

## **The Effect of Auditing Firms and Tax Legislations In Implementing The International Accounting Standards In Libya**

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**ABSTRACT:** *The auditing offices are considered as the main axis in inserting the international accounting standards due to their long and wide experience in accounting domain, conducting the auditing works, checking the financial statements and preparing of financial calculations according to the accounting bases and principles. In this paper, the structural relationship between Audit Firms and Tax legislations from one side and the International Accounting Standards in the other side is investigated. This study aims to study the effect of audit firms factors and tax legislations in implementing the international accounting standards in Libya. The research focus on quantitative method with closed ended questionnaire. The populations targeted are the accountants, audit firms, and professional bodies in Libya. The paper finds that the major changes in the country audit firms and tax legislations provided a momentum to the formulation of Libya Accounting Standards and has a significant effect in the implementation of International accounting standards in Libya.*

**KEYWORDS:** *auditing firms, International Accounting Standards, Libya, tax legislations*

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### **I. INTRODUCTION**

In the past, international accounting standards (IAS) were issued by the Board of the International Accounting Standards Committee (IASC). The new set of standards has been known as the international financial reporting standards (IFRS) and has been issued by the International Accounting Standards Board (IASB). The need arose to make the necessary efforts to build an international trend of Accounting and strengthen the accounting profession on an international scale so that the professions are interlinked. The international accounting standards and practices on an international scale has been the fundamental change in recent years. This initiative's goal is to have a coherent set of accounting standards and practices that provide national and international decision makers with a relatively homogenous information product that is comparable and reliable.

Accounting profession in Libya faces the same problems which face the developing countries; these weak points have clearly affected the adoption of international accounting standards in Libya. Some of these negative points can be pointed out, such as the insufficient number of qualified accountants and the lack of a recognized professional association that can carry out a study and remedy the defects according to the required level and also the absence of local accounting standards that can be applied in the professional practices. The diverse treatment with a single subject is still dominant within the high of the Technical Term. According to the recognized accounting standards, also the lack of appropriate professional institutes for training and qualifying the students up to the required level that can match the needs of today and the speedy changes that cant took place in the accountancy field. These rapid changes are speedier now because of information technology. These challenges are not less than opportunities that were available for the accountant to develop himself and promote his level the non-existence of a professional association that affected the development of accountancy and financial management and other related issues and promote capacities practice and professional conduct between members, maintaining of professional independent of members and doing all necessary things that project the reputation of profession (Abuzaid, 2006). Although Libya had witnessed many essential changes in the different accounting fields, but the accounting system in Libya is very stagnant and no changes were observed for promoting the accounting system in Libya since the western systems were adopted, the accounting system in Libya is imported from outside and not developed as a response to the local environment requirements and specifically imported from the united states and UK. One of the important factors that need to be studied is the auditing firms together with the tax legislations and how this factor can affect in a way of another in implementing the international accounting standards successfully in Libya. In the following sections, the literature review, research methodology, data analysis and results are presented to see how the economy of a development country like Libya can affect the assertion of international accounting standards.

## **II. LITERATURE REVIEW**

Eleni (2011) attempted to combine the developments in the accounting area with those in the auditing area. The sample used represents about 20 percent of the whole number of listed firms in Athens Stock Exchange. The finding shows the effect of International Financial Reporting Standards (IFRS) on the auditor reports and notes. It is realized that the auditor notes and the equity adjustments are positively related to the notes that accompany financial statements. Another study by Jasim and Shahrokh (2011) examined the effect of 41 independence enhancing and threatening factors on the perceptions of auditor, bank-loan officers, and financial analysts regarding auditor independence in Bahrain. Out of the total sample size, 62.4% usable questionnaire responses were received. The three groups agree on the classification of the 41 factors into two groups however, they do not agree on the relative importance of those factors on their perception of auditor Independence. A study by Kee, and Chris (2011) investigated the impact of the implementation of IFRS on the competitive advantage of audit firms of diverse size in an emerging economy. The study also evaluates the capabilities of these audit firms to audit IFRS. Results showed that small audit firms are able to concentrate solely on the companies that are complying with PERS in order to generate audit revenue.

