

The Adoption of International Accounting Standards IAS-IFRS By Listed Companies in Morocco : An Observation Test and Modeling

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Summary : *This article aims to offer an explanatory model of the conditions of replicability of IAS / IFRS in the Moroccan context. We conducted a quantitative study using a questionnaire with 43 companies listed on the Casablanca stock exchange. We based on the contingency theory, we tested the relationship between the replicability of these standards and factors contingencies. Definitely, we can advance that, overall, our main results suggest that the implementation of these standards is justified initially by company size. The existence of institutional shareholders and membership in the financial sector tend to favor the choice of adoption of IAS / IFRS Thus,*

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I. Introduction

The financial scandals of recent years have clearly emphasized the obvious shortcomings of the financial reporting system. Clearly, restoring confidence in the market and in the reliability of the accounts reassure shareholders and the general public are two priorities today.

In this sense, the European Parliament adopted in July 2002, the Regulation imposing, as of 2005, the application of international standards to the consolidated accounts of listed companies, including banks and insurance companies.

In addition, 13 October 2005, the Ethics Council for Securities (CDVM) issued Circular 06/05 on the publication and dissemination of financial information by companies making offerings. The circular stipulates in Article 6 that the consolidated summary statements shall be established according to law and according to international accounting standards (IAS / IFRS).

This work focuses, therefore, on the choice of the passage made by companies listed on the Stock Exchange of Casablanca. The research work is based on the observation of the choices made by these companies. In other words, it is from the choices expressed by them that we implement reflection.

Given the interest of research, we focus our thoughts on the choice of the transition to IAS / IFRS conducted by Moroccan companies making public offerings. To organize the study of this phenomenon, we declined our problem in two research questions:

- How IAS / IFRS were they perceived by Moroccan companies making public offerings?
- To what extent, external and internal contingency variables help explain the choice of the transition to IAS / IFRS?

II. Literature Paper

Using a theory allows researchers to better understand the observed practices on the ground. In this case, the use of a conceptual framework should help us to understand the accounting choices of companies listed on the BVC on the transition to IAS / IFRS.

Given the complexity of the transition to international standards, and at the end of the literature review, positive accounting theory was selected to understand the accounting choices.

Positive accounting theory was initiated in the late 1970s by researchers Ross Watts and Jerold Zimmerman. Referring to their university, there is talk of school ROCHESTER. The positive theory refers to empirical research in financial accounting and enrolled in power against the normative theory (CORMIER, 2007, p.439). Positive accounting theory is divided into two branches:

- Research on the information content of accounting data within the signal theory. In a context of asymmetric information between business leaders 'insiders' and external investors "outsiders", the financial

communication policy is of paramount importance. Accounting as a process of processing and dissemination of information then provides a signal to the market.

▪ Research on the contractual determinants, economic and political accounting choices. This second perspective is the political and contractual theory.

In this work, our goal, mobilizing the positive theory of accounting is to account for factors associated with selection of the transition to IAS / IFRS. Like the finding of HOLTHAUSEN (1990), we put research in view of the contractual efficiency and, to a lesser extent, we will consider the expediency of managers.

Finally, studies of accounting choices can be devoted either to the study of a particular method (inventory valuation method of accounting for financial instruments, ...) either the adoption of an accounting framework . In the context of this research, we are in the context of the study of choice and not the adoption of a repository.

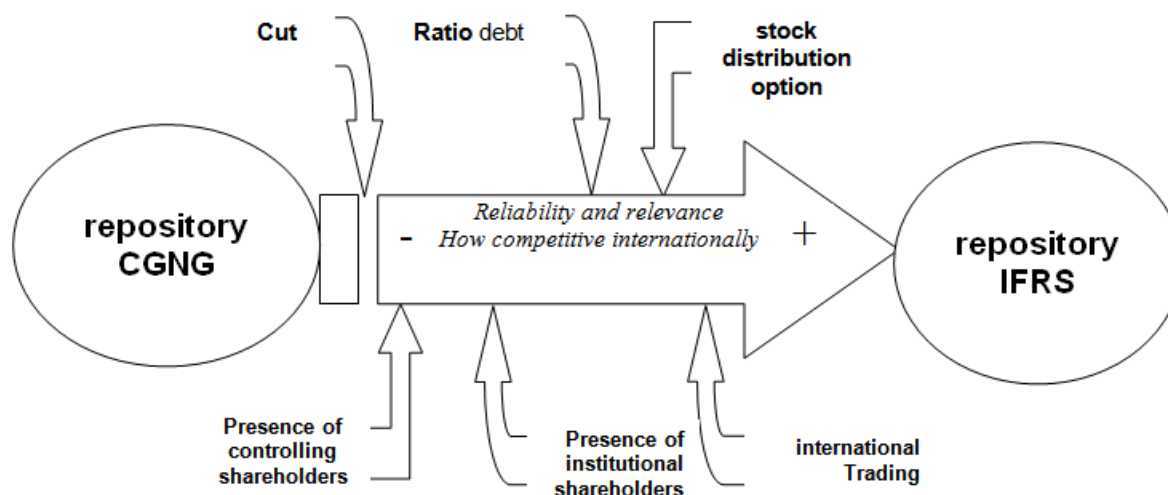
1- Choosing accounting adoption of IFRS and contingency variables: modeling test

To explain the transition accounting choices we used a model econometric identifying characteristics the positive accounting theory influencing the accounting policy of listed Moroccan companies on the BVC. This model builds on previous research on accounting choice.

