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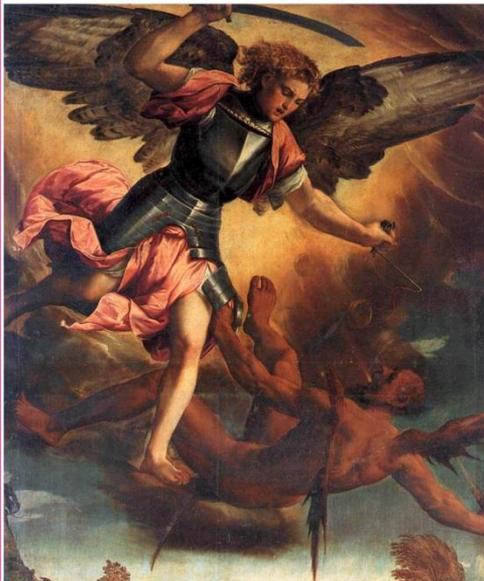
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# General Budget to the Requirements of International Accounting and Applicability in Iraq

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## Abstract

This paper examines the difficulties and open doors for Iraq in changing from its national Unified Accounting System (UAS) to International Financial Reporting Standards. The examination utilized a subjective research approach counting two research techniques. For documented assets to the bookkeeping framework and the strain to change, the content examination was utilized. The results showed that the current circumstance in Iraq is a case of institutional isomorphism, explicitly coercive isomorphism by the World Bank and IMF; mimetic isomorphism by the IOCs and regularizing isomorphism by the Big 4 bookkeeping firms.

**Keywords:** International Accounting, Bookkeeping framework, Isomorphism, Unified Accounting System

# *Presupuesto general para los requisitos de contabilidad internacional y aplicabilidad en Irak*

## **Resumen**

Este documento examina las dificultades y las puertas abiertas para que Irak cambie de su Sistema Nacional de Contabilidad Unificada (UAS) a las Normas Internacionales de Información Financiera. El examen utilizó un enfoque de investigación subjetiva contando dos técnicas de investigación. Para los activos documentados para el marco contable y la presión para cambiar, se utilizó el examen de contenido. Los resultados mostraron que la circunstancia actual en Irak es un caso de isomorfismo institucional, isomorfismo explícitamente coercitivo por parte del Banco Mundial y el FMI; isomorfismo mimético por los COI y isomorfismo regularizado por las empresas de contabilidad Big 4.

**Palabras clave:** Contabilidad internacional, marco contable, isomorfismo. Sistema Nacional de Contabilidad Unificada

## **1. INTRODUCTION**

Gray (1988) in a fundamental paper pondered how a country's political condition influences bookkeeping methods and strategies. Iraq is one such nation. Its bookkeeping rehearses have been impacted over by a long time by the British, the Russian and Egyptian bookkeeping frameworks Alnajjar (2009), and all the more as of late by the rationality of the Arab Baath Socialist gathering that starts its

standard in Iraq in 1968. The Middle Easterner Baath Socialist gathering, in accordance with its logic of control, started the Unified Accounting System (UAS). This is the present framework that Iraq still pursues, mirroring the past incorporated regime's plan.

Proof of the pretended by the expert bookkeeping firms in nations is clear. for instance, the reception of international financial reporting standards in bangladesh was a reaction to the world banks prerequisite that any venture financed by the bank be guaranteed by globally respectable firms of bookkeepers. The most definitive proof Gallhofer et al. (2011), is the situation of Syria. Utilizing interviews with Syrian expert bookkeepers Gallhofer et al. (2011), contemplated the effect of globalization on the nearby bookkeeping calling. They found that the Syrian calling confronted rivalry from the Big 4 bookkeeping firms which undermined nearby bookkeeping and inspecting occupations. What is more, the appropriation and implementation of international financial reporting standardss in Syria required broad and costly retraining of experts (Gallhofer et al., 2011).