The new Chinese accounting standards was evaluated by Shuang and Zhong (2008). They used the unique data from CSRC and find that new CAS has more explanation power and the difference between the new and the old CAS has incremental information content. This evaluation shows that the Audit firms in china are involved in evaluating the accounting standards. In 2006, Aljifri and Khasharmeh investigated the suitability of the international accounting Standards (IAS) to the United Arab Emirates (UAE) environment. The major finding shows that the companies examined have vigorously adopted IASs and 87% of the companies disclosed their financial information in English language which can be considered as a robust factor for adopting IASs. An examination for the Australian auditors' interpretation of selected key uncertainty expressions was done by Psaros et al. (2003). These expression include virtual certainty, expected, reasonable assurance and possible, contained in Australian accounting and auditing standards. The results showed that compared with the less experienced auditors, the more experienced auditors demonstrated greater variability in their interpretations of uncertainty expressions.

In a study for Joshi and Ramadhan (2002), the accounting practices and the degree of adoption of IAS by small and closely held companies in Bahrain were examined. The result of the study showed that 86 percent of the companies applied IASs. It also revealed that external auditors exerted the greatest influence on firms to adopt IASs. In addition, it was found that 90 percent of the respondents fully agreed that IASs help to achieve the objectives and improve the effectiveness of corporate financial reporting. There is a strong relationship between auditing firms and the tax legislations. The imposition of taxes and the issuance of laws and tax legislations to the existence of some differences between financial accounting and tax accounting, created a fundamental difference between the concept of accounting profit and taxable profit. In this way, the accounting profit is determined by application of accounting standards; while the taxable profit is determined by modify accounting profit according to the tax legislation. The temporary differences arising between accounting profit and taxable profit lead to the postponement of payment of taxes to future periods and accelerate the payment of tax in the current period (Abuzaid, 2006). Based on the mentioned above, we can clearly realize that there is a strong relationship between auditing firms of a country with the tax legislations in implementing and applying the international accounting standards. In the following section, an investigation with data collection is done to see how this relationship goes in the Libyan context.

## **III. METHODOLOGY**

In this section, the effect of audit firms and its mediating variable tax department to implement the international accounting standards in Libya is explained.

### **International Accounting Standards**

The development of the profession in Libya is the most important thing needed in order to implementing international accepting accounting standards. Establishment of development accounting centres in the country to facilitate familiarity with new research and be able to exchange information should be accomplished. The accountants going on the accounting principles are generally accepted in the field of the profession and the foreign offices operating in Libya played an important role in inserting the international accounting standards where the national offices benefit from occupational data and information issued by the professional accounting bodies in America and Britain. Also would be increase the development of accounting if enrol international accounting accepting standards profession after the national economy experienced will be tremendous development, covering various activities, including expanding the ownership base and the emergence of contributing companies and encourage foreign investment and the establishment of joint companies in addition to the start of the activity of the stock market and efforts to join the Libya to the World Trade Organization and with what occurring nowadays in the world as great advances in the methods of science

and technological knowledge with the increasing amount of competition between the various projects of local and international to provide the best services to meet the wishes of the members of human society and the satisfaction of its growing, diverse and in front of such facts and as a natural result it appears and highlights the importance of financial and accounting information that contribute to the success of these approaches and in considering the accounting as a profession and the system and as a tool to assess the performance of financial information useful to make the right decisions for the recruitment and allocation of funds and maintain assets and operations planning.

