



Perceptions of accounting professionals in the adoption and implementation of a single set of global accounting standards: Evidence from Bahrain

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ARTICLE INFO

Keywords:

IFRS
Harmonization
Accountants
Auditors
Bahrain
Principle based
IASB
Convergence
Nationalism

ABSTRACT

In the quest for a single set of global accounting standards, the International Accounting Standard Board (IASB) continues to work with regulators in other countries toward adoption of IFRS. This study reports on an exploratory study of Bahrain's accounting and auditing professionals' perceptions about important issues relevant to developing and implementing global accounting standards. Bahrain is a financial hub of the Middle East with distinct features that could provide some insights to harmonization issues. The respondents' views portray optimism by auditors and non-auditors that harmonization of accounting standards is a worthwhile objective that can be fairly, but gradually accomplished. However, the survey data indicate expected challenges in applying the IFRS principles-based accounting standards. The survey findings suggest that there will be a growing demand for detailed application guidance for IFRS. Also, it appears that nationalism may well continue to be a major impediment to global adoption of IFRS.

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1. Introduction

In a global economy, a key issue is the financial reporting practices by companies around the world, globalization of the capital markets has increased the need for high-quality, comparable financial information (Jones, 2005) across entities. Consequently, pressure has been increasing for adoption of a single set of accounting standards worldwide, this is the challenge for the International Accounting Standard Board (IASB). On the other hand, there have been warnings that “for many countries convergence with IAS will be a monumental task” (Street, 2002).

The European Union (EU) passed a regulation that required listed European companies to comply with IFRS in 2005. This was an important step toward a single set of global accounting standards. Regulators in countries such as Canada, Australia, Hong Kong and India are also working toward adoption of IFRS. Despite public differences of opinions between the IASB and US standards setters, in October, 2002 the Financial Accounting Standard Board (FASB) and IASB issued a memorandum of understanding (the Norwalk Agreement) marking their commitment to the convergence of US and IASB standards. The Securities Exchange Commission (SEC) affirmed support for this convergence program and has developed a roadmap which will eliminate the US GAAP reconciliation requirements for foreign companies using IFRS.

1.1. Harmonization

Harmonization of accounting standards is now at the forefront of consideration for financial reporting. Today's international business environment and global capital markets are increasing the urgency for harmonization. Accounting and financial reporting is an important element of this evolving market and can support underlying efficiency of markets. Reporting financial information on the Internet is becoming common, giving investors from any country ready access to the financial information of companies, regardless of their country of domicile. This globalization of capital markets and the developments in telecommunications and the Internet bring a new dimension to the need for comparable and transparent financial reporting and require new thinking by companies, investors, creditors and auditors about what financial information companies should publish and how best to communicate it to interested parties.

1.2. Motivation for the study

The aim of this exploratory study is to examine the perceptions of accounting and auditing professionals in Bahrain related implementing a single set of global accounting standards. Bahrain, as a country has some distinct features relevant to harmonization and global convergence issues, which include geographical location and being a financial hub of Middle East. Bahrain's experience in adopting and implementing global standards is likely to influence other developing countries. Therefore, the Kingdom may represent an ideal gateway to Middle East and North African countries giving serious consideration for adopting IFRS. If IFRS

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are not applied in a uniform and consistent manner then the goal of significantly improving global comparability financial reports will not result even if countries have adopted a single set of globally acceptable financial reporting standards. This study provides some insights that have timely implications for convergence of accounting standards.

The remainder of the paper is organized as follows. The second section provides the literature review to provide a background for the study, followed by the third section describing the research methods utilized in this study. The fourth section presents and discusses the findings. Lastly, we summarize the results and state conclusions, which include implications for future research.

2. Literature review

The difficulties of harmonization experienced both between and within-countries have been documented in several prior studies. In the UK, where IAS have been considered close to UK GAAP, there still exist “a surprising number of differences” (Holgate & Gault, 2002) and the recent IASB (2002) proposals on goodwill and intangibles raised some concerns in the UK (Simmonds & Sleight-Johnson, 2003). The problem of companies claiming to follow international accounting standards but in reality failing to do so also has been discussed (Street, Weishar, & Gray, 2001), and the US companies such as Exxon, FMC and General Electric were compelled to drop such assertions (Cairns, 2000).

Various researchers have identified national differences in financial reporting, and they have hypothesized about the factors that caused them (Frank, 1979; Goodrich, 1982; Mueller, 1967; Nair & Frank, 1980). Six factors are discussed below, and the first five factors were drawn from Nobes (1992) as important causes of international differences between financial reporting systems.

A study (Al-Hayale, Hussey, & On, 2005) of regulators in Jordan found that IFRSs are espoused as the quality to be met, but family affiliations and business ties mitigate against their rigorous enforcement. The Jordanian government is gradually implementing policies to improve competition and foster transparency, but accounting regulators confront a difficult task in achieving adherence to international financial reporting standards.

