan. This chapter has focused on factors that are related to IFRS adoption in Kurdistan. While the main focus of this dissertation is to examine the challenges that KRG will face to adopt IFRS, the current dissertation applies isomorphism institution as a research design. It is expected that the decision to adopt IFRS in Kurdistan is an isomorphism.

Chapter 5

Analysing

5.1 Introduction

This study looks at the challenges of changing the accounting system in Kurdistan that took place from the early 1980s to the present day. There are challenges to transform from UAS to IFRS in Kurdistan. Changing to IFRS in Kurdistan is subjected to the three pressures, which are coercive, mimetic, and normative force. The factors have specific internal and external factors that are subjected to the changes associated with IFRS in Kurdistan. Most of the researchers have handled transformation to IFRS from a different accounting system. Kurdistan is a well-known region that has emulated the UAS as an accounting system. Therefore, some forces need analysis before reconsidering the changes in the accounting system in Kurdistan. This chapter is about analysing the pressures to determine primary factors affecting change in the current accounting system to IFRS and challenges ahead. Documentation analysis has been used to analyse those factors that are connected with IFRS in Kurdistan. The organisation of the chapter is as follows. After the introduction, the second section is focused on internal and external coercive pressures. The third section is concentrated on the external pressures of mimetic. The fourth section is examined the internal and external pressures of normative. The next section explains the current situation in terms of applying IFRS in the region. Section sixth focuses on the challenges of IFRS adoption in Kurdistan. The last section is finding.

5.2 Coercive pressures

Coercive pressure is categorized as the rules and regulations that impound specific activity, and the changes to IFRS in Kurdistan are the issues. Coercive pressure engulfs the

economy into consideration when changing a country's accounting system. In this section, both internal and external factors of this pressure are going to be explained.

5.2.1 Interim Law on Securities Markets

From mid-2003 to June 2004, the U.S. set a transitional government in Iraq under the name of Coalition Provisional Authority (CPA). During this period, the CPA took all executive, judicial, and legislative rights and authorities. Governing Council in Iraq sought to improve capital markets and make vital changes to the economic system. Hence, in 2004, CPA enacted the Interim Law on Securities Markets (CPA, 2004). Based on the interim law, since 2004, Iraqi listed companies must prepare their financial statements under IFRS. As a result, IFRS was preferred to other accounting standards and this led to all firms listed on the Stock Exchange being expected to use IFRS, and the related firms being obliged to submit consolidated accounts.

According to Companies Law No. 21, companies that did not follow the interim law and used UAS were fined up to 250,000 IQD monthly. Furthermore, the company's stock trading might be suspended after two months, until management provides all the compulsory required documents and make an additional payment of 2,000,000 IQD (ISC, 2012).

5.2.2 Ministerial authority

Kurdistan to change from UAS to IFRS accounting system is challenged by the finance minister who is responsible for controlling all the activities under the finance department.

The minister of finance is one of the members of the cabinet of the government. Financial planning, manage public income and expenses, as well as setting the general budget are all responsibilities of the finance minister (KRG, 2020).

The minister has enough power to establish regulations and policies to re-shape the accounting system in the region. For example, because of the current financial situation in Kurdistan, in July 2020, the KRG's finance minister issued a new ministerial directive to reduce operating expenses to the lowest level for all governmental agencies in the region (MoF, 2020b). Also, recently to increase transparency and reduce routine, the finance minister asked his advisory team to prepare a new online system for operating income and expenses based on the current budget.

The KRG's finance minister has set accounting regulations for those companies that are currently working in the region. For example, in December 2019, the financial directive states that the financial reports of the companies must be organised according to the current regulation on the region. As such, all financial reports should be approved by a legal accountant and has signed by the Kurdish accounting and auditing syndicate. Further, the directive exempted all companies whose capital is less than 5,000,000 IQD from paying taxes to the government.

In the case of IFRS, the finance minister can establish an expert committee to analyse the advantages of the new accounting system based on the current situation and then bring them to law. Then he can oblige all public and private sector companies to enact into law the provisions of the directive within a given timeframe.

The involvement of the finance minister in the decision over the changes in the accounting system makes it hard for adaptation of IFRS because of the rules and regulations, testing, and approvals of IFRS as a standard accounting system to be implemented.

According to Riahi and Khoufi (2019), one of the biggest challenges in IFRS adoption is acceptance by the finance minister. A finance minister is an essential person in the economy, and issues such as changing the accounting system might affect the entire country, hence the need to consider more analysis on the advantage of the incoming accounting system over the outgoing. The finance minister of Kurdistan is subjected to a lot of considerations before permitting the use of IFRS in the Kurdistan region.

5.2.3 Kurdish Societal factors

The literature demonstrates that societal factors can be counted as a strong coercive pressure (Masocha & Fatoki, 2018; Tahat et al., 2018). Kurdistan has been using UAS for a while, and to change directly to IFRS is another process. When checking the environmental factors of Kurdistan, many institutions need to be convinced that IFRS is effective. Based on the analysis by Mohammed and Ahmed (2020), to change any accounting dimension, then there should be consideration of the factors laid by the institutions towards trusting UAS as their accounting system. Institutions require something that is positively subjected to what they are doing, whether it creates a profit or not. In the Kurdish region, most of the institutions prefer the use of systems that are rooted in government decisions, hence in the issues of changing the accounting system; then they wait for the government decision (Mohammed & Ahmed, 2020). IFRS adoption in Kurdistan can be affected by several local environmental factors that can re-shape the

accounting system in the region. Environmental factors influencing the implementation of IFRS in Kurdistan can be listed as follows:

5.2.3.1 Culture

One of the biggest obstacles facing the adoption of IFRS is the array of societal values represented in Kurdistan. Religion, education, and language are the example of these values that are inherently linked with many defining features of the community. Hence, values' differences are associated with differences in fundamental features of society. As a result, having these innumerable differences can create hurdles to implement a standard set in the country. Despite the influence of Western cultures has risen recently, the culture in Kurdistan is formed on a strong Kurdish tradition. Also, Kurdistan has a collective community that is characterized by Islamic values and traditional society as the tribe. Nevertheless, Kurdistan, as part of Iraq, was under British control at the beginning of the twentieth century. Hence, the British approach toward disclosure and transparency has had an impact on the accounting system in Kurdistan. Since culture is so influential in all aspects of accounting practices, Kurdish culture needs to accept changes for improvement. The culture of the Kurdish people, as an Islamic region, impacted accounting practices in terms of beliefs and habits. However, these impacts are not quite obvious to compare to other Islamic countries. Finally, the eventual comparability and adoption of IAS in Kurdistan cannot be obtained without cultural considerations. There is a strong relationship between the accounting system and society's culture. Thus, differences between countries' values will become differences in accounting systems.