### **Audit Firms**

The auditing offices are considered the main axis in inserting the international accounting standards due to its long and wide experience in the accounting domain, the conduction of auditing works, the checking of financial statements and preparation of financial calculations according to the accounting bases and principles. The audit firms also serve the foreign parties and this led to necessity of organizing the process of disclosure and asserting the accounting policies nationally and globally by adopting the use of the international accounting standards which is the complement loop between the theory and application. The international accounting standards are not a tool for public disillusionment but it is an expression about the manner of applying of certain accounting principle. The accounting theory is the intellectual frame and the standards are the applied frame to organize the practical exercising. Therefore, the accounting office's done their best to rehabilitate and train their elements and raise their level to enable them working with international accounting standards. In addition to that, forming occupational associations deal with international accounting standards by explaining IAS and preparing interpretations. The Libyan universities have inserted IAS to the accounting academic subjects, which clarify the correlation range of auditing offices on inserting the IAS in Libya. The accounting offices perceive that adopting IAS will lead to adopt the modern methods where the financial statements prepared according to IAS depend on the principles measuring and disclosure. In this way, the process of laxative accounting will be more credible and the accounting offices will be more confident to insert IAS which will lead to the recourse of the foreign companies operating in Libya. The laws and legislations should convoy the particular developments of accounting standards concept according to the work's requirements in companies after the latest developments, where such companies became global and multinational and many countries especially developed countries issued laws and legislations to straighten and narrowing the phenomenon of pettifoggery and skulduggery in management of such companies and working on auditing the financial statements and increasing the confidence in it to guaranty the rights of investors, owners and employees in such companies and ensure the development of society's foundations and protection of consumers here we confirm that the development is not only lurking in issuing laws and legislations which call us to say that Arabic and Islamic countries should take more advertence about the subject of international accounting standards and give it the worthy importance and working on issuing the convenient laws and legislations to the global developments and interlocution in economical work and the opening up of markets on external investments, therefore it became a necessity to ensure international accounting standards conveying to such developments.

### **Conceptual framework and measurements**

The conceptual framework that is going to be used is shown in fig 1. This framework shows that the auditing firms have an influence on the tax department and the tax department influence on the implementation of international accounting standards. The auditing firm's measurement which is the independent variable are government bodies, presentation of FS, introduction of IAS, preparing accounts, laws issued, attention MNC and balance sheets. The measurements of tax department which is the mediating variable are requesting MNC, agreement between auditing firms and tax department and relationship between them. In the implementation of international accounting standards, the measurements are content familiarity, process smoothness, major problems, accounting department, barriers, promotional and clients. All of these measurements are attached with the demographic values for each respondent. The tables 1, 2, 3 and 4 show the details of each measurement in the conceptual framework.

### **Research Hypothesis**

- 1- Audit firms have positive affects in the implementation of international accounting standards in Libya.
- 2- Audit firms and Procedure of Tax Department has positive significant relationship to the implementation of international accounting standards in Libya.

### **Research Method & Data collection**

Researcher would be keen on the referendum must be short as much as possible, clear and accepted by the respondents, because if a questionnaire is too long and too complex, it will jeopardize the rate of full responses obtained. In turn, this weakens the statistical robustness of the results. Questionnaire need to be translated, taking into account the test translations, wordings, and question formulations through quantitative end-user tests. Questionnaire will be designed as follows: Total 25 questions ( 17 Research +8 Demographic) part1: Introduction to respondents, Instructions and organizing questions, Demographic data, part2: the dependent variable which is going to be the international accounting standards describe how the employees receive the idea of using IAS to prepare B/S, I/S in Libya. Part3: explain the Audit firms and tax department and how they influence to implement the international accounting standards. The relevant target population of focus to the study is the private offices (consulting and audit firms) employers in domestic and foreigner companies and student universities in Libya. The sampling method that has been chosen is proportionate stratified random sampling to cover 30 offices in Libya. Responses will be completed the questioners. The sample size we need it is 30 private offices consist it of 30 managers and 350 employees of audit firms and 70 students of universities under training in the offices. The SmartPLS software is used to analyze the data collected. In this research, using Quantitative study typically relies on the following methods for gathering information: Questioners and a self-administration questionnaire will used to measure the factors under investigation. If data are collected haphazardly, it will be difficult to answer our research questions in a conclusive way. Advantageously use a combination of different data collection techniques. Identify various sources of bias in data collection and ways of preventing bias. A skilful use of a combination of different techniques can reduce the chance of bias and will give a more comprehensive understanding of the topic under study. To analysis data, the data collected from questionnaire will be edited and then will be encrypted using scanner sheets. Finally, entering the data from scanner answer sheets directly into computer is done. After that, the process of data analysis by using the program SmartPLS will be done in order to get a feel for the data, testing the goodness of data, and testing the hypotheses using appropriate statistical analysis.

## **IV. FINDINGS AND DISCUSSION**

The descriptive statistics of the sample was first revealed from the dataset. Then the data was analyzed to be used in SEM according to requirements of SEM: the data was explored for missing parts and the outliers: the distribution shape of the data was examined: Exploratory factor analysis was conducted. The detailed results of these stages are given in the following subsections.