2- The design of the search pattern and the component variables

In this section, we proposed our own explanatory model of transition to IFRS taking into consideration the contingency variables such as: the size of the company, the debt ratio, stock option distribution, the presence of controlling shareholders or institutional and international trading.

Explanatory model of choice of the transition to IAS / IFRS



A model must be tested. It is therefore necessary to speculate who will face the reality on the ground during the quantitative survey by postal questionnaire. These assumptions will be classified by type of variable.

For Watts and Zimmerman (1990, p.132), "it is clear that there is a relationship between accounting choices and other variables of the firm, as the debt level and size." We retain the classic variables of positive accounting theory, namely size, leverage and methods of executive compensation. To these fundamentals, we add the shareholding structure and the listing in foreign stock markets. The expected relationship between accounting choice of the passage and independent variables are inferred from the literature review. The model is aimed at developing the determinants of the choice from the estimated explanatory factors.

The company's size influences the accounting choice of IFRS: Results confirm the influence of firm size on accounting policy choices have been shown by many studies (Watts and Zimmerman, 1990; Raffournier, 1995; and Skantz HAND, 1998). Large companies are more sensitive to pressure from political power than smaller firms less visible.

hypothesis 1 : The largest listed companies will tend to opt for the choice of accounting standards internationally recognized.

loan contracts influence accounting choices: Previous research devoted to Anglo-Saxon countries (DEANGELO et al., 1994; DEFOND and JIAMBALVO., 1994; BALL et al, 2008) demonstrated the influence of contractual clauses related to the debt ratio on the choice of accounting practices . However, as CORMIER et al point out. (2004, p.6), the French loan agreements rarely include formal contractual commitments. However, the

application of IAS / IFRS has an impact on the leverage. Besides, Marchal et al. (2007, p.31) shows the increase in financial debt during the first application of international accounting standards. The authors emphasize that the change in debt was more than 10% in absolute terms for 45% of the groups.

hypothesis 2 : The most indebted listed companies tend to adopt IFRS to improve the debt ratio.

The contracts of executive compensation influence accounting choices:The positive theory assumes that managers maximize their utility. Therefore, if they own compensation-based compensation, they will tend to manage accounting numbers to maximize the value of their stock options. WILLIAMS and Rao (2006) show that managers, part of the compensation consists of stock options, have a more risky behavior in terms of capital management. The accounting choices are supposed to be affected by the opportunism of managers with stock options.

hypothesis 3 : Groups distributing plans of stock options to their executives will tend to opt for the international standard IFRS have a positive impact on equity.

SINGHVI and Desai (1971, p.132) estimate that the shareholder structure has a significant influence on the quality of annual reports. It seems therefore necessary to measure the influence of the shareholder structure of the accounting choice in the transition to IAS / IFRS. There are generally two types of shareholders, the majority shareholder in one hand and the other institutional shareholder.

The concentration of ownership influence accounting choices: The choice of managers are based on the presence of one or more major shareholders. Under these conditions, the pressure on managers is more important and reduces the latitude in the management of accounting data. A shareholder can control more effectively accounting decisions than minority shareholders because it holds sufficient voting rights to influence the leaders or possibly convince other shareholders to support in case of opposition to the direction of the company (Mtanios and PAQUEROT 1999, p.161).

Hypothesis 4: the presence of a majority shareholder influences the choice of conversion to IFRS.

The institutional shareholder influence accounting choices: HEALY et al. (1999) show that institutional investors are demanding agents in terms of regular financial information and published in due course. Furthermore, El-Gazzar (1998) argues that institutional shareholders may influence the choice of the groups claiming an additional level of information. Institutional shareholders are active partners in the company, so they can choose to influence leaders to force them to increase the performance of the firm (and Mtanios PAQUEROT 1999, p.165).

Hypothesis 5: the presence of institutional shareholders influences the choice of conversion to IFRS.

Thus, as appropriate, those shareholders are in favor of standards having the effect of increasing equity to reflect the economic value, while, on the contrary, for the sake of transparency of accounts, they can support options having a negative impact on equity.

Listing on a foreign financial market influences accounting choices: DUMONTIER and Raffournier (1998), El-Gazzar et al. (1999), ASHBAUGHT (2001) and Cuijpers and BUIJINIK (2005) showed that a listing on a US market encouraged the groups to voluntarily adopt an internationally recognized accounting standards (US GAAP or IAS / IFRS). In these circumstances, we can assume that listed companies outside the Moroccan market would tend to choose the nearest repository of European listed companies.

hypothesis 6 : In light of these interpretations, listed companies on several stock markets tend to adopt the international accounting standards IFRS.

Finally, we introduce variable as the impact of the application of IAS / IFRS on the relevance of financial statements. Like Cazavan-JENY and Jeanjean (2007) as well as BOUKARI RICHARD (2007), we assume that companies noting a positive impact will be brought to opt for choice having a negative effect on equity in the to minimizing the consequences of the transition.