A recent survey by Deloitte Touche Tohmatsu (2007) reported that seventy-four countries have required IFRS for all their domestic listed companies. IFRS represent a principles-based or ‘substance over form’ regime (Abacus Editorial, 2004; Chambers & Wolnizer, 1991). Parmod, Patel, and Patel (2005) investigated whether there are differences in judgments of the big 4 and non-big 4 professional accountants in Fiji when applying the selected IAS/IFRS. This research is important because significant within-country differences in judgments of professional accountants have serious implications for convergence of accounting standards. They found strong evidence of differences in judgments of big 4 and non-big 4 professional accountants when provided with ‘new’ accounting standards that require complex judgments. An important implication of this study is that if professional accountants in emerging economies are not adequately trained and experienced in applying IFRS, then standard setters of these countries may consider mandating a set of accounting standards with a greater focus on rules as opposed to principles that require the exercise of professional judgments.

The Parmod et al. (2005) study results show that differences in judgments between professional accountants could be significant, even within-countries, if standards are ‘new’ and require complex judgments. Specifically, the results show that there were no significant differences in judgments of big 4 and non-big 4 professional accountants when provided with both, ‘old’ and ‘new’ accounting standards that require simple and less complex judgments. Evidence from prior studies show many similarities in organizational culture of the big multinational accounting firms (Cushing & Loebbecke, 1986; Manson, McCartney, Sherer, & Wallace, 1998; Patel, 2003), similarities that may be lacking across smaller firms.

The accounting literature is somewhat limited with respect to research on the issue of principles-based standards for financial reporting. Several studies shed light on issues related to the benefits

and costs related to the principles and rules-based accounting standards (for example, Dye, 2002; Gibbins, Salterio, & Webb, 2001; Hronsky & Houghton, 2001; Nelson, Elliott, & Tarpley, 2002). Still there are few studies that have examined the judgments of professional accountants in interpreting and applying principles-based accounting standards.

There are some key IFRS implementation issues. Ball (2006) predicts that there “will be substantial differences among countries in implementation of IFRS, which now risk being concealed by a veneer of uniformity.” Ball also warns that uniform standards alone are not sufficient to produce uniform financial reporting. Schipper (2005) observes that there will be a growing demand for detailed application guidance, which is an important implementation issue for the IASB. Schipper identified reliable fair value measurement and defining the entity for consolidation purposes as key financial reporting issues. Pacter (2005) observes, “IASB does not have any direct power to enforce the application of its standards. In an international environment with national capital markets in various stages of development and maturity, enforcement of IASB standards seems to be more challenging than in the US environment.”

3. Methodology

We developed a survey plan for investigating the perceptions of accounting and auditing professionals in Bahrain related to developing and implementing a single set of global accounting standards. Bahrain has experienced substantial economic growth and is viewed as a financial hub of the Middle East. Foreign investors are allowed to trade shares on the Bahrain Stock Exchange, which had 52 listed companies in the spring of 2007. There are over eleven audit firms in Bahrain, and seven are international firms. The Commercial Companies Act (CCA), 1975 required limited liability companies to prepare books of accounts (income statement, balance sheet, and Board of Directors' report on distribution of dividends) and to have them audited. The CCA in 1975 did not require the limited liabilities companies to follow a specific set of accounting standards. However, in 1993, through an official circular, the Ministry of Commerce and Agriculture advised the corporate sector companies to adopt the standards set by the International Accounting Standards Committee.

The big 4 international auditing firms have a very influential role in the adoption of accounting and auditing rules in Bahrain. Transparency in the financial statements has been given a top priority by the institutions engaged in accounting development in Bahrain. The Commercial Companies Act (CCA) (amended 2001) made it compulsory for all the limited liability companies to apply IASs/IFRS in the preparation of their financial statements and to get their books audited. Bahrain is a member of International Federation of Accountants (IFAC) and, it also follows the International Auditing Standards. The accounting and auditing profession in Bahrain is comprised of both locals and expatriates. Expatriates form a big proportion of qualified professionals in accounting and auditing profession in Bahrain. For example, there are more than 500 Indian chartered accountants working in various organizations. The audit firms are primarily staffed by foreign accountants. Therefore, the corporate accountants and auditors in Bahrain have experience with IFRS.

3.1. Survey instrument and sample

The survey research instrument was developed after identifying issues from the recent literature review, e.g. Nobes (1992), Schipper (2005), Pacter (2005), Tokar (2005). The survey instrument was pre-tested with academic colleagues, two accountants and two auditors. After their feedback, the questionnaire was improved. The study questionnaire contained demographic information, such as respondents' position, years of experience, and professional qualifications.