### **Demographic profile**

This section analyses the various demographic characteristics of the respondents. Supporting tables and figures are provided with comparative information between the profiles. The overall demographic profile of the respondents is shown below. A total of 450 respondent's useable questionnaire were managed to collect according to the number of total accounting firms in Libya that are engaged in the accounting professions. As shown in Table 5, majority of the respondents were male in gender. The male respondents were consisted of 450 (100%). Besides, the majority of respondents, 53 (11.8%) were having their own office, partner officer comprises of 81 (18%) respondents and other career centres were in total of 316 (70.2%) respondents. Next demographic profile was for experience of the respondents on practice of profession. It consists of 53 respondents (11.8%) of less than one year, 1 to 5 years experience was found to have 181 (40.2%) respondents, 56 respondents (12.4%) were having 6 to 10 years of experience in their profession whereas 107 (23.8) respondents were having 10 to 15 years of total experience, and finally around 53 respondents (11.8%) were found to have above 15 to 20 years of experience. From the total 450 participants of the data collection in this study 341 respondents (75.8%) works their practice of profession as a full time, whereas the rest 109 (24.2%) respondents practice their profession as part time basis. Now it comes to the number of employees in their office and their capacity of work load. Around 49 (10.8%) respondents were chartered Accountants, group of partners performing their profession were 85 respondents and finally chartered accountant assisted by other assistants was found to be 316 (70.4%). Finally, to explore relationship between international accounting standard and other independent variables (i.e. political factors, economic factors, stock market, audit firms and tax department), the composite mean was calculated for each conceptual constructs included in the proposed structural model. The results of analyses using *t*-test demonstrated that there were no statistically significant differences at the .05 level between International Accounting Standard and independent variables in terms of Implementation of international accounting standard (*p* values ranged from .080 to .780).

### **Exploratory Factor Analysis (EFA)**

In this study, EFA has been used before the confirmation steps suggested hereinafter identifying items which do not have the common core but which do produce additional dimensions and/or theoretical common grounds that might not have been detected through the review of literature; factor analysis was used to confirm whether the number of dimensions conceptualized can be verified empirically. In order to conduct factor analysis there are some of considerations that need to be kept in mind. First of all sample size plays an important role. (Ramsay, 2005) suggested that 300 cases are enough for the analysis. This study provide sample of 450 cases which is enough to conduct EFA. Analysis of the measures for this study was performed through a two step process. First, exploratory factor analysis (EFA) was used to construct uni-dimensional scales. Some analysts like to perform a factor analysis on the data before doing anything else in the hope of determining the number of dimensions underlying the construct. Factor analysis can indeed be used to suggest dimensions. Much less prevalent is its use to confirm or refute components isolated by other means (Churchill, 1979). In this study, EFA has been used before the confirmation steps suggested hereinafter identifying items which do not have the common core but which do produce additional dimensions and/or theoretical common grounds that might not have been detected through the review of literature; factor analysis was used to confirm whether the number of dimensions conceptualized can be verified empirically.

Next, the reliability and internal consistency of the multiple items constituting each construct was estimated by the item-total correlation analysis. Beyond the examination of the loadings for each indicator on a relevant factor, composite reliability and variance extracted for a latent construct was calculated separately for each multiple item construct in the model. Finally, the convergent and discriminant validity of the measures was assessed through confirmatory factor analysis (CFA) with inter correlated factors. Second the Kaiser-Meyer-Olkin measure should be greater than 0.5, otherwise the sample is not adequate. The KMO measure is .92.2 which is greater than the required value and shown in table 6. Also the p value of Bartlett's test of sphericity is considered and this value should be smaller than .05; p (Sig.) value is .000 for this study which is consistent with the required value. According to KMO and Bartlett's test, the data set is suitable for EFA. According to the results reached from pattern matrix, the items did not load any of the factors were extracted from the data to be used in confirmatory factor analysis (CFA). Also the items having factor load smaller than .4 were extracted from further analysis.