5.2.3.2 Language

Another area of a hurdle for implementation is language. It is a globally accepted notion that language carries meaning and values with it. Each language transmits these meanings and values to regulations and rules, for example, accounting standards (Tahat et al., 2018). Language poses a problem in terms of translation because its meaning might be destroyed. Kurdish and Arabic are two official languages in Iraq (constituteproject, 2005). Although accounting education in Kurdistan is in the Arabic language, the regulations that are issued by the government and ministry of finance are in the Kurdish language. This applies to IFRS, as it must be translated into many languages for international use. Hence, the IASB should make effort to ensure that the standards preserve the meaning with which they were written. IFRS translation to the Kurdish language is a big process that requires the recognition and identification of basic terms. Then, all basic terms must be approved by the committee. Once they are accepted, they must enter those terms into the computer software. Finally, the committee is going to identify and review the text, and if accepted, finalised (IFRS Foundation, 2011). Whilst this process is accurate and complete, it is not ideal and perfect. However, it is vital to consider that financial statements need to be prepared in a language that users can understand (Masca, 2012).

5.2.4 Political and economic system

It has been demonstrated by literature that the political system has a strong influence on the development of accounting practices and the business environment within the country. Coercive pressures stem from the perspective of resource dependence (Coffey et al., 2013). Thus, these pressures arise from political influences that need for legitimacy (Alziady &

Enayah, 2019). Kurdistan, like many Middle Eastern countries, has experienced ambiguity and uncertainty in terms of the political system. Such instability hurts the business environment and the accounting system of the region. The public and private accounting system in Kurdistan has directly been affected by the political system. Due to political ideology differences between the main ruling parties, religious and political differences with Baghdad, the accounting system in Kurdistan has been undergone main changes. For example, the MoF makes the main changes in the salary payment system and its monthly reports. For political reasons, Kurdistan has faced many financial and economic crises. in 2020, with a 21% reduction, the KRG paid only four monthly salaries to its employees (MoF, 2020a).

As mentioned in Chapter 2, the KRG's economy is mainly based on oil and 17% of the KRG's share in Iraq's budget. Many international oil companies are working in Kurdistan, and all are following IAS. UAS does not cover extractive industries in Kurdistan. Also, the UAS cost accounting chapter does not mention the method for separating joint costs or which method should be used by companies for depletion and production stage.

KRG's economic system and policies can change business practices in the region. It can also shape a common framework that sets how businesses communicate with others.

Implement the IFRS is the basis for the business environment and corporate disclosure in Kurdistan. A generally accepted accounting system may create strong business circumstances for both national and international investors. As a result, KRG easily will have access to abiding financing resources, the growth of the economy, and the growth of securities markets. Besides, an economic profile described as either macro or micro decides how freely and how much information should be disclosed to the public (Berry et al., 1987).

Therefore, a market-based economic count on disclosure practice and a strong accounting system.

5.2.5 The World Bank and IMF

Coercive pressure can be made by engagement with the foreign arena (Hassan et al., 2014). KRG may obtain worthy funds and advice to improve economic and accounting practices. The World Bank and IMF have always supported developing nations in different areas such as improving financial reporting. In implementing the best practices, these funder firms help countries with their financial difficulties by giving training and technical support, granting, and lending money (Irvine, 2008; Neu & Gomez, 2006).

One of the continuing advantages of IFRS adoption for KRG is providing better conditions for international loans (Gordon et al., 2012), and also subject to the foreign aid program in its accounting system (Mir & Rahaman, 2005).

After the 2003 war with the U.S., the World Bank has commenced more than 30 projects in Iraq. Some of them have been done in Kurdistan. These projects have been performed in various sectors such as education, health, financial, banking, and reform infrastructure. For example, the "Dokan and Derbandikhan Emergency Hydro Power Project" has been funded in 2006 for 40 million US\$ in Kurdistan (Bank, 2020). In addition, Development Fund for Iraq is also controlled by the IMF and the World Bank (World Bank, 2012). Implement global standards for extractive industries in Iraq, was one of the essential projects that have been funded by the World Bank. To comply with the Extractive Industries Transparency Initiative (EITI), the World bank asked oil and gas companies to follow IAS. Unfortunately, KRG has never provided data for EITI.

In 2003, the Development Fund for Iraq was set by the IMF. Development Fund for Iraq aims to assure that revenues from the sale of oil exports and other frozen funds should have benefited all Iraqi people. The World Bank and the IMF encouraged Iraq to change its accounting system and follow the international one to receive funds (IAMB, 2020). These two international firms advise all countries to adopt IFRSs. Most of the time they put international accounting standards as a condition for loans (Alfredson et al., 2005).

In 2016, the Kurdish economy faced challenges from rising security and was shocked by decreasing oil prices. IMF decided to support the Iraqi economy by providing three-year, \$5.34 Billion loans to boost economic and debt sustainability. The IMF aimed to curb corruption and protect the poor people in Iraq. The loan was provided under the “Stand-By Arrangement agreement”. Also, the loan took steps to protect the helpless and vulnerable population (IMF, 2016).

Although the region has a secure environment and a sustained record of drawing investment, it suffered from an economic and financial crisis. In 2016, the Kurdish financial committee in parliament published a report based on the current situation in the region (Mirkhan, 2016). According to the report, since 2014, KRG has been involved with many financial problems and faced economic hardship. Therefore, KRG needs foreign aid to improve its economic and reform infrastructure in the region especially now. The need for International aid can be considered as a positive impact on IFRS adoption in Kurdistan (Othman & Kossentini, 2015).

In 2017, The IFRS Foundation declared its new deal in the form of a Memorandum of Understanding (MoU) with the World Bank to provide better support and assistance for developing countries. The agreement shows that accountability, transparency, and

efficiency is given by IFRS adoption can play a significant role in alleviating poverty, boosting economic development, and bringing inward investment. With the vast oil and gas resources, Kurdistan must pay special attention to the IAS especially in extractive industries.