Questions related the extent to which respondents agreed with statements relevant to related to developing and implementing a

Table 1
Respondents' demographic characteristics

Characteristics of respondents	N=52	Percentages
Respondents	Total=52	
1) From listed companies	24	46.1%
2) From audit firms	28	53.9%
Respondents: nationality	Total=52	
1) Local	35	67.3%
2) Expatriates	17	32.7%
Respondents: academic degree	Total=52	
1) Master	15	28.8%
2) Bachelor	28	53.9%
3) Diploma holders	6	11.5%
4) Others	3	5.8%
Respondents: professional qualifications	Total=50	
1) CPA	22	44.0%
2) CA	9	18.0%
3) ACCA	11	22.0%
4) CMA	3	6.0%
5) Others (e.g. CFA...)	5	10.0%
Respondents: experience	Total=52	
1) less than 5 years	19	36.5%
2) 5–10 years	10	19.2%
3) 10–15 years	11	21.2%
4) 15 and more years	12	23.1%
Respondents: position	Total=52	
1) Audit Manager	10	19.2%
2) Audit Supervisor	2	3.9%
3) Auditors	8	15.4%
4) Financial Controller	5	9.6%
5) Chief Accountant	5	9.6%
6) Accountant	15	28.9%
7) Management Accountant/Cost Accountant	2	3.8%
8) Finance Manager	4	7.7%
9) Director	1	1.9%

single set of global accounting standards. A Likert scale of 1 to 5 was used—5=strongly agree (SA); 4=agree (A) 3=neutral (N); 2=disagree (D); 1=strongly disagree (SDA). A few open-ended questions were also asked to gather the views of the respondents on the issues.

Accountants and auditors working in the Kingdom of Bahrain were selected as the survey population. Accountants employed by companies listed on the Bahrain Stock Exchange were selected to provide a preparer perspective. We identified a sample of 42 companies' accountants and received 24 usable responses (52.2%). Auditors practicing in Bahrain were also selected for study to provide another relevant perspective. We sent the survey instrument to 48 auditors from eleven audit firms and received 28 usable responses (58.3%). More than one questionnaire was sent to the audit firms in order to obtain better response rate and auditors' clearer perceptions on the issues studied in this survey. The questionnaire was administered during February–March, 2006. Prior to collection of the questionnaires, the respondents were contacted on phone to remind and request that they complete the questionnaires. This was done 2 weeks after the questionnaires were distributed.

Table 1 presents information on the respondents' demographic characteristics. We see that the nationality is predominately local—67.3%. The educational background, professional qualifications,

experience, and current positions indicate that respondents' would have a collective perspective on issues relating to developing and implementing a single set of global accounting standards.

4. Findings and discussion

4.1. Harmonization and conversion of accounting standards

In Table 2, we present our findings on the harmonization and conversion of accounting standards objective. The survey questionnaire contained four statements about the objective stated as “adoption of IFRSs by companies around the world is intended to achieve convergence and harmonization in accounting by eliminating national principles and practices.” We find that 75% of the respondents agreed to some extent that harmonization is a worthwhile objective that can be fairly, but gradually accomplished. T-test statistics for differences in means are presented by nationality, experience, and implementation role. For nationality (17 expatriate and 35 local), the mean was 4.00 for both groups. The respondents were grouped by experience level for analysis—low (29 had less than 10 years) and high (23 had more than 10 years). The more experienced respondents reported a higher level of agreement with a mean of 4.39 compared to a mean of 3.68 for less experienced accountants and auditors (significant at a 0.01 level). For implementation role, the mean of 3.82 for 28 respondents having a current position as an auditor was lower than the mean of 4.21 for those in a non-audit role; but the t-test was not significant.

Seventy-five percent of the respondents agreed that harmonization and conversion of accounting standards is a worthwhile objective but there are still major challenges involved in a global adoption of IFRS. Expatriates reported a significantly higher level of agreement (0.05 level). We gain further insight about achievement of harmonization and conversion of accounting standards by reviewing the responses to statement 3 in Table 2, a highly idealistic objective that is impossible to accomplish. Only 30.7% of the respondents agree and, the mean of 2.69 and standard deviation of 1.14 indicating considerable variability in their views. The more experienced respondents reported a higher level of agreement (significant at 0.05 level), which indicates concern about the attainability of harmonization. However, the 2.33 mean and 11.5% agreement to statement 4, such an objective is costly, time consuming and should not be sought, indicates majority support for seeking harmonization and conversion of accounting standards.

4.2. Global adoption of IFRS

The respondents views on the major advantages of global adoption of IFRS presented in Table 3 are supportive of harmonization. The greatest agreement (92.3%) was with statement 1—The standardization of accounting principles around the world will result in greater comparability of financial performance. Greater relevance, reliability, and transparency of financial information of companies in different countries was viewed as an important advantage as 84.7% agreed to this statement.