## **2. METHODOLOGY**

Hence, to cover the entangled issues examined, both essential and optional information was gathered for this investigation. As a novel strategy in this paper, the optional information incorporated the UAS (generally known as "green book" in Iraq), understandings and records of the World Bank and IMF identified with Iraq, Big 4

bookkeeping company's reports in Iraq. Essential information was gathered through 30 top to bottom semi-organized meetings directed with work force from the administration from the Board of Supreme Review, individuals from Iraq's Local Standards Committee, Iraqi bookkeeping experts and scholastics, the executives in Iraqi oil organizations and universal oil organizations working in Iraq, the executives of worldwide bookkeeping firms working in Iraq and delegates of the World Bank what is more, IMF in Iraq.

ordinarily "full scale" center has as of late been condemned principally since the hypothesis requires more noteworthy reconciliation with "miniaturized scale" clarifications and affirmation of the intelligent nature of institutional procedures. In bookkeeping research institutional hypothesis approaches offer a wide scope of appropriateness for understanding the act of bookkeeping in the organization, and by suggestion, for understanding the selection of universal bookkeeping principles.

As indicated by the above hypothetical talks, the following examination questions were investigated:

1) Which partners impact Iraq's bookkeeping framework; what are the key variables compelling Iraq to change from UAS to the international financial reporting standards?

2) What openings and difficulties in progressing to international financial reporting standards are distinguished in writing?

3) What are the perspectives on key work force about these openings and difficulties for Iraq?

Archives, for example, understandings and reports between Iraq what is more, World Bank and IMF, MNCs, IOCs and Big 4 bookkeeping firms are utilized to discover the connections and the impact of these foundations on Iraq's bookkeeping framework.

### **3. FINDINGS**

Examination of reports of the key players which are influencing the Iraqi bookkeeping framework demonstrates formal outside coercive weights on the bookkeeping framework in Iraq incorporate the World Bank and IMF. Associations use congruity with standards and guidelines to pick up and keep up authenticity and to be acceptably composed from a legitimate perspective (DiMaggio & Powell, 1983).

A prior International Monetary Fund (IMF), expressed that Iraq needs to create systems of activity of financial and money related approaches and the presentation of a lot of changes in the Iraqi economy and modify the records and review as indicated by global gauges. The reports do exclude any investigation about why the UAS is unacceptable for Iraq. However, the strain to receive international financial reporting standards is obvious as expressed in the IMF's nation report: With an end goal to regularize the budgetary relations between the legislature and the CBI, the service of the fund and the CBI are consenting to rebuild all government commitments held by the national bank. This understanding will be executed in portions to

encourage the installments by the legislature, while limiting any conceivable negative effect on the capital of the CBI, taking into thought worthy universal bookkeeping principles.

Institutional hypothesis places that associations look for homogeneity which in this circumstance is the reception of global bookkeeping guidelines with the end goal for Iraq to pick up authenticity in the bookkeeping scene. The World Bank and the IMF, real players in world capital markets, are profoundly inserted in the structures of private enterprise. Their support of a market economy for Iraq is in accordance with the IMF's see that international financial reporting standards economies ought to be found on private enterprise and that no other bookkeeping framework can bolster a showcase economy. By connecting money related help to Iraq with the selection of international financial reporting standards, the IMF and the world bank are pressuring Iraq to embrace international financial reporting standards. Following four years of the World Bank's financial parts change venture, the BSA concurred the National Bank of Iraq would just get ready budget summaries as indicated by international financial reporting standards on a tentative premise (Fatoureh Bonabi, 2017; Farooq & Hussain, 2017).

In its write about the distributions in Iraqi services, to the Iraqi government and the IMF, KPMG expressed its challenges to comprehend Iraq's UAS. Further, in its report, KPMG suggested that Iraq ought to receive global gauges of bookkeeping and to review, in light of the fact that KPMG was not able to express any confirmation

on payment as Iraq did not pursue the international financial reporting standards; or universal principles on Auditing.

Without a doubt, a firm as worldwide as KPMG has the ability to comprehend a bookkeeping framework that contrasts from international financial reporting standards. It is obvious that KPMG is in a roundabout way affecting the requirement for Iraq to receive global new norms. EY in its undertaking report on the Development Fund for Iraq prescribed Iraq to receive strategies and methodology in understanding with the American Institute of Internal Audit models. It gives the idea that the key goal was to bring about closeness with their partners in different associations (DiMaggio & Powell, 1983).