5.2.6 World Trade Organization (WTO)

WTO is one of the multinational firms that encourage countries to follow the best accounting practices. By joining the WTO, countries have to open their market services to permit foreign investment in accounting, taxation, and auditing services (Duc & Mascitelli, 2014). To meet the WTO requirements, KRG needs to follow the foreign accounting and auditors' firms and allow them to operate with Kurdish businesses.

Accountancy services are critical under the principles of trade in WTO, hence the need to ensure that the accounting system is consistent in different regions (Tran et al., 2019). Kurdistan needs to operate as a free economy so that the implementation of IFRS is effective. Kurdish region accession to the WTO requires the involvement of trade with other countries. The use of UAS over IFRS makes it hard for Kurdistan to be categorized as a WTO member. WTO is an issue under the implementation of IFRS because for Kurdistan to use IFRS effectively, then they have to operate as a free economy (Tran et al., 2019). The Kurdish region needs to seek membership in WTO, and this will fuel them to fully implementing IFRS. Otherwise, it is a stumbling block for Kurdistan.

5.2.7 Organization for Economic Co-operation and Development (OECD)

The literature has shown that global organisations such as OECD, IMF, and The World Bank can create coercive pressure of implementing IFRS (Ibrahim et al., 2014). The OECD helps member countries to anchor and drive nations across the world at both local, national, and regional levels. Kurdistan is not one of the members of the OECD, which could be one of the advantages they have over the encouragement in changing the accounting system. According to Harun et al. (2015), the OECD puts countries in a better place in terms of transformation, but Kurdistan is left behind. Kurdistan region has to consider OECD as one of the organizations that will advocate for their drastic changes in the accounting system. Koning et al. (2018) talk of the urge for Kurdistan to join organizations which will make them change the perception of accounting systems.

5.2.8 Confidence of Investors and Multinational Companies

The conformity of IFRS is in more than 90 countries, while 120 nations have domestic listed companies conforming to IFRS. Kurdistan, therefore, faces more challenges in using UAS over IFRS. The confidence of investors and the chipping in of multinational companies reduces when they see the country has not conformed to IFRS (Zakari, 2017). Most of the investors that are recently investing in Kurdistan is because of trusting UAS over IFRS. Kurdistan has a fear of losing the investors when changing to a new accounting system which is not well emulated in the region (Garrouch, 2016). The multinational companies also adapting the UAS as an accounting system in Kurdistan might threaten to withdraw from doing business with Kurdistan (Zakari, 2017).

5.3 Mimetic Pressures

Different countries or companies formulate mimetic pressure to seek superior performance. It is beneficial, but at a cost, and for Kurdistan it makes the region tumble in deciding the adoption of IFRS. The behaviours of the competitors such as other international oil companies constitute the mimetic pressures towards Kurdistan implementing IFRS as its accounting system. In this section, external factors of this pressure are going to be explained.

5.3.1 International Corporate community (ICC)

Companies and organizations becoming the critical aid to the community make it hard for issues such as the changes in the management to occur. In the case of Kurdistan, the changes to IFRS limit them to only a few countries that have conformed to IFRS, meaning the competition ground is limited to countries that have adopted the accounting system (Cho & De Moya, 2016). Kurdistan is one of the oil distribution regions and has to compare the damage over the profit of the implementation of IFRS. Kurdistan finds it challenging to join the same community, which will tighten the competitions that might reduce their commodity quality. However, it is advantageous because of the increase in the effectiveness of what the region offers (Cho & De Moya, 2016).

With the support of ICC, KRG is presently setting a system in place to use natural resources. Likewise, Kurdistan is becoming one of the dominant forces in the oil industry in the world. Then, it is expected that KRG will face big pressure to improve its reporting system in place that matches its competitors and other trading partners.

5.3.2 International oil companies (IOC)

International oil companies have emulated IFRS as their accounting systems, meaning there is competition when Kurdistan also implements it. Kurdistan will have to adapt its implementation when it changes to IFRS, but will not have fully adapt it like the other companies that have used it for more than four years. Most of the companies in the Kurdistan region are oil companies; hence they are subjected directly to competition from international oil companies. According to Zahid and Simga-Mugan (2019), Kurdistan using IFRS means that it is freshly subjecting itself to the competition which has already been existing from other international oil companies.

At present, many IOCs are operating in Kurdistan. KRG needs these IOCs because the government is going to produce 600,000-650,000 barrels per day (bpd) and send it to the global port. Table 5.1 shows that all of the IOCs in Kurdistan use different accounting rules and standards. The KRG and even BSA cannot put pressure and force them to use UAS in their financial statements. Also, these international companies have their own staff, and they are not familiar with UAS.

If KRG wants to ask international investors and companies to use UAS, then problematic issues will occur. Generally, if KRG asks them to use the current accounting system in Kurdistan, this would have a negative influence on the business in Kurdistan. IOCs are doing business internationally by using international standards and should report to the home office outside of Kurdistan at the end of the fiscal year. According to the report by the Ministry of natural resources, there was a service contract conflict between the KRG and the IOCs relating to the accounting methods. Hence, nowadays, IOCs should prepare two different types of financial reporting. The first type is prepared on their national

standards and should be reported to the mother company. The second type of report is based on the taxation law in Kurdistan and encompasses bank reconciliation and their expenses. The IOCs usually prepare this report with the help of Big 4 accounting firms. Finally, KRG needs IOCs to operate in the region and those IOCs refuse or inability to follow the UAS in a proper way. Thus, IOCs coerces Kurdistan to implement IFRS. Mimetic and coercive influence is driven IOCs to follow certain standards. The head office of the IOCs is obliged to use a certain set of standards and also should follow the parent company.