Table 2
Perceptions on the harmonization and conversion of accounting standards objective

Statements	Respondents agreeing		Mean	SD	t-test nationality		t-test experience		t-test role	
	Number	(%)			Expatriate	Local	Low	High	Auditor	Non-audit
1. A worthwhile objective that can be fairly, but gradually accomplished	39	(75.0%)	4.00	0.86	4.00	4.00	3.68	4.39	3.82	4.21
2. A worthwhile objective but there are still major challenges involved in a global adoption of IFRS	14	(75.0%)	3.96	0.84	4.35	3.77	4.10	3.78	3.78	4.17
3. A highly idealistic objective that is impossible to accomplish	2	(30.7%)	2.69	1.14	2.31	2.60	2.24	3.26	2.78	2.58
4. Such an objective is costly, time consuming and should not be sought	6	(11.5%)	2.33	0.88	2.35	2.31	2.27	2.39	2.25	2.42

* Significant at 0.05 level.

Table 3
Major advantages of global adoption of IFRS

Statements	Respondents agreeing Number (%)	Mean	SD	t-test nationality		t-test experience		t-test role	
				Expatriate	Local	Low	High	Auditor	Non-audit
1. The standardization of accounting principles around the world will result in greater comparability of financial performance.	48 (92.3%)	4.59	0.63	4.82 <i>t</i> =1.84	4.48	4.48 <i>t</i> =1.46	4.74	4.57 <i>t</i> =0.30	4.66
2. Greater relevance, reliability, and transparency of financial information of companies in different countries will be accomplished.	44 (84.7%)	4.19	0.79	4.35 <i>t</i> =1.01	4.11	4.10 <i>t</i> =0.91	4.3	4.03 <i>t</i> =1.56	4.37
3. The IASB will be in a better position to enforce accounting standards through national accounting bodies.	36 (69.3%)	3.88	0.81	4.12 <i>t</i> =1.46	3.77	3.86 <i>t</i> =0.22	3.91	3.67 <i>t</i> =2.05*	4.12
4. The cost of compliance of accounting standards will be reduced considerably.	28 (53.8%)	3.60	0.77	3.94 <i>t</i> =2.34*	3.43	3.48 <i>t</i> =1.19	3.74	3.53 <i>t</i> =0.60	3.67
5. It will be feasible for IASB to develop more principles-based accounting standards.	38 (73.1%)	3.73	1.01	4.06 <i>t</i> =1.65	3.57	3.45 <i>t</i> =2.36**	4.08	3.57 <i>t</i> =1.23	3.92
6. The adoption of a universal set of standards reduces the possibility of illegal acts, such as frauds.	34 (65.4%)	3.67	1.00	3.71 <i>t</i> =0.16	3.66	3.44 <i>t</i> =1.85	3.95	3.71 <i>t</i> =0.32	3.63

Note: *Significant at 0.05 level.
Note: **Significant at 0.01 level.

Table 4
Challenges/disadvantages of global adoption of IFRS

Statements	Respondents agreeing Number (%)	Mean	SD	t-test nationality		t-test experience		t-test role	
				Expatriate	Local	Low	High	Auditor	Non-audit
1. Training of staff to understand and implement global IFRS	35 (67.3%)	3.81	0.99	3.47 <i>t</i> =1.74	3.97	3.89 <i>t</i> =0.72	3.69	4.03 <i>t</i> =1.83	3.54
2. Developing the infrastructure and resources to support professionals working on IFRS	34 (65.4%)	3.82	0.94	3.65 <i>t</i> =0.95	3.91	3.93 <i>t</i> =0.89	3.69	3.85 <i>t</i> =0.25	3.39
3. Applying audit firms' existing quality-control procedures to the quality-control procedures related to IFRS	39 (75.0%)	3.96	0.88	2.24 <i>t</i> =1.57	3.83	3.83 <i>t</i> =1.23	4.13	4.21 <i>t</i> =2.32*	3.66
4. Different interpretations of IFRS which may result in divergence	31 (59.6%)	3.54	0.98	3.47 <i>t</i> =0.34	3.57	3.69 <i>t</i> =1.26	3.35	3.89 <i>t</i> =3.04**	3.12

Note: *Significant at 0.05 level.
Note: **Significant at 0.01 level.

If there is global adoption of IFRS, enforcement is a concern. While 69.3% agreed that the IASB will be in a better position to enforce accounting standards through national accounting bodies, the extent of agreement from auditors was significantly lower. A majority of the respondents (53.8%) viewed “the cost of compliance of accounting standards will be reduced considerably” as an advantage, and expatriates respondents reported a significantly higher level of agreement. While there was substantial agreement about the feasibility for IASB to develop more principles-based accounting standards, there was significantly greater agreement by more experienced respondents. Reducing the possibility of illegal acts, such as frauds was also viewed as an advantage of adopting a universal set of standards (65.4%).

