CAN IFRS IMPROVE THE QUALITY OF FINANCIAL REPORTING IN SUDAN?

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Abstract

As a set of globally accepted financial reporting rules, IFRSs are primarily intended for economically developed countries with adequate legislation, developed capital markets and quality financial reporting practices. Developing countries are motivated to use IFRS to improve the quality and reliability of the financial reporting procedures in order to attract foreign investments, enable unhindered international financial flows and stimulate economic growth. The key problem in this regard is the inconsistency of their local economic, legal and social infrastructure with the requirements of the successful implementation of IFRS, which requires numerous preparations and adjustments. The purpose of this paper is to consider the possibilities and preconditions for the application of IFRS in Sudan, as a country with an underdeveloped economy, inadequate legislation, weak accounting profession and numerous cultural specificities. The key question that arose during the survey of academics’ perceptions on this topic was not whether Sudan should apply IFRS, but whether it is currently possible to apply IFRS in this country at all, given the numerous difficulties preventing that. Therefore, this process should be approached very carefully, with the necessary thorough preparation of the local economic and legal environment and with constant analysis of the costs and benefits of such an endeavor. The potential benefits of applying IFRS in Sudan are undeniable, but it is important that they outweigh the required high initial investment and possible negative effects from possible inadequate implementation.

Key words: developing countries, IFRS, harmonization, financial reporting, Sudan, adoption determinants, environmental factors

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ДАЛИ МСФИ МОГУДА ПОБОЉШАЈУ КВАЛИТЕТ ФИНАНСИЈСКОГ ИЗВЕШТАВАЊА У СУДАНУ?

Антаракт

Као скуп глобално прихваћених правила финансијског извештавања, МСФИ су првенствено намењени економски развијеним земљама са одговарајућим за- конодавством, развијеним трајиштима капитала и квалитетном праксом финан- сијског извештавања. Земље у развоју мотивисане су да користе МСФИ за по- бољшање квалитета и поузданости поступака финансијског извештавања у ци- љу привлачења страних инвестиција, омогућавања несметаних међународних финансијских токова и подстицања економског раста. Кључни проблем у овом погледу је неусклађеност њихове локалне економске, правне и социјалне инфраструктуре са захтевима успешне примене МСФИ, што захтева брoјне припреме и прилагођавања. Сврха овог рада је да размотри могућности и предуслове за примену МСФИ у Судану, као земљи са неразвијеном економијом, неадекватним законодавством, слабом рачуноводственом професијом и бројним културним специфичностима. Кључно питање које се појавило током истраживања је заштити или приближићи МСФИ у овом земљи, с обзиром на бројне потешкоће које то спречавају. Стога овом процесу треба приступити врло пажљиво, уз неопходну темељну припрему локалног економског и правног окружења и уз сталну анализу трошкова и користи таквог подухвата. Потенцијалне користи од примене МСФИ у Судану су неоспорне, али је важно да оне надмашују потребна висока почетна улагања и могуће неадекватне примене.

Кључне речи: земље у развоју, МСФИ, хармонизација, финансијско извештавање, Судан, детерминанте усвајања, фактори окружења.

INTRODUCTION

The globalization of the economy and capital markets, accompanied by an increase in international trade, foreign direct investment and the number of multinational companies (as the bearers of this process) requires the creation of a common language of financial reporting. Harmonization of accounting procedures in the international framework should enable the creation of quality, transparent and comparable financial statements in order to improve communication with investors, reduce financial investment risks and facilitate the operation of multinational companies in different countries. Also, providing reliable information to investors and their better institutional protection leads to a reduction in costs of capital, increased cross border investments, more efficient functioning of the capital market and accelerated economic growth.

As a set of globally accepted financial reporting rules, IFRS are the main tool for achieving above mentioned goals. That is why IFRS are primarily intended for developed countries, with an environment of adequate legislation, good investor protection, developed capital markets,
quality financial reporting and efficient enforcement mechanisms. On the other hand, the application of IFRS in developing countries is most often associated with a number of problems due to inadequate and underdeveloped local infrastructure. In addition, developing countries differ greatly in terms of the local economic, political, legal and cultural conditions within which the financial reporting process takes place. Therefore, the uncritical application of uniform accounting rules in these various countries, without taking into account their local specifics and with ignoring the need to make the necessary infrastructure adaptations inevitably leads to a number of problems and failures in practice. The most common obstacles to the application of IFRS in developing countries are related to poor legislation, underdeveloped accounting profession and the fact that in most of these countries the primary users of financial statements are not investors, but creditors or government bodies. In such conditions, there are specific objectives of financial reporting, so the question arises as to the justification of accepting the new accounting rules, such as IFRS, intended for a completely different environment and users.