### **Exploratory Factor Analysis of Audit Firms**

The Table 7 shows the KMO and Bartlett's Test results for Audit firms. The KMO measure is .935 (given in table 7) which is greater than the required value. Also the p value of Bartlett's test of sphericity is considered and this value should be smaller than .05; p (Sig.) value is .000 for this study which is consistent with the required value of political factors. According to KMO and Bartlett's test, the data set is suitable for EFA.

### **Exploratory Factor Analysis of Procedure Tax Department**

The Table 8 shows the KMO and Bartlett's Test results for Tax Department. The KMO measure is .725 (given in table 8) which is greater than the required value. Also the p value of Bartlett's test of sphericity is considered and this value should be smaller than .05; p (Sig.) value is .000 for this study (given in Table 8) which is consistent with the required value of political factors. According to KMO and Bartlett's test, the data set is suitable for EFA. According to (Tabachnick, Fidell, & Osterlind, 2001) the probability of the sampling that is examined from the variables can be increased by maximum likelihood extraction method. Maximum likelihood estimates the population values for factor loadings. So in this study the varimax rotation and maximum likelihood extraction methods are used for factor analysis.

### **Reliability Test**

After interpreting the pattern matrix, the factors were given name according to the literature. Then each factor' Cronbach's alpha value was checked for reliability. The minimum required Cronbach's alpha value is .7. Accept the factor Audit Firms other factors met the required value. The Cronbach's Alpha value of Audit firms is not extremely different from the required value, so it is included in the further analysis. The reliability analysis shows if the factor is reliable or not for further analysis. The respondents of the survey may comment the questions differently from other respondents since they could misunderstand the questions. In this case the reliability analysis shows these meaningless variables in given factors. In reliability analysis the Cronbach's alpha of the factors should be greater than 0.70 for a reliable result. If the factor consists of 2 or 3 variables, this rate can decrease to 0.60. It is difficult to assess reliability test for formative constructs with PLS. Thus for the reflective constructs, reliability of the scale was measured. Next, the reliability and internal consistency of the multiple items constituting each construct was estimated by the item-total correlation analysis. Beyond the examination of the loadings for each indicator on a relevant factor, composite reliability and variance extracted

for a latent construct was calculated separately for each multiple item construct in the model. Finally, the convergent and discriminant validity of the measures was assessed through confirmatory factor analysis (CFA) with inter-correlated factors.

### **Validity of the Actual Data**

The validity of the data was assessed using the methodology adopted in similar research. Validity is the extent to which the data collected truly reflect the phenomenon that is being studied. Validity is used to assess the true meanings of response made in survey. (Sekaran, 2003) suggested several types of validity tests for testing the goodness of measures include content validity, criterion-related validity, and construct validity. Construct validity is used in this research testified to how well the results obtained from the use of the measure fit the theories around which the test was designed. Construct validity is established through correlation analysis and factor analysis. Correlation analysis is one way of establishing construct validity for this research. It indicates that the items that are indicators of a specific construct should converge or share a high proportion of variance in common. In other words it assess the degree to which two measures of the same concept are correlated, with high correlation indicating that the scale is measuring its intended concept.

### **Hypothesized model**

In this chapter, data analysis procedures are discussed first and followed by the results of statistical tests related to the hypotheses. The chapter concludes with presentation of the hypotheses tests. The research hypotheses were tested using structural equation modeling (SEM). SEM has two main components, a measurement component and a structural component. The measurement model describes how well various exogenous variables measure latent variables, i.e. it determines the relation between indicators and constructs, and enables the researcher to evaluate whether the constructs are measured with satisfactory accuracy. A confirmatory factor analysis is a measurement model, and determines how well various variables describe a factor or factors, or latent variables. The measurement models within a SEM incorporate estimates of errors of measurement of exogenous variables and their intended latent variable. The second component of a SEM is the structural component. The structural model describes the relationships between latent variables (i.e. constructs), and is used to test and analyze the hypothesized relationships. SEM allows for direct, indirect, and correlative effects to be explicitly modeled, unlike standard regression models, which allow only for explicit modeling of direct effects. It is the structural component of SEM that enables the analyst to make substantive statements about the relationships between latent variables, and the mechanisms underlying a process or phenomenon. The structural component of SEM is a kin to a system of simultaneous regression models. Anderson and Gerbing (1988) and Mohamed (2002) suggest that both the measurement model and the structural model should be assessed sequentially, as this two stage approach reduces the likelihood of interpretational confounds because the validity of the constructs is established prior to investigating the hypothesized relationships. To know the influence of the exogenous variables on the endogenous variable it is very important to link the variables to each other and know the influence between each other. The hypothesized model shown below has linked each other to get an overview of the analysis. The researcher's task is to know the influence between the variables and detect the observed variables having more importance to the dimensions of the endogenous and exogenous variables.