Table 4 presents views on the challenges or disadvantages of global adoption of IFRS. Overall, there is an agreement that challenges lie ahead, with mean scores ranging from 3.96 to 3.54. For the challenge of “applying audit firms' existing quality-control procedures to the quality-control procedures related to IFRS”, auditors also had significantly higher mean scores than non-auditors. The lowest mean in Table 4 was 3.54 for “different interpretations of IFRS which may result in divergence”, and auditors also had significantly higher mean scores than non-auditors at the 0.01 level.

Table 5
Cost-benefits of global adoption of IFRS

Statements	Respondents agreeing Number (%)	Mean	SD	t-test nationality		t-test experience		t-test role	
				Expatriate	Local	Low	High	Auditor	Non-audit
1. Adoption of global IFRS would result in benefits at the international level and would outweigh the costs	38 (72.7%)	4.10	0.89	4.35 <i>t</i> =1.46	3.97	3.89 <i>t</i> =1.85	4.35	3.93 <i>t</i> =1.48	4.29
2. Adoption of global IFRS would have little impact	15 (28.9%)	2.73	1.21	2.76 <i>t</i> =0.14	2.71	2.44 <i>t</i> =1.94	3.08	2.89 <i>t</i> =1.05	2.54
3. Adoption of global standards would require more cost-benefit analysis before making such a decision	34 (65.4%)	3.79	0.97	3.41 <i>t</i> =1.99	3.97	3.72 <i>t</i> =0.53	3.87	4.03 <i>t</i> =2.03*	3.50

Note: *Significant at 0.05 level.

Since there are advantages and challenges or disadvantages of global adoption of IFRS, the questionnaire contained statements to gain insights about the respondents' views on the overall cost-benefits of global adoption of IFRS. Table 5 shows that 72.7% agree to some extent that adoption of global IFRS would result in benefits at the international level and would outweigh the costs. Since the mean is 4.10 and there are no significant differences for nationality, experience, or role, we could interpret the responses as a high level of support for adoption of global IFRS. However, the 2.73 mean response for “adoption of global IFRS would have little impact” is somewhat moderating in nature. Furthermore, the mean of 3.79 (65.4% agreement) for “adoption of global standards would require more cost-benefit analysis before making such a decision”, indicates that respondents have implementation concerns.

4.3. Global adoption of IFRS implementation issues

The questionnaire contained statements pertaining to global adoption implementation issues. Table 6 presents views on four statements about the best possible approach alternatives for global adoption of IFRS.

Table 6
The best possible approach for global adoption of IFRS

Statements	Respondents agreeing Number (%)	Mean	SD	t-test nationality		t-test experience		t-test role	
				Expatriate	Local	Low	High	Auditor	Non-audit
1. A direct adoption of global IFRS in place of national GAAPs without any additional endorsement or review.	18 (34.6%)	3.00	1.13	3.11 <i>t</i> =0.51	2.94	2.89 <i>t</i> =0.73	3.13	2.78 <i>t</i> =1.48	3.25
2. An indirect adoption of global IFRS by modifying each country's national accounting standards so that they are based on IFRS.	31 (59.6%)	3.65	0.86	3.47 <i>t</i> =1.07	3.74	3.58 <i>t</i> =0.63	3.74	3.57 <i>t</i> =0.74	3.75
3. Each country may choose either a direct or indirect approach depending on the country's own perceptions of global IFRS and the country's national factors.	29 (56.9%)	3.65	0.89	3.65 <i>t</i> =0.00	3.65	3.58 <i>t</i> =0.56	3.73	3.75 <i>t</i> =0.91	3.52
4. This is an issue that the IASB should decide.	26 (50.0%)	3.35	1.03	3.24 <i>t</i> =0.54	3.40	3.27 <i>t</i> =0.55	3.43	3.42 <i>t</i> =0.62	3.25

Note: **Significant at 0.01 level.

Table 7
Responsibility for training of accountants for adoption of Global IFRS

Statements	Respondents agreeing Number (%)	Mean	SD	t-test nationality		t-test experience		t-test role	
				Expatriate	Local	Low	High	Auditor	Non-audit
1. The responsibility for training accountants for the adoption of global IFRS should lie on university-level accounting programs.	40 (76.8%)	3.92	0.96	3.88 <i>t</i> =0.21	3.94	3.68 <i>t</i> =2.01*	4.22	3.89 <i>t</i> =0.24	3.95
2. It is the responsibility of the audit firms to provide such training because the audit firm itself can determine the extent of training required.	35 (67.3%)	3.90	0.95	3.76 <i>t</i> =0.73	3.97	3.86 <i>t</i> =0.35	3.95	3.82 <i>t</i> =0.67	4.00
3. The accountant should adapt himself/herself to such changes on his/her own.	27 (52.0%)	3.46	1.18	3.59 <i>t</i> =0.54	3.4	3.38 <i>t</i> =0.56	3.56	3.61 <i>t</i> =0.96	3.29
4. It is the responsibility of the governments.	29 (55.8%)	3.50	1.15	3.18 <i>t</i> =1.43	3.65	3.41 <i>t</i> =0.61	3.61	3.46 <i>t</i> =0.24	3.54

Note: *Significant at 0.05 level.