Sudan is the country that has not yet decided to implement the IFRS, probably because it previously requires a radical reform of the local legal and economic environment, as well as the improvement of the quality of the functioning of the accounting profession. It is important to emphasize that such reforms need to be carefully designed because it is not easy to make a rapid transformation towards the infrastructure that has been gradually developed in Western countries over decades. In case of successful realization of this process, it should make it possible to overcome the problems associated with the culture of secrecy, inadequate regulation and limited accountability, which is an obstacle to the application of IFRS. Despite all the aggravating circumstances, increasing the transparency, quality and level of disclosure of information in the financial statements is an objective that should certainly be pursued in Sudan, as it should enable the attraction of foreign direct investment and easier connection with foreign capital markets. The purpose of this paper is to consider the possibilities for the adoption of IFRS in Sudan from the point of view of academics, with special reference to the difficulties that prevent this process, as well as the benefits that the eventual successful implementation of IFRS would bring to this country.

FACTORS AFFECTING THE ADOPTION OF IFRS IN DEVELOPING COUNTRIES

IFRS represents a set of globally accepted accounting rules created by the IASB, as an independent accounting body. These standards have served as a means to harmonize financial reporting practices in the context of globalization of business and capital markets. Therefore, they are
primarily intended for large companies that are listed on stock exchanges. Long-term practice and numerous studies show that IFRS have led to improved quality, reliability, comparability and transparency of financial statements. These benefits are most pronounced in economically developed countries, with developed capital markets, good legislation and investor protection, an independent accounting profession and a long tradition of quality financial reporting.

On the other hand, the fact that IFRS are applied in over 140 countries around the world, including a huge number of developing countries, leads to the conclusion that IFRS offer the possibility of improving the quality of accounting in these countries as well. This is confirmed by the positive experiences of many developing countries, despite the fact that IFRS are primarily intended for the environment that prevails in developed economies and that their adoption in developing countries is often associated with numerous difficulties and problems.

It must be emphasized that developing countries are not a homogeneous group and that they differ greatly in terms of their economic development and state of accounting profession. Some researchers recognized the next four types of developing countries in terms of their economic development: rapidly industrializing countries with a bright future; countries rich in natural resources, with colonial legacy and difficulties in governance; former communist countries that are industrialized; poor and undeveloped countries with few resources (Chand, 2006). Consequently, each of these four groups of developing countries will initially have specific determinants for the application of IFRS. Bearing in mind these great differences, Zehri and Chouaibi (2013) state that the developing countries with high level of economic growth, legal systems based on common law, advanced educational level and efficient capital markets are the most favorable to the adoption of IFRS.

Other developing countries that intend to reach such a level of economic development inevitably opt for the application of IFRS in order to improve the quality of financial reporting and attract foreign investors, but during that process they face numerous challenges and almost invincible obstacles. Namely, the decision to apply IFRS in the context of globalization of the world economy is often motivated not only by the reasonable need of individual countries to harmonize their financial reporting procedures with international practices, but also by pressures from international institutions, such as IMF, WTO or World Bank, which set the application of IFRS as a precondition for access to necessary funding sources. Such a forced introduction of IFRS in countries with inadequate legal systems, underdeveloped professional infrastructure, weak capital markets, the lack of investors as dominant users of financial statements, non-democratic history and the culture of secrecy and frauds results in a number of specific problems (Irvine & Lucas, 2006).
Therefore, the first problem that arises in this field is of an essential nature, because the application of standards, intended for developed countries, in developing countries with inadequate legislative and weak accounting profession at the very beginning creates a number of challenges. Developing countries have a specific social environment, culture, mentality and local legislation, so in practice there are often negative consequences of attempting to impose the IFRS without taking these factors of the local environment seriously. Therefore, the ability of many developing countries to make the radical transition toward creating an environment of transparency, good regulation and effective enforcement mechanisms, which is essential for the successful implementation of IFRS, is increasingly being questioned.

In this sense, the initial dilemma is whether it is possible at all to successfully implement IFRS in a specific economic, legal, political and cultural environment that is not prepared or adequate for such a serious change. In other words, the question arises of the rationale of the rapid introduction of IFRS in countries where local infrastructure is so underdeveloped that the benefits of IFRS cannot exceed the harmful effects of their poor and unsuccessful introduction. In each country, accounting operates in a specific local context, which has special requirements and dominant users of financial statements, so any significant change requires great effort and environmental adjustments. Therefore, it could be said that the decision to accept IFRS is only the first and easier step in relation to their further implementation and acceptance of their content in practice.