### **Measurement Model**

Generated model shown above indicates the result of the hypothesized model without any changes in the modification indices. The standardized estimated is not considered to be fit as the criteria for the model fit is not up to the level. Thus through the re-specified model the model will be evaluated and try to make it fit. There was found to have statistically significant effect of Tax department on implementation of International accounting standard ( $b = 0.0890$ ,  $p < 0.000^{**}$ ). An interaction effect using re-specified model was conducted to confirm the significant relationship between tax department and implementation of International accounting standard. The significant level of factor loadings interaction between variables confirmed the influence in implementation of International accounting standard. According to Cohen and Cohen (1988), if the influence of predictors more than 40%, the study has confirmed the indicators are able and significant to figure the phenomena. The relationship between Audit firms and tax department was found to have very high and significant impact. It was found to have 0.8282 (82.8%) impact on tax department. This says that the relationship between them is directional. I.e. when there is one unit of increase in the Audit firms there is 0.828 unit of increase in Tax department performance. Additionally, also the relationship between the control variable tax departments with the implementation of international accounting standard was critically analyzed. Table 10 and 11, shows the result of the hypothesis used in this study. From the finding it was known that all the variables and constructs are having positive and supporting relationship and impact between them. Thus it is considered that the model is fit for the study.

I. FIGURES AND TABLES

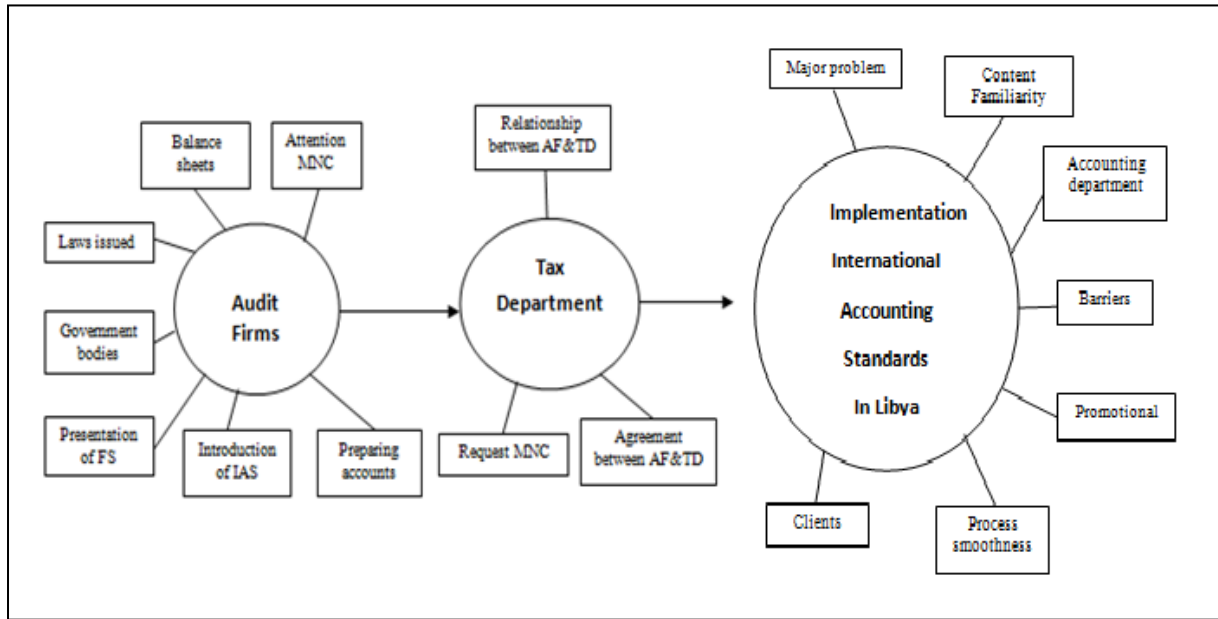


Figure 1. The Conceptual Framework for IAS with the Audit Firms Influence

Table 1. Measurements of Demographic data

Variables	Definition	Items	Questions	Authors
Demographics	form containing a set of questions, especially one addressed to a statistically significant number of subjects as a way of gathering information for a survey	Qualification	Qualification of the participant.	Abdulaslaml, aldargie (2009)
		Career	Career center within the Office of Audit.	
		Experience	Number of years of experience of the participants in the questionnaire.	
		Practice	Full-time to practice the profession.	
		Workers	Number of workers at the office and described?	
		Qualification	Qualification for office employees	
		Date	The date of the beginning of the office in practicing the profession	

Table 2. Measurements of International Accounting Standards

No.	Variables	Definition	Items	Questions	Authors
1.	International accounting standards	Standards for the preparation and presentation of financial statements.	Content familiarity	Are you familiar with the content of the international accounting standards?	Government of the Macao Special Administrative Region Financial Services Bureau Committee for the Registry of Auditors and Accountants. (2007)