With a mean of 3.00, the lowest level of agreement is shown for “a direct adoption of global IFRS in place of national GAAPs without any additional endorsement or review”. With the mean score of 3.65 for both “an indirect adoption of global IFRS by modifying each country's national accounting standards so that they are based on IFRS” and “each country may choose either a direct or indirect approach depending on the country's own perceptions of global IFRS and the country's national factors”, support for considering country factors in implementation. However, 50.0% agreed with statement 4 in Table 6, “this is an issue that the IASB should decide”, providing a perspective of the IASB's role. We also note that there were no significant differences due to nationality in Table 6. Overall, the respondents viewed national accounting bodies as having an important role in global adoption of IFRS; and we see confidence in the IASB.

Training accountants for the adoption of global IFRS is an important implementation issue. Tokar (2005) argues that training of professional staff in a new body of requirements and developing

IFRS-based resources to support professionals working with IFRS are important challenges. Overall, the mean scores in Table 7 indicate that the respondents see a shared responsibility for training accountants for the adoption of global IFRS. The more experienced group of respondents had a significantly higher mean score for the responsibility to be on university-level accounting programs.

Since current IFRS are principles-based standards, there are possible implementation issues due to diversity in interpretations. Diversity could be caused by factors such as varying interpretations, cultural factors and language factors. Concerns about language are evident in the SEC proposal (2007) to accept financial statements prepared in accordance with the English language version of IFRS as published by the IASB without reconciliation to US GAAP when contained in the filings of foreign private issuers with the Commission. The SEC and FASB have taken a rules-based approach to setting standards, and there are concerns about interpretations of principles-based standards in the USA. Ideally, a common understanding and interpretation of global IFRS

Table 8
Development of common understanding and interpretation of global IFRS to prevent divergence

Statements	Respondents agreeing Number (%)	Mean	SD	t-test nationality		t-test experience		t-test role	
				Expatriate	Local	Low	High	Auditor	Non-audit
1. To what extent do you agree/disagree that current IFRS are principles-based accounting standards?	38 (73.1%)	4.0	0.62	4.17 <i>t</i> =1.43	3.91	3.79 <i>t</i> =2.86**	4.26	3.93 <i>t</i> =0.89	4.08
2. The responsibility for building a shared understanding of IFRS lies on:									
a. Audit firms, who should, e.g. develop certain consultation networks	38 (73.1%)	3.98	0.90	3.71 <i>t</i> =1.56	4.11	3.79 <i>t</i> =1.72	4.21	3.96 <i>t</i> =0.14	4.00
b. The International Financial Reporting Interpretations Committee (IFRIC)	42 (80.7%)	4.06	0.80	3.82 <i>t</i> =1.48	4.17	4.06 <i>t</i> =0.11	4.04	4.17 <i>t</i> =1.18	3.91
c. The national regulators in a country	41 (78.9%)	4.02	0.73	4.00 <i>t</i> =0.13	4.03	4.03 <i>t</i> =0.17	4.00	3.92 <i>t</i> =0.97	4.12
d. A joint responsibility of audit firms, IFRIC, and national regulators	37 (71.2%)	4.09	0.87	3.71 <i>t</i> =2.35**	4.29	4.34 <i>t</i> =2.42*	3.78	4.21 <i>t</i> =1.06	3.96

Note: *Significant at 0.05 level.

Note: **Significant at 0.01 level.

Table 9
Difficulties for adoption of global IFRS by Islamic banks and other financial institutions

Statements	Respondents agreeing Number (%)	Mean	SD	t-test nationality		t-test experience		t-test role	
				Expatriate	Local	Low	High	Auditor	Non-audit
1. Islamic banks and other financial institutions should follow Islamic Accounting Standards despite the convergence.	31 (59.6%)	3.71	1.14	3.70 <i>t</i> =0.02	3.71	3.52 <i>t</i> =1.39	3.95	4.00 <i>t</i> =2.02*	3.37
2. They should be required to follow global IFRS.	30 (57.7%)	3.65	1.10	3.53 <i>t</i> =0.56	3.71	3.69 <i>t</i> =0.26	3.61	3.64 <i>t</i> =0.08	3.67
3. They should provide financial statements based on Islamic Accounting Standards and be required to provide reconciliation with global IFRS.	38 (73.1%)	3.94	0.96	3.82 <i>t</i> =0.62	4.00	3.93 <i>t</i> =0.09	3.96	4.03 <i>t</i> =0.76	3.83

Note: *Significant at 0.05 level.