Table 5.1: International Oil companies in Kurdistan

Company's name	Field in Kurdistan	Country based	Accounting System	Influence
Exxon Mobil	6 blocks in KRG	U. S	US GAAP	Coercive and mimetic
Chevron	Sarta near Erbil	U. S	US GAAP	Coercive and mimetic
Total	stake in the Sarsang	France	IFRSs	Coercive and mimetic
Genel Energy	Taq Taq, Tawke, and Peshkabir	Turkey	IFRSs	Coercive and mimetic
DNO	Tawke	Norway	IFRSs	Coercive and mimetic
Gulf Keystone Petroleum LTD.	Shaikan	Britain	IFRSs	Coercive and mimetic
OMV AG	Bina Bawi field east of Erbil	Austria	IFRSs	Coercive and mimetic
Hess Corporation	Dinarta and Shakrok	U. S	US GAAP	Coercive and mimetic

Oryx Petroleum	Zey Gawra	Canada	IFRSs	Coercive and mimetic
Repsol	Kurdamir	Spain	IFRSs	Coercive and mimetic
Dana Gas	Chemchemical and Khor Mor	UAE	IFRSs	Coercive and mimetic
Marathon Oil Corporation	Northeast of Erbil - Harir and Safen	U. S	US GAAP	Coercive and mimetic
Gazprom Neft	Sarqala	Russia	IFRSs	Coercive and mimetic
MOL Group	Shaikan, Khor Mor and Chemchemical	Hungarian	IFRSs	Coercive and mimetic
Hunt Oil Middle East Limited	Shekhan	U. S	US GAAP	Coercive and mimetic
Oil Search Limited	Taza oil field	Papua New Guinea	IFRSs	Coercive and mimetic
Talisman Energy	The Kurdamir	Canada	IFRSs	Coercive and mimetic
HKN Energy	Sarsang	U. S	US GAAP	Coercive and mimetic
Western Zagros Resources	Kurdamir Block	Canada	IFRSs	Coercive and mimetic

5.3.3 Emulating Other Countries

Many researchers, for example, Irvine (2008); Judge et al. (2010), have exhibited evidence that mimetic isomorphism, based on emulating other countries, predicts implementation of the IFRS. The change from UAS to IFRS by Kurdistan is emulating other countries. There has been stiff performance on the production and the way the companies need to present

themselves. Most companies in Kurdistan are oil companies and need to emulate other companies that are prospering because they are using IFRS. The adaptability of the accounting system differs from countries, and the way Kurdistan might implement IFRS is different. If Kurdistan follows other countries on the use of IFRS without considering other factors, then most of the countries will struggle (Pricope, 2016). The concept of institutional pressure persists if Kurdistan changes to IFRS by emulating other countries. In the case of Kurdistan, the strong relationship with the trading partners of other countries can lead KRG to adopt IFRS.

5.3.4 Foreign Partners to Local Entities

It might be the biggest factor because of the need of the local entities to rhyme with what foreign partners need. There is the urge to follow what the foreign partners have emulated in the local entities. Most of the local entities will have to lose foreign partners if they adopt IFRS. The foreign partners of the local entities in Kurdistan placed trust on UAS over IFRS; hence there will be more energy required to convince them otherwise. According to Thabit (2019), there is the need to focus on foreign partners require so that the partnership is considered strong. Kurdistan has to remain using UAS to retain foreign partners to the local entities. However, it is a gamble for the local entities to use IFRS because they will have to convince foreign partners (Aburous, 2019).

After many years of war and sanctions, KRG needs coordination between IOCs and local entities to develop the economy and rebuild the oil and gas sector. Local oil companies should take advantage of IOCs by implementing their procedures and structures. KRG needs IOCs' experience in different aspects to develop the economy. Multinational

corporations and IOCs can assist KRGs' local entities to improve the quality of financial reporting and meet the international regulations on their financial statements.

5.4 Normative pressures

Kurdistan is pressured by norms, values, and cultural expectations using IFRS as the accounting system. The accounting history of Kurdistan and accounting education is one of the highest pressures presented in the changing of IFRS to be the accounting system. There is a need to focus on the cultural aspects to consider the implementation of IFRS. In this section, both internal and external factors of this pressure are going to be explained.

5.4.1 Accounting Profession

To establish the national accounting and auditing standards and financial services, in 1988, the Iraqi Board of Accounting and Auditing Standards (IBAAS) was established. It was the first semi-private accounting standard-setting body in the country. Based on the IAS, from 1988 to 2003, it issued four auditing and 14 accounting standards. Whereas the IBAAS has tried to supplement accounting guidelines in the UAS, there are still significant differences between the IAS and accounting standards issued by IBAAS.

The application of accounting standards is still governed by IBAAS and BSA. However, it has to be mentioned that these standards have not been improved or updated since issued. The Iraqi company law No.21 is still the core corporate law in the region. This law was amended in 2004. The new company law (phase 133) has been referenced for applying IAS. All private and joint and joint-stock companies must follow international standards. However, the law does not mention IFRS specifically. This has resulted in uncertainty

about the legal and accounting standards requirements for the adoption of IFRS. Now, in practice, almost all companies in the region have followed the national and regulations that were issued by IBAAS. In addition, according to article 167 of this law, the companies that did not follow the IAS should be fined up to 250,000 IDQ.

On the other hand, Iraq Stock Exchange has required all listed companies to fully adopt IFRS. But, listed companies couldn't comply with IFRS fully on their financial statements. Erbil Stock Exchange is also required the IAS for the listed companies but does not specifically mention the IFRS.

The accounting profession is one of the normative pressures because they are required to show their ability and understanding of IFRS. Generally, Kurdish accountants have limited knowledge of IAS. Lack of training courses, not participating in conferences, the university programs, university lecturers background, war, local conflicts, weak infrastructure, as well as security issues are all factors for the inability of the accountants in Kurdistan. One of the crucial problems in Kurdistan is to differentiate between academic's accountants and accounting practitioners. Almost all academics are practicing accountants. Therefore, they will teach what they practice in the profession.

The changes in the accounting system in Kurdistan will have to change the perception of the accounting profession. Based on the arguments presented by Khdir and Białek-Jaworska (2020) the accounting profession is subjected to pressure when there are changes in the accounting system. In Kurdistan, the changes to IFRS means that the professions under UAS will have to take a turn and have to disregard their lifetime experiences. The accounting profession will have to change, and UAS being a Kurdistan culture as the

accounting system, then IFRS will have to check-in. IFRS adoption will have to take back the professionals of accounting to studies to understand the new accounting system fully. KRG needs to organise conferences and training courses for its accountants to prepare skillful staff. Accountants in Kurdistan need to develop their practical and technical skills which are required to deal with IFRS adoption. Further, to enhance the skills of the accountants KRG should establish a better infrastructure for the accounting and auditing institutions, for example, accountants and auditors syndicate, universities, and supporting private and international institutions to train and improve the accounting profession skills in the region. Finally, the accountants in Kurdistan have no adequate background in IAS. They studied, learned, and worked with UAS and governmental policies in the Arabic language.

