



Accounting Standards in Arab States

* Mr. Mohammed Fuad Saeed Al-Dubai ** Prof.J.V.Joshi

* Research Scholar of School of Com and Magt sci, SRTM University, Nanded

** Professor and Dean Faculty of Management Studies, SRTM University, Nanded.

ABSTRACT

The spread of multinational corporations in the world and the increase of its activities and the expansion of international businesses led to the emergence of accounting problems in regard to accounting practices and adopting the accounting standards as a major challenge for local institutions in Arab States. This, in turn, led these countries to make radical changes in the accounting systems so that they can keep the pace with recent economic developments going on in the world. It is obvious that the effort in such countries was focused on laying the foundations and rules for the accounting profession which have resulted in what has become known as the standards of generally accepted accounting principles. Unlike the advanced countries of the world, Arab States commissions or committees are working in slow pace on the organization of the accounting profession, except for some scattered efforts in some countries as in the kingdom of Saudi Arabia. However, in most other countries of the Arab States such as Egypt there are no specific criteria adopted to organize the accounting profession viz., they adopted the international standards as they are regardless of the needs of national organization in the country.

Keywords : accounting standards, accounting profession, Arab world.

Introduction:

The past decade has witnessed major changes at the global and local levels touched by various aspects of accounting. It brought about radical changes in terms of the intellectual framework or methods of accounting practices used and the benefits obtained from the outputs or the sound understanding of the nature of accounting study or research. Further, it has witnessed contemporary developments in the business environment, an increasing trend towards the establishment of joint stock companies, stimulation of the capital markets, and an increase of the need to useful financial information to be relied upon in making economic decisions different.

In order to achieve the purpose of the accounting standards it must be prepared in the light of a framework in mind along with clear and integrated links among the objectives to be achieved in addition to the concepts and principles on which the accounting standards can be based on to achieve these objectives. Thus, the framework is intellectual as well as an integrated system of objectives and concepts which is able to achieve coordination between standards that determine the nature and function of accounting and financial reporting and their limits too.

Accounting Standards Adopted in the Arab States:

The International Accounting Standards should be the focus of attempts to harmonize accounting practices whether among the Arab States themselves or among the Arab States and other countries of the world for many reasons which can be addressed in what follows(1):

- I. The deep difference exists among Arab States in regard to the accounting standards adopted.
- II. The Arab countries are not among those advanced countries in the field of accounting. So, it is not wisdom to overlook or ignore the progress the world has accomplished in the field of accounting.
- III. The International Accounting Standards Board is run democratically and pursues a democratic approach in the preparation, discussion and issuing of the accounting standards.
- IV. The Committee of International Accounting Standards Advisory Group includes representative of international

organizations who prepare and use the accounting information and global markets for stocks. Moreover, it includes representatives from all of the accounting development authorities and the authorities of accounting standards legislators.

- V. The prevalence of regional economic agglomeration phenomenon in many countries around the globe as a means of meeting the challenges of globalization and the wild global competition.

Compatibility of Arab Countries Standards Strategies with International Accounting Standards:

Adoption of international accounting standards is considered a main feature as it is the case in some of the Arab countries like Egypt, Jordan, Iraq, and the Gulf States to organize the accounting policy and as an integrated foundation for the financial report (2). In Egypt, for example, we find that the accounting standards are issued according to some of the International Accounting Standards. At the level of Arab integration strategy, the Accounting and Auditing Authority for the Gulf Cooperation Council for the Arab Gulf States has been established to do the tasks related to organizing and developing the profession of accounting and auditing in the GCC countries and to achieve coordination and unification and integration of international accounting standards among them and particularly reviewing, developing, preparing, and adoption of the professional standards of the accounting and auditing standards and the principles and rules of conduct and ethics.

On the other hand, there is an obvious international trend to adopt international accounting standards as one group of the financial report standards generally accepted at the international level to be mandatory used in the future by thousands of institutions at the global level as an essential source for the financial report standards. It has been obvious, too, that most public companies and existing clients with the European Union found it a necessity to adopt international accounting standards. They started applying such standards in 2005 for the financial report of the activities. However, according to the EU regulations, it was allowed to postpone the adoption of international standards of accounting until 2007, whereas

this was under certain conditions and limited cases as many countries in the world have tended to.

This growing trend of interest in international standards of accounting has become a trend that is not only adopted in public institutions registered in the financial markets, but also the direction of several governments and regulatory bodies of accounting policies in many countries of the world to adopt international standards to meet the needs of local organization and international accounting policy relating to various aspects of the financial report(2) and the different circumstances in the strategy of building standards and local assessment of the needs to adjust to the international standards with proposing strategies to reconcile Arab standards to be compatible with the global trend of the globalization of international accounting standards.

From this sense, we can say that many countries and bodies that have developed standards of accounting according to strategies disconnected from the international standards have been suffering from special problems when dealing with international institutions finding themselves in the face of these problems. That is, whether to follow national standards which cost them so much, to be forced to adopt the international standards directly, or choose a strategy appropriate to conform the national standards to international accounting standards.

On the other hand, at the Arab states level, in the coming period, it is expected to apply accounting standards issued by the Gulf Accounting and Auditing Authority of Gulf countries. These standards are originally developed in the light of the "GCCAOC" cooperation to the Arab Gulf States regional conditions of the member states of the council, taking into account the existence of international accounting standards and background of American Standards in order to do everything which would organize and develop the profession of accounting and auditing system in the GCC countries and to achieve coordination, standardization and integration of international accounting standards in these countries particularly reviewing, development, preparation and adoption of professional standards of the accounting and auditing standards and codes of conduct and ethics.