Assumption 7: Companies that have adopted the IFRS are more relevant and reliable financial reporting from those who guarded the CNAC.

To explain the accounting transition choice, we used an econometric model to identify the characteristics that influence the accounting policy of the companies listed on the BVC. This model builds on previous research on accounting choice.

The dependent variable of the model corresponds to the choice of the transition to IFRS. Each choice is a dichotomous variable. The choice to move to IFRS is coded 1, while the choice of no is coded 0.

So that the model results are easier to interpret, we need the values of the dependent variable are comparable.

The following variables were used: firm size, debt ratio, executive compensation by stock options, shareholder structure and listing on the international financial market. We add as a control variable impact of IAS / IFRS on the reliability and relevance of financial statements.

III. Methodological aspects

To set the parent population and the sample target of an investigation, there are many highly specialized sampling techniques. We decided not to use because of our inherently subject that determines the population under investigation. This work is devoted to the accounting choice of the transition to IAS / IFRS made by listed companies¹With the exception of banks, this circumscribed, already, the reference population applying to companies listed or not with IAS / IFRS. Each listed company, we have collected from the site www.casablanca-bourse.comThe information necessary for sending the survey: contact head office, names of key management, electronic and telephone number of financial directors and / or members of the investor relations department. The repertoire was performed in a table EXCEL, which allowed us to easily export all the contact list in the mailer.

The first lesson investigation is in the study of the response rate, which compares the number of responses number of shipments.

Of a total of 69 questionnaires sent, 43 were filled, a 62.32% response rate (43/69).

The response rate is very favorable. Recalcitrant companies systematically revived, often several times and with different interlocutors, we believe that the refusal to respond to these companies is not only due to lack of time the respondents, as has often been argued. For some of these companies, the refusal seems to result from the fear of information leaks outside.

As part of the quantitative survey, a questionnaire was conducted, and this for two purposes:

- Observe and understand the behavior of managers and directors on the issue of the passage;
- Test our model (optical confirmatory).

IV. The Key Results

Confirmatory explanatory analysis will attempt to answer the question " To what extent, external and internal contingency variables help explain the choice of the transition to IAS / IFRS?". The explanatory analysis was exposed through the wide bi analysis and logistic regression analysis. The results presented are particularly interesting because they analyze accounting choices of a panel of companies listed on the Casablanca Stock Exchange and reflect the choices made by most companies affected by IFRS. In conclusion of the logistic regression analysis, we can draw up a table summarizing the results of hypothesis testing.

Results of Hypothesis Testing according to logistic regression analysis

No.	Title of event	variables tested	Results
1	"The largest listed companies will tend to opt for the choice of an internationally recognized accounting standards"	Firm size	validated
2	"The more the equity debt ratio, the more listed companies tend to adopt IFRS"	Ration debt	rejected
3	"Groups distributing plans of stock options to their executives will tend to opt for the international standard IFRS"	Existence of the stock option plan	rejected
4	"The presence of a majority shareholder influences the choice of transition to IFRS"	majority shareholder Presence	rejected
5	"The presence of institutional shareholders influences the choice of transition to IFRS"	institutional shareholder Presence	validated
6	'Companies in certain industries tend to adopt the international accounting standards IFRS "	Activity area	validated
7	"Companies that have adopted the IFRS are more relevant and reliable financial reporting from those who guarded the CNAC"	Relevance of IFRS statements	rejected

V. Conclusion

This article aims to observe and understand the behavior of companies listed on the Casablanca Stock Exchange in respect of the choice of the transition to international accounting standards IAS / IFRS. For this, we used an explanatory approach combining a positive framework and a quantitative research methodology in order to understand the phenomenon of change in accounting standards from a global perspective.

¹ Banks are excluded from the sample because they are required by law to prepare consolidated financial statements under IFRS

The research question that guided this work was formulated as follows: What are the factors explaining the choice of the transition to IAS / IFRS made by companies listed on the BVC?

We responded by highlighting the influences experienced by firms in the process of selection of way.

We have highlighted the link between the IFRS and the intrinsic characteristics of companies. Decisions vary the size, composition of shareholders and the industry. Similarly, the human and financial resources allocated to IFRS projects are crucial in the process of choice.

The transition to IAS / IFRS was a rich period for accounting practice given the changes it has caused in the financial statements but also in the same business organization. This change introduced a radical uncertainty at the heart of the Moroccan accounting modifying the design and accounting practice. In an uncertain environment, the firm seeks recognition of the socio-economic environment by adopting a repository recognized by the community. Moreover, it undergoes formal and informal pressures accounting institutions. international standard setter of projects, IFRIC interpretations, recommendations CDVM or positions of the AcSB are all elements of the decision process, not to mention the weight of the accounting profession.

Finally, the choice of the passage is largely subject to the behavior of preparers. Thus, the normative and technical complexity of the IAS / IFRS has highlighted the limited cognitive abilities of practitioners who are not able to grasp the entire body optimally and even less to anticipate the effects of the passage of financial States.

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