5.4.2 Tradition and belief

The accounting system in Kurdistan is intensely rooted in UAS, and there is the belief that it is the only accounting system that is suitable to run such an economy. However, to change to IFRS means the region has to abandon its accounting system tradition. Most of the accounting professionals have deeply rooted in UAS, hence changing to a different thing makes them start from scratch.

The majority of Kurdish people adhere to Sunni Islam. However, for many centuries. religious diversity has been an important trait in Kurdish society. The adoption of IFRS in Kurdistan requires special consideration on some accounting standards. For example, the interest concept needs adequate explanation; or it must go under the Shari'a law umbrella. So far, many people do believe that interest means usury, and they cannot distinguish

between them. Although the adoption of IFRS in Kurdistan is particularly affected by tradition and beliefs, there is another reason to follow international standards in Kurdistan. There is no doubt that economic development in the region was so fast especially after 2003. KRG needs to stay in the international oil market, receive funds from international organisations, new investments, and have an open market. Also, several IOCs are currently operating in the region.

5.4.3 Accounting Education

Accounting education in Kurdistan as a part of Iraq has a long tradition and history. According to Hayali (2003), Iraq was the first Arab country to provide professional qualifications in accounting. Nevertheless, having an accounting department in almost all private universities in Kurdistan, lack of attention and funds in the governmental education sector have led to accounting education in Kurdish universities being lower than the standard level compare to the developed countries in the world. Further, the accounting profession in Kurdistan cannot operate in a global environment. There are two main reasons for this. Firstly, accounting education in Kurdistan is not focused on practical application. KRG's educational system is almost based on theoretical aspects. Secondly, accounting education in Kurdistan is not designed to provide the necessary information for users or on external funds providers on a stock market. As a result, under the free market policy, KRG's accounting profession needs further training to be in a place to address the obligations and requirements of a business operating.

Accounting Education in Kurdistan is rooted in UAS as the accounting system, and to change it; then there will be many years of transformations. Kurdistan has to change the

entire education system of accounting so that there is the introduction of IFRS. Based on the argument presented by Lin et al. (2019), the urge to change the accounting system of a country means that accounting education is changed entirely. Kurdistan will face the challenge of changing accounting education because of the different opinions presented by the regional government over the changes in the accounting system. The accountants who have freshly graduated will have to go back to school to learn the IFRS, and this is discouraging to most people (Nurunnabi, 2017).

Finally, criticism of the accounting education system in Kurdistan is widespread. Graduates in this field are not prepared for the job market and adopting the change. Also, the education system does not prepare students to enter the practice. The system has not focused on improving the accounting technical system skills of the students.

5.4.4 International Practice

The accounting system of Kurdistan is subjected to the local entities and the companies in the region. The international practices, on the other hand, follow the trends in the accounting system. Countries move with the trend because they need to compete with others in development. In the case of Kurdistan, transformation to international practices is not easy. According to the research by Hussein et al. (2020), for Kurdistan to be able to emulate the international practice, then it will take them more than five years of changing the history, and the culture of the accounting system. Kurdistan needs to be able to compete freely under the accounting system with international practice, and as they use UAS, they still compete (Pilcher, 2011).

Also, the accounting treatment of some concepts like interest in Kurdistan is different than the international practice; thus, it can create difficulties. It is not easy to practice accounting just based on the local accounting standards. Global markets ask for a single worldwide accounting standard to promote worldwide transactions.

Finally, KRG needs to establish a committee to determine the differences between the accounting practice in Kurdistan and international practice. This step can be an important step to reform accounting in the region.

5.4.5 International Accounting Professions

The international accounting professions focus on the most used accounting systems across the world. Therefore, in case of an increase of IFRS over other accounting systems, then there are the changes subjected to the professions. International accounting professions conform to the same accounting system, hence the need for Kurdistan to embrace IFRS. More than 80% of the companies in the world use IFRS, and this is what makes Kurdistan think otherwise (Maroun & Van Zijl, 2016). However, for Kurdistan to provide accounting professionals, there will be a lot of resources and time used for the transformation.

5.4.6 International accounting bodies

International accounting bodies can play an essential role in IFRS adoption. One of the most obvious examples of accounting standard-setting is IASB which is an independent body for IFRS. The main mission of this body is to develop accounting standards in the world. Also, the International Federation of Accountants (IFAC) is one of the international accounting bodies. The IFAC organization has more than 3 million accountants who have

made accounting to be based as a unified language. Most of the countries are rooted in IFRS, and through the IFAC, there is the ease in changing most of the regions of the world to be fully submerged to relevant accounting systems (Jongerden, 2019). The case of Kurdistan is different because there is the need to consider fully embracing IFRS from a possible UAS, which has been deeply rooted. To enter into a different culture in the Kurdistan region makes it hard for the accounting professions. There is the need to forget all the accounting systems the professions know, following what IFAC offers.

One of the professional organisations for accountants in Iraq is the Iraqi Union of Accountants and Auditors (IUAA). The IUAA is a member of the IFAC. IFAC is anticipated to push normative pressure to develop IFRS used in listed companies in Kurdistan. Besides, KRG can create relations and interaction with accounting standard setters in other nations, to have access to the professional guidelines and improve the level of accounting education. This step can lead the KRG to future changes in accounting training and education too. Finally, to support and improvement of the accounting professional skills, expertise, and improvement of accounting programs in the universities, KRG needs to join the IFAC.

5.5 The current situation in Kurdistan in terms of applying IFRS

Any company established in Iraq, including Kurdistan, would like to have access to foreign capital by entering foreign stock exchanges. This point would be one of the crucial factors for applying IFRS in Kurdistan. In doing so, they are required to prepare their financial statements per international standards. From an executive point of view, the application of

IAS is a prerequisite for connection with international stock exchanges. This can make investors more confident in attracting Iraqi companies.

Despite the importance of applying IAS, according to the information contained in the website of the IASB, Kurdistan is not in any of the two groups of countries that have accepted or are accepting international standards.

While many countries have stated their position on the acceptance or non-acceptance of IFRS, no specific program has been announced in Kurdistan to apply international standards. To do this, Kurdistan needs the Stock Exchange and the auditing organisation. These institutions can implement IFRS as soon as possible.