The Possibility of Applying the International Accounting Standards in the Arab States:

In this part of the paper, we will review the experiences of some Arab countries in adopting standards linked to the international standards or in accordance with them. In Egypt, for example, the accounting standards were based on international basis or at least in a manner that accord with them with some modifications that suit the situation in Egypt. For Saudi Arabia, unlike Egypt, the standards issued were not based on the international standards, but rather they were based on the national and the American backgrounds. The kingdom issued some national standards addressed Zakat, primary financial reports, and initial marketing and administrative expenses. However, the standards of the kingdom of Saudi Arabia need to adopt a strategy that agrees with international standards to enable these authorities to deal internationally. The experience of the Cooperation Council for

the Arab Gulf States (KSA, Bahrain, Qatar, Oman, UAE, and Kuwait.) got a different trend. They aim at achieving coordination, integration and interdependence among the states themselves in all fields in an attempt to attain unity and to deepen and strengthen the links and cooperation between their peoples in various fields. Thus, the accounting and auditing authority of the cooperation council for the Arab Gulf States was established based on a decision of the higher Council of the Gulf Cooperation Council and the commission began its work in 2001.

The most important objectives of the cooperation council for the Gulf States behind establishing this authority are (3):

- I. To review, prepare, adopt and develop the professional standards particularly those related to the accounting and auditing standards and codes of conduct and ethics.
- II. To do everything possible to organize and develop the accounting and auditing profession in the GCC countries as well as to achieve coordination and integration among them.
- III. To develop and to consolidate profession planning methods including the proposal of amending, developing and unifying the regulations and laws governing it and the licensing procedures of conducting it.
- IV. To upgrade the level of professional performance, to prepare and implement the continuing education program affiliated to the profession.
- V. To set up an appropriate regulation for the controlling field of performance of chartered accountants and to follow-up and evaluate the professional performance.

The evaluation of the standards issued by the gulf cooperation council authority can be as follows:

- I. The Standards of the commission and its activities reflect the pioneering experience in the construction and integration of Arab accounting standards.
- II. The Standards issued by the commission were not based on the international accounting standards. But rather, they were based on the regional circumstances and the background of the American standards.
- III. The number of standards adopted is less than half of the number of the international standards (13 standards only).

Gulf accounting standards:

It has been noted earlier that the accounting and auditing authority of the cooperation council for the Arab gulf states has been established in order to do everything possible to organize and develop the profession of accounting and auditing in the GCC countries and to achieve coordination, unification and integration of the accounting system among them. Further, it was established to develop, review, prepare and adopt the professional standards of the accounting and auditing standards and rules of behavior and ethics (away from the mere translation of the international standards adopting regional and national circumstances to build such standards). This can be embodied in the number of standards issued by this authority (GCCAOC'S Authority) which can be shown in the table below:

Standards 1: General Presentation and Disclosure	corresponds to the international standards no.01
Standards 2: Fixed Assets	corresponds to the international standards no.16
Standards 3: Intangible Assets	corresponds to the international standards no.38
Standards 4: Inventory	corresponds to the international standards no.02
Standards 5: Investment in Securities	corresponds to the international standards no.40
Standards 6: Revenue	corresponds to the international standards no.18
Standards 7: Accounting for Leases	corresponds to the international standards no.17
Standards 8: Foreign Currency Transactions	corresponds to the international standards no.21
Standards 9: Interim Financial Statements	corresponds to the international standards no.34
Standards 10: Research and Development Costs	corresponds to the international standards no.09 before
Standards 11: Disclosure of Related Party Transactions	corresponds to the international standards no.24
Standards 12: Consolidated Financial Statements	corresponds to the international standards no.27 before
Standards 13: Segment Reporting	corresponds to the international standards no.14

Source: www.europa.eu.int/abc/governments/index_en.htm.

These standards will be applied to countries members of GCC (Kingdom of Saudi Arabia, Kuwait, Qatar, the United Arab Emirates, kingdom of Bahrain, and Sultanate of Oman) after getting them reviewed

Conclusion:

The development of accounting standards is an essentially continuous process that must be responsive to the changes and developments going on in the global markets and the increasing needs of information of the investors around the globe.

It has been put clear that the Arab states got different trends towards considering the international accounting standards by their accounting systems. That is, some countries adopted the international standard as they are like Egypt. Some oth-

ers tried to adopt national standards along with the American standards like Saudi Arabia while the others, like GCC countries, are still trying to get their accounting standards consistent with the international standards. Therefore, it is our belief that efforts of the Arab states in the coming period must be based on the following key issues: to develop accounting standards and practices based on the culture of these countries and to promote for a good understanding of the financial statements issued by various companies by the investors and decision makers. Also the attempts should be focused to unite the efforts of Arab states towards the delivery of voice to the Council of International Accounting Standards to take into account the demands and needs of these countries. Further, the efforts then should lay the foundations of scientific institutions that controls and govern the accounting and auditing profession in accordance with regulations and local laws.

REFERENCES

1. Bayoumi Hefnawi and Shawqi Abdul Aziz, 2004, "A Proposal of Harmonize of the Accounting Practices". Arab Fourth Conference to Harmonize Data Integration". Arabs Integration Tool of Facing the Challenges of Globalization", Alexandria University, Pag 387. | 2. D.J. Gannon and Alex Ashwal Financial Reporting Global Journal Of Accountancy - Online, issues Sep 2004. | 3. <http://www.gccao.org>. | 4. Source: www.europa.eu.int/abc/governments/index.en.htm.