			Accounting Department	Does the majority of your clients of your employer's audit firm responsible in accounting department aware that they must comply by the international accounting standards?	
			Clients	What is the situation regarding your clients' implementation of accounting standards?	
			Major Problems	What is/are the major problem(s) faced by (the majority of) these clients in relation to the implementation of the new accounting standards?	
			Smooth Process	Has the implementation of the Accounting Standards would be a smooth process for the majority of these clients?	
			Barriers	Please indicate the factors that hinder the smoothness in IAS?	
			Promotional	If you have any queries with regard to the implementation of Accounting Standards, whom would you turn to for answers?	



No.	Variables	Definition	Items	Questions	Authors
2.	Audit firms	When an accountant auditor an organization's accounts, he or she examines the accounts officially in order to make sure that they have been done correctly.	impact of audit firm	The impact of Audit firms to implement of the International Accounting standards.	Ajmi Jasim and Saudagara Shahrokh (2011)  Aljifri and Khasharmeh (2006)
			Training of auditors	Will increase the interest in rehabilitation and training of auditors in offices to raise their performance level to be able to keep up and follow-up to international standards.	
			Universities	The universities will enter course materials relating to accounting standards in their curricula.	
			Foreign Companies	Increased use of national and local offices at the introduction of auditing standards by foreign companies, rather than bringing the accounting firms from abroad.	
			process of settling accounts	Will increase the expected evolution in the process of settling accounts in accordance with the tax and accounting information credible and therefore increase confidence in the accounting offices.	
			measurement and disclosure	The budget prepared by the accounting office's taking more international accounting standards in the field of measurement and disclosure	
			presentation of financial statements	Explain the concepts of underlying the preparation and presentation of financial statements to users.	

Table 4. Measurements of tax department variable data

NO	Mediating Variables	Definition	Items	Questions	Authors
3	Procedure Tax Department	A contribution for the support of a government required of persons, groups, or businesses within the domain of that government or a fee dues levied on the members of an organization to meet its expenses	The relationship between audits firms with Tax department	Do you agree with the relationship between audits firms with Tax department for the application of international accounting standards?	Abuzaid Mohamed (2006)
			agreement between audit firms with the Tax department	Do you see an agreement between audit firms with the Tax department influenced to implementing international accounting standards	
			request from foreign companies	Does a repeated request from foreign companies on Tax department have a role in the application of international accounting standards in Libya?	