In its give an account of Development Fund for Iraq, 2011 (three a long time after EY's investigate a similar undertaking) PwC expressed that firms in Iraq still utilized same methods, same organizations, what is more, same notes. PwC prescribed Iraqi government to pursue pervious suggestions of EY (in 2008) and KPMG (in 2005) that Iraq should keep on taking cement ventures to actualize and catch up on the past review discoveries and suggestions, including improving monetary detailing and control frameworks over oil send out deals, what is more, key Iraqi services, just as guarantee fulfillment of Iraq's oil trade accounts. The work and reports of the Enormous 4 open bookkeeping firms identifying with Iraq demonstrate the use of regularizing isomorphism (as characterized by DiMaggio & Powell (1983)) in Iraq.

The meetings concentrated on the oil and gas segment since this segment gives around 95% of Iraq's GDP and most worldwide

organizations are as of now working in Iraq are spoken to by IOCs. The examination of those meetings concentrated on five subjects from which the key issues for this think about are drawn. All respondents concurred that the current UAS is diverse in correlation with worldwide gauges for representing oil and gas. Further, they opined that there is additionally a need to adjust UAS for different segments in Iraq to be in line with international financial reporting standards.

Numerous reasons were proffered, for example, the UAS framework is old and was essentially intended to serve focal government; it does not cover the oil and gas industry explicitly, and the primary reason for estimations and divulgences are just for the focal government and not for some other partner. Regardless of these perspectives, the respondents concurred that the BSA couldn't constrain UAS on MNCs and IOCs working in Iraq. However, they are of the view that that Iraq needs the IOCs and MNCs in the remaking of the oil and gas area and different areas after over thirty years of wars furthermore, sanctions (Yang et al., 2019; Soo et al., 2019; Silva et al., 2016).

Another view was that the UAS is a nearby standard which misses the mark when contrasted and worldwide measures for IOCs and MNCs and to enhance this BSA has been permitting IOCs to get ready two reports for duty purposes, one for their nation of origin and one for the host nation Iraq. The instance of IOCs impact over Iraq demonstrates the viewpoint of mimetic isomorphism. These organizations have encountered staff and trend setting innovation and consequently can impact Iraq to adjust their monetary, lawful and

money related enactment. DiMaggio & Powell (1983) remarks are important:

At the point when authoritative innovations are ineffectively comprehended (Walk and Olsen, 1976), when objectives are equivocal, or at the point when the earth makes representative vulnerability, associations may demonstrate themselves on different associations (DiMaggio & Powell, 1983). Numerous interviewees are of the view that Iraqi oil organizations should exploit and work with IOCs, by embracing or adjusting the structure and strategies of these organizations since Iraqi economy totally wrecked, so Iraq needs every single accessible experience from worldwide organizations and worldwide associations in various angles. This is a reflection of Irvine (2008) and reliable with the perspective on DiMaggio & Powell (1983):

Hindrances to the appropriation of international financial reporting standards have recognized: protection from change, progress period, the obligation of preparing staff individually, and the need to break out of the normal and authoritative structure under the old enactment in Iraqi oil organizations just as other mechanical divisions. The opposing change was examined as the most critical challenge by respondents, and all respondents concurred that the fundamental hindrance would be the old staff of the BSA. One of the solid perspectives on the test of moving from routine and hierarchical structure with old enactment in Iraqi oil organizations and other Iraqi organizations to another framework is that it is a type of coercive weight by the World Bank on the Iraqi Central Bank despite the fact that that coercive weight has picked up little as pointed out by a

ranking director in KPMG: The schedule, for instance, there is a notice was issued from National Bank to nearby Iraqi banks in 2011.

This reminder inquired nearby banks to set up their fiscal reports agreeing to international financial reporting standards, yet up to this point, both Central Bank and the nearby bank still use UAS. The present circumstance in Iraq is a case of Institutional isomorphism, all the more explicitly coercive isomorphism by the World Bank and IMF; mimetic isomorphism by the IOCs and regularizing isomorphism by the Big 4 bookkeeping firms in Iraq.