From the analysis of the documents, it has been observed that Kurdistan itself does not have a chart of accountants. According to the Iraqi federal constitution, the Kurdistan parliament is the highest institute for enacting the law in the region. This is stipulated in article 117 of the constitution. In Kurdistan, however, the key player to implement the laws and regulations is the KRG Council of Ministers. The Ministry of Trade and Industry with MoF have responsibilities to manage and supervise the activities related to the companies. The Finance minister as an accounting standard setter with the help of the accounting profession in the region can prepare the proposal of IFRS adoption and send it to the parliament for final approval. Thus, the KRG's government has been a fundamental decision-maker in developing accounting practices by introducing regulatory frameworks. Investors, accounting bodies, companies, politicians are an example of players who are seeking for laws, regulations, and standards. Currently, to protect the shareholders' rights, Kurdistan follows company law No.21 which was issued in 1997. Also, Kurdistan itself issued an investment law in 2006. The law has been issued to eliminate legal obstacles for

domestic and international companies to promote investment in the region (Investment law, No.4). However, prior studies on corporate disclosure have shown that common-law systems like New Zealand have different approaches compared to the civil law system. Such a country has a strong system to protect investors. Concerning Kurdistan, it follows the civil law system. This law doesn't give priority to individual rights as opposed to the state. To implement IFRS; Kurdistan is in dire need of an audit organisation. This body can be the reference for compiling accounting and auditing standards. Further, KRG needs an active Stock Exchange, as the regulator of the capital market. The Stock Exchange should also take steps to apply IFRS.

The use of IFRS should be discussed at the General assembly of the auditing organisation and approved by the MoF. Appropriate measures should also be taken to evaluate the level of familiarity and expertise, ability and facilities, experience, expectations, costs, obstacles, problems, and in general the advantages and disadvantages of applying these standards.

5.6 Challenges of IFRS adoption in Kurdistan

Kurdistan, like many developing countries, seeks to apply IFRS to secure its benefits. However, serious challenges are arising from internal and external pressures to achieving this goal. Challenges of IFRS adoption can be classified into different types of isomorphism. As shown in Figure 5.1, the challenges of IFRS adoption in Kurdistan can be explained as follow:

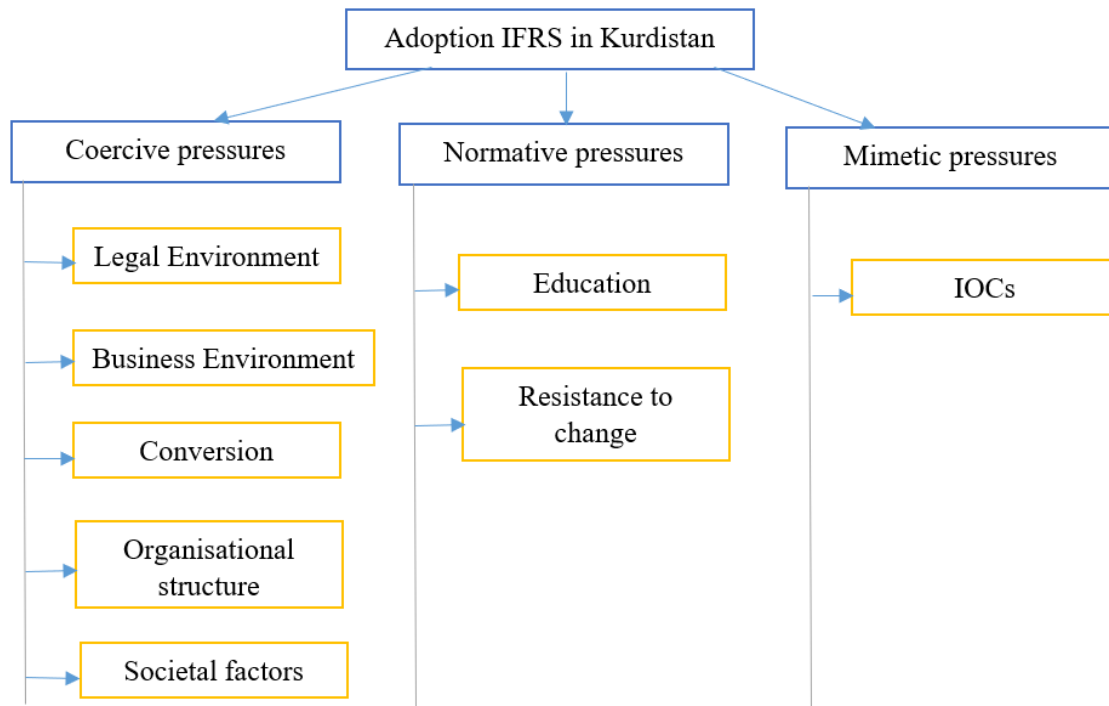


Figure 5.1: Challenges of IFRS adoption in Kurdistan

1- Economic environment

KRG's economy relies heavily on oil revenues and the central government's financial situation (Baghdad). An important part of the economy is monopolized by public sector institutions. Therefore, the situation cannot be considered a competitive economy.

Chronic inflation and the continuing decline in the purchasing power of the national currency have become endemic (Leezenberg, 2015). At least two macroeconomic variables, interest rates, and exchange rates are not subject to the market and follow government decisions. The biggest economic challenges are chronic inflation and exchange rates. The combination of these two factors has a devastating effect on the unit of measurement of the elements of financial statements, namely money. This can distort the comparability of the financial statements of companies and the irrelevance of the information contained in them.

2- Legal environment

This challenge is related to legal and regulatory coercive pressures to the implementation of IFRS, such as tax laws. The taxation system in Kurdistan follows the national laws. Thus, the tax administration in Kurdistan faces many ambiguities in calculating the profit and loss identified under IFRS. Another example is fair value. IFRS places much greater emphasis on the use of fair values in the valuation of assets and liabilities than Kurdish accounting standards.

3- Conversion of the reporting system

Another key challenge of the implementation of IFRS is the conversion of previous reporting systems and transfer to this standard.

The transition from one accounting framework to another is a major step and requires special considerations to ensure that the information of the previous system is available in the financial statements resulting from this standard. The most important considerations in moving to IFRS in Kurdistan is to examine the effect of the IFRS on specific areas such as financial instruments and taxes. Further, KRG needs to consider the specific accounting may necessary for each industry. For example, Islamic bank has unique characteristics concerning the management and execution of its activities which it is necessary to include in the implementation of IFRS.