Table 5. Demographic data analysis

Demographic Variable	Category	(N = 450)	
		Frequency	Percentage
<b>Gender</b>	Male	450	100.0
<b>Qualification</b>	Bachelor Degree	291	64.70
	Master Degree	159	35.30
<b>Career Center</b>	Owner Office	53	11.80
	Partner Office	81	18.00
	Others	316	70.20
<b>Experience</b>	Less than a year	53	11.80
	Above 1 to 5 years	181	40.20
	Above 5 to 10 years	56	12.40
	Above 10 to 15 years	107	23.80
	Above 15 to 20 years	53	11.80
<b>Practice the profession</b>	Full time	341	75.80
	Part Time	109	24.20
<b>Number of employees at the</b>	Chartered Accountant	49	10.90

<b>office and their capacity</b>	Group of partners	85	18.90
	Chartered Accountant assisted by number of assistants	316	70.20
<b>Qualification of office employees</b>	Master of Accounting	141	31.30
	Bachelor of Accounting	279	62.00
	Diploma of Commerce	30	6.70
<b>Service provided by office</b>	External Audit	53	11.80
	Bookkeeping and financial statement preparation	155	34.40
	Tax return preparations	54	12.00
	Advisory Services	135	30.00
	Others	53	11.80

Table 6. International Accounting Standards Analysis

<b>Items / Variables</b>	<b>Loadings</b>
<b>International Accounting Standards</b>	<b>1</b>
Smooth process	<b>0.89</b>
Clients	<b>0.853</b>
The content of the International accounting standard are familiar	<b>0.843</b>
Promotional	<b>0.869</b>
Accounting Department	<b>0.882</b>
Barriers	<b>0.837</b>
Problem facing	<b>0.834</b>
Eigenvalue	<b>5.16</b>
Variance (%) (73.71%)	<b>73.71%</b>
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	<b>92.22%</b>
Bartlett's Test of Sphericity	<b>2595.904</b>
Significant Level	<b>0.00</b>

Table 7. Audit Firms data

Items / Variables	Factor 1
<b><u>Audit Firms</u></b>	
Attention of foreign companies	0.857
Preparing accounts	0.839
Introduction of IAS	0.847
Laws issued	0.879
Balance sheets	0.865
Presentation of financial statement	0.901
Government and bodies	0.892
Eigenvalue	5.284
Variance (%) (48.769%)	75.49%
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.935
Bartlett's Test of Sphericity	2751.593
Significant Level	0.000

Analysis

Table 8. Tax Department data analysis

Items / Variables	Factor 1
<b><u>Procedure Tax Department</u></b>	
Relation between audit firms & Tax Dept	0.917
Agreement between audit firms with the Tax dept	0.169
Request MNC	0.862
Eigenvalue	2.423
Variance (%)	80.75%
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.725
Bartlett's Test of Sphericity	753.005
Significant Level	0.000

Table 9. Measurement Model analysis

Path	Path coefficient	S.E.	t-value	p-value
Audit Firms→ Tax Department	0.8282	0.0295	4.959	.000***
Tax Dept -> IAS	0.0890	0.0862	8.275	.000***

Table 10. Hypothesis Analysis Result

Hypotheses	Path	Predicted relationship	result
H1	Audit firms→ IAS	Positive	supported
H2	Audit firms→ Procedure for Tax dept	Positive	supported

### V. CONCLUSION

The main aim of the research conducted as to illustrate the authorized and professional bodies for the implementation of International Accounting Standard in Libya. As it was found from previous literature that the international accounting practices with that of local accounting practices have a major difference among themselves in terms of quality and preciseness, it is viable to confirm the importance of implementation of IAS in Libya. This study investigated the structural relationship between tax department and International Accounting Standard implementation. The investigation was greatly motivated by the inconsistent findings concerning this relationship that appears in the contemporary literature, thus becoming an important unsolved issue that needs to be scientifically revisited. In line with the assertion of many political factors proponents found to have empirically revealed that there is a significant positive relationship between tax department and the implementation of International accounting Standard. As typically reported in the literature, the purpose of this research is to increase the approach of implementation of International accounting standard in Libya that can increase accounting performance and increase the monitoring and globalization. The rule of tax department makes the implementation of IAS more vulnerable in Libya. As a response to the call for using a more rigorous statistical analysis, which is SEM in management research, a SEM framework was developed. A final score for each constructs was calculated by averaging the score of their respective items. A higher score indicates a higher influence of variables on Implementation of IAS. Additionally the finding of the study provides evidence concerning the positive relationship between exogenous variable rules of tax department and endogenous variable (implementation of IAS). As with many other organizations, accounting practices must also need to respond well to the development and gaining acceptance globally. With better accounting system would be able to effectively manage their quality information system, thus leading to better performance with improving transparency.

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