Table 10
Comprehensiveness of IFRS for Bahrain

Statements	Respondents agreeing Number (%)	Mean	SD	t-test nationality		t-test experience		t-test role	
				Expatriate	Local	Low	High	Auditor	Non-audit
1. IFRS are sufficiently comprehensive to address all the accounting issues that are encountered in all industries, and for all transactions.	30 (57.7%)	3.61	0.99	3.94 <i>t</i> =1.68	3.46	3.31 <i>t</i> =2.62*	4.00	3.61 <i>t</i> =0.06	3.63
2. IFRS adequately address most accounting issues yet are not completely applicable to certain accounting practices such as accounting for Islamic banks	31 (59.6%)	3.58	0.78	3.41 <i>t</i> =1.07	3.66	3.58 <i>t</i> =0.09	3.56	3.53 <i>t</i> =0.41	3.62
3. IFRS are based on Anglo-American thought and are therefore, inappropriate to all national environments	25 (48.1%)	3.42	1.09	2.88 <i>t</i> =2.63	3.69	3.48 <i>t</i> =0.44	3.34	3.61 <i>t</i> =1.32	3.21

Note: *Significant at 0.05 level.

would be attainable to prevent divergence. Table 8 shows that 73.1% of the respondents agreed (4.0 mean) that current IFRS are principles-based accounting standards. There was significantly higher mean for more experienced respondents (0.01 level).

The other statements in Table 8 relate to the development of common understanding and interpretation of global IFRS to prevent divergence. This is relevant to implementation. A single set of standards will not result in substantial increases in uniformity unless there is common understanding. We see that the respondents view the responsibility for building a common understanding of IFRS to be a joint responsibility. Consistent with the Schipper (2005) prediction that there will be a growing demand for detailed application guidance, the mean is 3.98 for audit firms and 4.06 for the International Financial Reporting Interpretations Committee (IFRIC). A mean of 4.02 for the national regulators in a country reflects the need for enforcement. There were statistically significant differences for summary statement 2d, "A joint responsibility of audit firms, IFRIC, and national regulators", with locals and less experienced respondents indicating higher agreement.

Table 9 presents views on possible difficulties for adoption of global IFRS by Islamic banks and other financial institutions. Three alternatives were presented:

1. Islamic banks and other financial institutions should follow Islamic Accounting Standards despite the convergence.
2. They should be required to follow global IFRS.

3. They should provide financial statements based on Islamic Accounting Standards and be required to provide reconciliation with global IFRS.

The mean responses vary from 3.42 to 3.61, indicating that the respondents' have mixed views. This suggests the need for application guidance based on research and due process in applying the IFRS principles-based accounting standards to these unique organizations. In open-ended comments, some of the auditors, particularly from big 4 audit firms, strongly suggest that "Islamic banks should follow IFRS; and where there are diversions from Islamic standards, they should reconcile it. In contrast, one accountant states that "Islamic banking has attracted a lot of cash inflows to this part of the world and it is booming. So why do we have to follow others when we can afford to have our own ways and we should stick to our own methods of accounting."

Three statements on the comprehensiveness of IFRS for Bahrain provide additional insight into implementation issues. The statements clearly focus the respondents' frame of reference to their local situation. Table 10 shows that 57.7% agree (3.61 mean) that IFRS are sufficiently comprehensive to address all the accounting issues that are encountered in all industries, and for all transactions; and the mean was significantly higher for the more experienced people. We interpret this as majority satisfaction with the principles-based IFRS. However, the mean of 3.58 for "IFRS adequately address most accounting issues yet are not completely applicable to certain accounting practices such as accounting

Table 11
Reluctance of some countries to adopt global IFRS e.g. USA

Statements	Respondents agreeing Number (%)	Mean	SD	t-test nationality		t-test experience		t-test role	
				Expatriate	Local	Low	High	Auditor	Non-audit
1. IFRS should be used by these countries in place of national GAAPs.	35 (67.3%)	3.98	0.89	4.06 <i>t</i> =0.43	3.94	3.62 <i>t</i> =3.61**	4.43	3.89 <i>t</i> =0.76	4.08
2. Such countries' national GAAPs are more reliable than IFRS and should, thus, continue to be used.	23 (44.2%)	3.29	1.01	3.29 <i>t</i> =0.03	3.28	3.03 <i>t</i> =2.09*	3.61	3.50 <i>t</i> =1.65	3.04
3. IFRS should be used, and then financial information should be reconciled with the national GAAPs.	42 (80.4%)	3.94	0.75	3.76 <i>t</i> =1.19	4.02	3.89 <i>t</i> =0.49	4.00	4.07 <i>t</i> =1.35	3.79

Note: *Significant at 0.05 level.

Note: **Significant at 0.01 level.

for Islamic banks” implies that there are challenging application issues. A mean of 3.42 for “IFRS are based on Anglo-American thought and are therefore, inappropriate to all national environments” also suggests that we can expect important challenges in applying the IFRS principles-based accounting standards to specialized accounting transactions and unique organizations.