4- Period

The period of transition will create a big challenge too. This process requires a long period (between 1 to 3 years) and may create ambiguity between the market and central economy. Then, the economy in the region will face a big challenge.

5- Organisational structure

The organisational structure is another challenge. Kurdistan still follows the old law, legislation, and routines which is left over from the previous regime. The paper-based accounting system is still one of the requirements of MoF and Syndicate to determine the tax on companies. Thus, the IAS and electronic system in financial reporting will create a challenge for accountants and auditors in Kurdistan. Currently, there is a lack of enforcement and implementation mechanism to adopt IFRS.

6- Societal challenge

Culture, language, and religion are essentially linked with many defining features of the community. Culture plays a significant role in how Kurdish accountants interpret the IAS. Culture, as a pervasive environmental factor, may lead to inconsistent interpretation of converged financial reporting standards. This will be troublesome because different judgments can lead to notable differences in financial statements.

IFRS translation to the Kurdish language is a big process that requires the recognition and identification of basic terms. Also, interest payment is prohibited in Islam. Therefore, Kurdistan will face challenges in Islamic banking. Also, it should not be forgotten that the political system has a strong influence on the development of accounting practices in Kurdistan. Kurdistan has experienced ambiguity and uncertainty in terms of the political system. Such instability hurts the business environment and the accounting system of the region.

7- Education

One of the main challenges in adopting IFRS in Kurdistan is education. Since the infrastructure of Kurdish standards and international standards are not similar, it seems that

accounting instructors will not react appropriately to this change. KRG also needs to ensure the quantity and quality of staff and trained personnel to implement IFRS in the region.

8- Resistance to change

Resistance to change the accounting system is one of the most influential challenges of IFRS adoption in Kurdistan. The current accounting system has operated for more than 35 years in Kurdistan. For many reasons, change in the current accounting system and implement IFRS would create difficulties for the staff in both the public and private sectors. Therefore, it can face resistance from Kurdish staff. Adoption of IFRS will create job loss fear for Kurdish staff. The majority of them have lack the IAS knowledge. This resistance stems from several factors. For example, language barriers, lack of communication skills, trust, familiarity with UAS, and incapacity to implement IAS. Although the Kurdish staff will show their resistance to adopt IFRS, they believe that the current accounting system needs updating.

9- IOCs

International oil companies have emulated IFRS as their accounting systems. If KRG wants to ask international investors and companies to use UAS, then a problematic challenge will occur. Generally, if KRG asks them to use the current accounting system in Kurdistan, this would have a negative influence on the business in Kurdistan. IOCs are doing business internationally by using international standards and should report to the home office outside of Kurdistan at the end of the fiscal year.

5.7 Research finding

Internal and external factors must be taken into consideration to decide to change the accounting system and adopt IFRS in Kurdistan. Also, from an institutional perspective, the expected consequences of these factors in the development of accounting needs to be examined. Mimetic, coercive, and normative pressures are three types of isomorphism. Implementation of IFRS in Kurdistan can be the result of these three institutional isomorphisms. Precisely, International funder firms have put coercive pressures on the accounting system in Iraq in general and Kurdistan in particular.

Based on the analysis, it seems that challenges are arising from all different types of isomorphism. These isomorphisms can create external and internal pressures to implement IFRS in Kurdistan. External pressures from the World Bank, IOCs, and international accounting bodies are stronger than internal pressures. Organisational factors, education and political system, culture, and accounting professions in Kurdistan are the main internal challenges for IFRS adoption because they are not prepared for this process yet. In general, any change is fraught with difficulties. In particular, the application of international financial reporting standards in Kurdistan also faces challenges. However, there should be solutions for these challenges. MoF, accountants, ESX, BSA, IBAAS, academics, and tax affairs organisation should try to adjust or find solutions for challenges of IFRS adoption in Kurdistan.

5.7 Chapter summary

This chapter has specified the challenges of IFRS adoption and analyse the pressures to determine primary factors in Kurdistan. These factors need to be analysed before deciding

to change the accounting system in Kurdistan. The IFRS adoption decision can be the result of three types of isomorphism. Thus, this chapter analysed all possible factors that have an impact on the IFRS adoption in Kurdistan. The current situation in Kurdistan is an institutional isomorphism. It is a coercive isomorphism by international funder organisations and cultural environment. Also, it is mimetic by IOCs. The current accounting system is challenging coercive pressure from international organisations in the financial policy and banking sector. The World Bank and IMF have used both "disclosure" and "transparency" term to force KRG to improve its accounting standards. Besides, the transition from one accounting framework to another is a major step and requires special consideration to ensure that the information of the previous system is available to financial statements resulting from the new system.

On the other hand, all IOCs in Kurdistan follow IAS. They are not familiar with UAS. The current accounting system was designed in the 1980s. At that time there was no IAS. Therefore, the UAS does not cover accounting for the oil and gas sector. In this case, IOCs force KRG to follow the IAS, and KRG is likely to follow the IAS.

Kurdistan, with having a semi-autonomous region, but still is one part of Iraq. Iraqi corporate Law and accounting system is still following by companies in the region. Kurdistan needs the harmonization of accounting standards with the Iraqi government in both public and private sectors. The main reason is that KRG still has its share of the Iraqi budget, as well as some joint venture companies, are working in Iraq and Kurdistan. Although Iraqi law NO.21 has mentioned the general concept of following IAS by listed companies, there has been no name of IFRS in the law. However, the organisational setting system in Kurdistan is old and designed unprofessionally. It does not have documentation

and reporting criteria. KRG does not have supporting institutions to provide basic evaluation information. At present, the organisation setting system in Kurdistan can't adopt IFRS fully, and KRG doesn't have the necessary flexibility to take this responsibility. The adoption of IFRS in Kurdistan is a national project. This decision requires the involvement of all decision-making bodies in the region, such as the council of ministers and parliament. In this case, based on the analysis and observations, it is suggested that KRG stays in its current system. KRG should try to update UAS and harmonize its accounting practice with international standards. Also, KRG may adopt IFRS partially. KRG can start the adoption of IFRS in the oil and gas sector. All IOCs in the region follow the IAS. It can create a good opportunity in Kurdistan to follow IAS and improve the quality of financial reporting. The simplicity of national standards in Kurdistan compare to IFRS does not necessarily mean that UAS is better. Sometimes simplicity leads to misleading the investors and incorrect disclosure. For the success of the IFRS application, the challenges and the current situation must be considered with a realistic view.