Most respondents felt that the UAS ought to be changed. They bolster their conclusion by expressing Iraq is moving to a market economy, while the UAS is intended for a social or focal arranged economy. UAS does not cover oil furthermore, gas industry explicitly, and the Iraqi Neighborhood Standards likewise do not cover all international financial reporting standards and international financial reporting standards. This is certifiably not a very troublesome issue, given the way that the UAS and the neighborhood gauges can be effectively altered. The move to showcase economy will be troublesome for Iraq, despite the fact that it is pressurized by outside establishments which have been grinding away on the Iraqi government since 2003, through understandings, for example, the concurrence with the UN, IMF and World Bank – appearing the opposite side of coercive weight, which is free enterprise.

A few respondents are against Iraq's change from its UAS to international financial reporting standards. Of these eight respondents, five are individuals from the BSA. Their view is that Iraq should

proceed with its UAS in light of the fact that the UAS as a framework has worked for over 30 years with no serious issues or issues, the procedure of changing to the international financial reporting standards requires numerous elements, for example, a long progress period, changed manual and electronic frameworks which need support from IT foundation, changed College educational programs and preparing, and the present circumstance in Iraq makes doing this undertaking troublesome, if certainly feasible.

#### **4. CONCLUSION**

The present circumstance in Iraq is a case of Institutional isomorphism, all the more explicitly coercive isomorphism by the World Bank and IMF; mimetic isomorphism by the MNCs IOCs and regularizing isomorphism by the Big 4 bookkeeping firms in Iraq. The bookkeeping framework in Iraq (UAS) is presently confronting coercive weight from outside establishments, spoken to in the World Bank and IMF. The World Bank is forcing Iraq in the financial part, and the IMF is on Iraq's money related strategy. Therefore, both the World Bank and IMF have utilized terms like transparency and disclosure to compel the change, especially in oil and gas division to embrace the international financial reporting standards.

As for confirmed previously, IOCs likewise utilized strain to guarantee Iraq received another oil and gas law in 2007 that allowed them to put resources into Iraq's oil and gas fields. IOCs keep on

utilizing their strain to get greater speculation openings in Iraq. In 2011 and 2012 four joint endeavors by the IOCs with Iraqi government were built up. These four joint endeavors make bookkeeping progressively confounded regarding which norms the joint endeavors ought to pursue – the UAS or the international financial reporting standards.

Directors in Iraqi oil organizations and scholastics) referenced that the Iraqi oil organizations could be mimetic with strategies of the IOCs as IOCs have created innovation, the executive's structure and experience staff. The job that the Big 4 bookkeeping firms play in Iraq which has all the earmarks of being a standardizing strain to push nations to receive INTERNATIONAL FINANCIAL REPORTING STANDARDSs. In Iraq, these organizations do not have separate weights to embrace IASs, yet they help IOCs to get ready reports agreeing to UAS for Tax purposes. Further, its work in Iraq depends on the World Bank and IMF, truth be told, these organizations like an apparatus utilized by the World Bank and IMF to accomplish their destinations in Iraq.

The BSA yet keeps up a solid position in Iraq and utilizations it inward and formal institutional strain to keep UAS. It is a certainty that the UAS does not cover the oil and gas industry in particular since it planned in the 1980s and around then, there was no IASs or international financial reporting standards. The UAS is as yet working without refresh. The shortcomings in UAS with respect to the extractive ventures are an impression of the bookkeeping medicines all around for these ventures. Indeed, even international financial

reporting standards 6 does not cover every one of the points of interest of this industry while giving the extraordinary opportunity to the monetary units in the decision of bookkeeping medications, which make money related examination and assessment in this industry progressively troublesome and complex.

While establishments, for example, World Bank, IMF and WTO are guaranteeing that creating and developing economies embrace international financial reporting standards so as to end up a piece of "Globalization" to bring more chances and advantages to their nations, there is no notice about the advantages gotten by each of these foundations and created nations in this procedure of globalization. "Globalization" on account of Iraq interprets into opening the economy's ways to MNCs and IOCs (from created nations) to work in Iraq. In doing as such, these foundations have attempted to replace oil and gas laws in Iraq to permit them further interests in Iraq. The writing appears the job of Big 4 bookkeeping firms in driving nations to embrace international financial reporting standards so as to accomplish uniform bookkeeping guidelines internationally. On account of Iraq, there is no job for these organizations, yet this examination gives proof about a solid connection between these organizations and settler foundations working in Iraq.

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