Thus, starting from the understanding that the practice of financial reporting in a country is determined by cultural patterns of behavior, local value system and specific economic, legal and social conditions, the degree of success of the introduction of IFRS will depend primarily on the success in modifying these local environmental factors, which is a very demanding process. As a result, a number of developing countries, such as Bangladesh, Pakistan, Kuwait, Fiji or Papua New Guinea, have experienced major failures in implementing IFRS. On the other hand, in a small number of rich developing countries, such as the UAE, the problem of weak financial reporting tradition, incompetence of local accountants and inadequate regulation was solved by importing foreign experts, attracting leading international accounting firms and introducing new technologies, which greatly facilitated the application of IFRS in this country in the middle of the previous decade (Irvine& Lucas, 2006).

Problems in transposing IFRS to developing countries also occur in the field of: translating the content of IFRS into other languages (in which there is no equivalent terminology), political readiness of national governments to effectively modify legislation, efficiency in adapting local tax and other regulations to the requirements of IFRS, the realization of required education of accountants, building the necessary infrastructure to
implement IFRS, etc. Among the most important factors for the introduction of IFRS is the level of education and professional development of local accountants, because the implementation of complex and ever-changing standards will undoubtedly be facilitated by high level of training, competent accountants and quality teaching staff. Therefore, the lack of experienced and qualified accountants is probably one of the most serious obstacles to the application of IFRS in most developing countries.

In one of the few studies that focused exclusively on the factors influencing the adoption of IFRS in African countries, it was found that countries with faster economic growth are more likely to apply IFRS, because in such circumstances the size and complexity of business transactions require more confident financial reporting rules. Another important factor is the degree of cultural connection with the UK, so the countries influenced by British colonial heritage are more willing to apply IFRS. The third important factor that increases the likelihood that an African country will apply IFRS is the size of the capital market (market capitalization), given that quality and reliable financial statements are in the function of protecting investors, as their dominant users in such conditions. The larger the capital market, the more likely a country is to apply IFRS. Perhaps this is the main reason for the lower adoption rate of IFRS in African countries, which in a large number of cases do not have stock exchange or, if it exists, there is a very few listed companies (Stainbank, 2014). Results of Stainbank’s research are very reminiscent of the conclusions reached by the aforementioned Zehri and Chouaibi.

In that sense, in 22 African countries IFRS have been already used (in 18 countries IFRS are required for all and in 4 countries are required for some companies), but it is still less than the half of the total number of countries on that continent (54 countries). It is noticeable that the adoption rate of IFRS in Africa is significantly lower than the world average (40% vs 65%). The reasons for this vary from country to country, but the main reason seems to lie in the underdeveloped economic environment and weak accounting profession in most countries. African countries with positive experience in the application of IFRS are larger economies, with developed capital markets, such as Nigeria, South Africa, Ghana and Tanzania (Tawiah, 2019).

**THE CURRENT STATE OF FINANCIAL REPORTING IN SUDAN**

Based on the fact that the functioning of accounting in a country is primarily determined by the effects of a number of specific factors of the local environment, we can conclude that these factors cause the main differences between accounting systems from country to country (Nobes & Parker, 2012). In other words, accounting practices in each country are conditioned by the effect of different specific factors, so what is a signifi-
Can IFRs Improve the Quality of Financial Reporting in Sudan? 241

cant factor in one country may be of secondary importance in another. In addition to these internal environmental factors that are related to specific legal, economic and cultural conditions, external environmental factors can also have a significant impact on financial reporting in developing countries. For example, the existing accounting systems in these countries are often “largely extensions of those developed in other countries” (Abouagla & Sekerez, 2017: 63), like in UK and USA, and they were either imposed through colonial influence or by multinational companies. In support of this, Nobes (1998: 33) said that “accounting in developing countries tend to follow colonial or cultural influence rather than purpose of context.” Thus, such circumstances prevent these countries from developing accounting systems which would truly reflect the specific informational needs of local users.

Similarly, the practice of financial reporting in Sudan has not been successfully tailored to the needs of local users, because it has been uncritically taken over from the UK, as a former colonizer, where accounting operates in a completely different environment and with different objectives. Unlike the United Kingdom, Sudan does not have investors as primary users of financial statements nor have a developed capital market (the stock exchange in Khartoum has few listed companies and a small number of transactions). As a result, companies are mainly financed through bank loans, which put the banks at the forefront as one of the main users of financial statements. In this regard, the most significant users of financial statements in Sudan are the tax authorities, which is similar to the situation in other developing countries. In the absence of strong and developed accounting profession, tax authorities seek to formulate rules and standardize accounting practices in the country, in order to facilitate the calculation and collection of taxes.