Some countries have been reluctant to adopt global IFRS. In the USA, the FASB and Securities and Exchange Commission have proceeded with caution. The FASB and SEC have a history of using a rules-based approach. Table 11 shows that 67.3% of the respondents agreed that IFRS should be used by these countries in place of national GAAPs, indicating support for global adoption of IFRS. However, 44.2% indicated that when countries' national GAAPs are more reliable than IFRS and should, thus, continue to be used. These views on reliability recognize that IFRS may not be reliable in some economic environments or there may be a need for specialized application guidance for some specific accounting issues. We see that 80.4% agreed that IFRS should be used, and then financial information should be reconciled with the national GAAPs for reluctant countries.

4.4. Limitations of the study

The reported results and implications require consideration of the study's limitations. The results are based on a small sample of respondents. Since Bahrain is a small developing country, the population limits the study findings. There is also some possibility that some respondents might have a bias toward providing average or non-committal answers to the questions in the questionnaire.

Non-response bias was not investigated. In this regard, the very high response rates both from the accountants and auditors (more than 50%) were an important consideration.

5. Summary and conclusions

Our exploratory survey of accounting and auditing professionals in Bahrain provides perspective on issues raised in the literature relevant to developing and implementing a single set of global accounting standards. Looking at the absolute means, our survey data shows optimism by that harmonization of accounting standards is a worthwhile objective that can be fairly, but gradually accomplished, but there are challenges. Greater comparability of financial performance was the highest perceived benefit of standardization of accounting principles, as indicated by a mean of 4.59; and greater relevance, reliability, and transparency of financial information of companies in different countries was also viewed as an important perceived benefit of standardization with a mean of 4.19. While the responses identified challenges and disadvantages such as training and audit quality-control procedures, the over all view was that adoption of global IFRS would result in benefits at the international level and would outweigh the costs as indicated by a mean of 4.10. The survey data indicates a view that there will be challenges in applying the IFRS principles-based accounting standards to specialized accounting transactions and unique organizations. Thus, our survey results support Schipper's (2005) view that there will be a growing demand for detailed application guidance for IFRS.

We interpret the survey data as indicating that the respondents have confidence in the IASB, but there are national implementation issues. Expatriates viewed the major advantages of global adoption of IFRS higher than locals, and the means for challenges and disadvantages were higher for locals. National accounting bodies were viewed as having an important role in global adoption and implementation of IFRS. The respondents view the responsibility for building a shared understanding of IFRS to be a joint responsibility of the audit firms, the International Financial Reporting Interpretations Committee and the national regulators in a country, and the mean was significantly lower for expatriates. The need for a shared responsibility for training accountants for the adoption of global IFRS was also evident in the

survey data. Also, national accounting bodies were viewed as having an important role in enforcing the IASB's accounting standards. Overall, it appears that nationalism may well continue to be a major impediment to global adoption of IFRS.

More experienced respondents voiced different views on several issues. The mean of 4.39 for high experienced was significantly higher than low experienced accountants for the statement that harmonization of accounting standards is a worthwhile objective that can be fairly, but gradually accomplished. Experienced accountants tended to have greater agreement with the advantages of harmonization and expressed lower concerns about the challenges and disadvantages. With regard to the comprehensiveness of IFRS for accounting issues in Bahrain, the means for high experience accountants were significantly higher than those with low experience. Overall, this suggests a positive experience in Bahrain and is encouraging for harmonization.

Respondents associated with audit firms expressed significantly different views from accountants in the other roles on several issues. Auditors had lower agreement that the IASB will be in a better position to enforce accounting standards through national accounting bodies. They viewed applying audit firms' existing quality-control procedures to the quality-control procedures related to IFRS and different interpretations of IFRS which may result in divergence as being greater challenges or disadvantages, as compared to others. They also expressed greater agreement that Islamic banks and other financial institutions should follow Islamic Accounting Standards despite the convergence. The auditor viewpoint provides some perspective that enforcement and divergence expectation gaps among stakeholders may lie ahead on path to harmonization.

Since most research on global adoption of IFRS relates to advanced capital markets of the West, especially the USA and Europe, this study extends the literature on IFRS with survey information on a small developing country. Bahrain's distinct features include geographical location and being a financial hub of Middle East, and Bahrain's experience in adopting and implementing global standards is likely to influence other developing countries. More studies on developing countries are needed to provide a research base for policy and implementation decisions. Academic research that identifies and provides insight into specialized accounting transactions and unique organizations that will be challenges in global adoption of IFRS principles-based accounting standards will add value. Since we reported some significant differences in views on implementation issues due to nationalism, practitioner experience, and auditor variables, future studies could provide more insight on these variables. Research on IASB due process and the roles of national accounting bodies in enforcing the IASB's accounting standards is needed.

Appendix A. Supplementary data

Supplementary data associated with this article can be found, in the online version, at doi:10.1016/j.adiac.2008.05.007.

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