In Kurdistan, the government and regulatory agencies have welcomed globalization. Implement the IFRS needs the cooperation of related institutions, namely, accounting syndicate, BSA, IBAAS, ESX, and tax affairs organisation.

To this end, an integrated approach with effective interaction of professional institutions should be used. In this regard, effective planning and action to address tax issues, translation of standards, trainings, and development of guidelines required for the application of standards are essential.

Chapter 6

Conclusion, Limitations and Future Research

6.1 Introduction

This study has aimed to critically examine the factors and challenges for Kurdistan to change its accounting system and implement IFRS. This goal has been achieved through document analysis, select institutional theory as a theory, and institutional isomorphism as a research design.

Whereas this chapter provides a summary of the previous chapters, the main aim of the chapter is to assess the conclusion as relevant to research design and questions. Besides, this chapter covers the results, implications, limitations, and contributions to the study. Also, the potential areas for future research are discussed.

In this study, the challenges that KRG will face to change its accounting system and follow the IFRS have been highlighted. The situation in Kurdistan is different from other countries. It is an autonomous region within Iraq and rich in natural resources. After the U.S invasion in 2003, the U.S has begun to change the economy and transform it into a market economy. Iraq's infrastructures have been completely destroyed. A very high debt (almost 600% of the countries' GDP), economic problems, and a massive legacy of imbalance were the result of the war. This situation forced Iraq to sign more than 30 agreements with the World Bank and the IMF to improve the economy. Consequently, financial policies and reporting have become dependent on international organisations.

The next section of the chapter is the conclusion. Contributions and implications are going to be discussed in section 3. Section 4 examines limitations and future research.

6.2 Conclusion

Economic and legal environment, conversion, education, resistance to change, period, organisational structure, IOCS, and societal factors are key challenges of IFRS adoption in Kurdistan. Whereas of isomorphism pressures, KRG and its organisational setting are not ready to implement IFRS in all sectors. This project requires preparation and need of collaboration and involvement of all decision-making bodies, namely, the council of ministers, parliament, BSA, IBAAS, ESX, and tax affairs organisation.

The results from the analysis show that challenges arise from internal and external pressures of all three types of isomorphism. Also, the analysis indicates that external pressures especially from international bodies are stronger than internal pressures. Internal factors may create challenges for IFRS adoption and KRG needs to find solutions for the challenges.

After analysing the factors and pressures, this dissertation recommends the gradual adoption of IFRS in Kurdistan. KRG should update its current accounting system and can start the IFRS adoption in the banking or natural resources sectors. Many IOCs are currently using IAS in their financial reporting. Also, international funder organisations put pressure on the banking sector in the region to follow the IAS.

6.3 Contributions and Implications

Several contributions have been provided to accounting research, regulations, and practice in this study. The first contribution is added to the KRG's policy improvement. KRG has a plan to grow its economy by attracting international investors to the region. It also has the aim to become a member of the WTO. For these purposes, KRG must improve the quality

of financial reporting and its requirements. The KRG's financial reporting system needs to be compatible with its trade and foreign investors. Accordingly, upgrading the accounting system to address the changing needs of the investment community will be necessary and inevitable. There are significant differences based on the political and economic environment in Kurdistan compared to the other countries. Persistent political instability in the region and its impact on trade sanctions and economic improvement is an important factor that has not been so greatly felt in other countries.

In Kurdistan, considering IAS, from the initial decision to fully adopt, requires reforms in many sectors, for example, banking, financing, and capital market. Countries, such as Kuwait and Saudi Arabia have a powerful capital market with strong investor protection. Their experience can be an excellent example for Kurdistan if KRG wants to get international aid, develop the private sector, as well as attract foreign investment to the region.

The IFRS adoption process in Kurdistan needs essential training investment for Kurdish accountants and auditors. To transition to the IAS, it is necessary to improve the knowledge base and infrastructure in Kurdistan. Noteworthy, changes to the university programs must be taken into consideration to ensure sufficient training for the current and next accounting generation. Further, joining some of the organisations like IFAC can assist to improve the expertise and skills of the education and accounting programs as well as the accounting profession in Kurdistan.

This study contributes to the implications that will help investors, academicians, academicians, practitioners, and policymakers. First of all, based on the results of this study, policymakers in Kurdistan can develop accounting regulations in Kurdistan

especially in areas that impede the quality of financial reporting. Second, to merge the IFRS perspective, the Kurdish academicians with the help of accounting practitioners may collaborate to develop the university programs and accounting curriculum. Third, whereas this study has been done in Kurdistan, the study outcome can help other developing nations and Middle-Eastern countries. They may have similar challenges and phases to adopt IFRS like Kurdistan. Fourth, the results of this research can help other developing governments. Notably, when the government is going to consider the change or develop policies, economic, as well as an accounting system that can promote the business environment and improve the quality of financial reporting within the country. Finally, to facilitate the IFRS adoption, the results of this research can help countries with different institutional backgrounds. For example, nations that are not in the "Anglo-American context" might face similar challenges and pressures as Kurdistan. Therefore, the IASB can use the results of this study and help such countries to adopt IFRS.

6.4 Limitations and future research

This dissertation is relevant for academics, researchers, professionals with an interest in an accounting practice in Kurdistan. It is also useful for the KRG for planning IFRS adoption in the future. This dissertation has its limitation by focusing on the accounting system in Kurdistan. Also, this dissertation used institutional isomorphism as a research design to identify the pressures and challenges of IFRS adoption in Kurdistan. This dissertation has addressed these limitations by analyzing the internal and external factors that will affect the IFRS adoption and accounting system in Kurdistan from an institutional perspective. Prior researches have mentioned that globalization and external pressures have impacted

the IFRS adoption. So, future research can be done in the area of interaction between global impacts and Kurdish local institutions. Besides, the current study has been done by using the document analysis in Kurdistan. Therefore, cross-country research is necessary to define and compare the results of factors that have an impact on the IFRS adoption in Kurdistan. Furthermore, to analyse and interpret the results the IT has been used. Further research can be done by using different theoretical frameworks, for example, legitimacy theory. Also, the socio-political environment and its impact on the accounting system in Kurdistan can be conducted by accountants and academics in the future.

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