Another factor that was not taken into account when uncritically “copying” the British model of financial reporting concerns the fact that, unlike the UK which is the “cradle of accounting,” in Sudan the accounting profession is very underdeveloped and there is an insufficient number of competent accountants in practice. The reason for that should be sought in the dominant role of the government in terms of accounting and the inadequate system of education and professional training of accountants. As a result, SAAPOC (The Sudan Accounting and Auditing Profession Organization Council) has not yet met the prerequisites for membership in international organizations, such as IFAC. Also, Sudan belongs to the group of African countries that have not yet decided to apply the IFRS, which is completely understandable in such circumstances. Thus, it could be said that the functioning of accounting in Sudan was set on the completely “wrong track” at the very beginning, as a result of which it became incompatible with the requirements of the local environment.
The practice of financial reporting in Sudan is largely regulated by the Company Act from 1925, which has not been amended even after gaining independence from UK. In addition to reflecting the requirements adapted to the advanced model of financial reporting in the UK, this law has become very outdated and inadequate, so it is completely incapable of satisfying the information requirements of users in an environment that has been changing intensively for almost a hundred years. Such inappropriate legislation has undoubtedly greatly slowed down the development of the accounting profession in Sudan. There is no single body in this country that deals with the regulation of financial reporting, so it is organized and directed by the activities of different bodies and groups, such as Central Bank, Taxation Chamber, Zakat Chamber, SAAPoC, auditors, academicians, etc. (Abouagla, 2017). It should also be emphasized that the professional accounting regulations for the banking and insurance sectors are Islamic accounting standards, which we will discuss in more detail later.

In support of the claim that the accounting information in Sudan is not appropriate to the information requirements of users, there is a study which found that local financial statements are subject to numerous adjustments made by users, in order to overcome their weaknesses and shortcomings. Considering that users do not trust the presented accounting information and suffer the consequences due to their untimeliness, unreliability and non-transparency, adjustments to items in the financial statements are made to better reflect economic reality, to increase the relevance of information to users and to avoid misinterpretation of the real financial performance of companies (Saadaby et al., 2019). Among the key shortcomings of financial reports in Sudan, the authors highlight: poor arrangement of the statements’ items; difficulty of reading and understanding the contents; difficulty of obtaining financial statements themselves and delay in their publishing; financial reports contain irrelevant, wrong and misleading information and, the most important, financial reports are unable to disclose adequately all the important aspects of business necessary for decision-making. The problem of inadequate disclosure of information is solved by users through various activities of adjusting the financial statements related to adding back, removing, recalculating, reclassifying items and changing the format and ways of disclosure. In this regard, one of the biggest financial reporting problems in Sudan seems to be related to time lag between the end of the financial year and the release of financial statements, which results in delay of communicating the information to the users.

It is also important to emphasize that the nature of business ownership in Sudan is such that family-dominated companies predominate, which reduces the need for transparency and wider disclosure of information. Previous considerations of the current state of financial reporting in Sudan are sublimated in the work of Abouagla & Sekerez (2017),...
where it is pointed out that in addition to colonial inherence and accounting education, key factors affecting accounting practice in this country are cultural values and legal, political and economic systems. The authors emphasize that, as a result of the simultaneous influence of the aforementioned factors, the main reasons for unsuitability of accounting information to the local users in Sudan are:

- Accounting system is the reflection of the British financial reporting;
- Accounting education system is weak and inadequate;
- Government dominates over the accounting professional bodies;
- Incompleteness and shortcomings of legislation in the field of financial reporting.

All of the above poses serious obstacles to the further development of the accounting profession in Sudan, which is currently disorganized, underdeveloped, weak and without the potential to take on a role in improving the current situation. As a result, accounting information is largely unsuitable for local information needs, so accounting in Sudan has a long way to go in order to approach international best accounting practice.

**DIFFICULTIES PREVENTING THE ADOPTION OF IFRS IN SUDAN**

As previously noted, Sudan is a country with inadequate accounting regulations, an underdeveloped accounting profession, a weak capital market and tax authorities, as the primary users of financial reports. In such an environment, the potential application of IFRS would face a number of barriers and problems, so this may be the key reason why Sudan has not yet decided to take such a step. In addition, some research shows the almost undivided opinion of members of the academic community and the professionals in Sudan that currently it is not possible to apply IFRS due to a lot of obstacles.

For example, in his research, Abouagla (2017) examined academics’ views on financial reporting in Sudan, focusing, among other things, on the possibilities of applying IFRS, as well as the benefits that their application would bring to the country. Table 1 shows the results of the questionnaire on the difficulties that prevent the adoption of IFRS in Sudan, with a high level of agreement of the respondents regarding all the difficulties identified in the research. ¹ Specifically, the results show that even 84% of the respondents stated that it is not possible to adopt IFRS in Sudan currently due to numerous difficulties and obstacles related to: shortcomings of the government's regulatory system, weaknesses in the

¹ The sample in the survey consists of 50 respondents – academics in Sudanese universities and institutions (lecturers, assistant professors and associate professors). The data from tables 1 and 2 are modified for the purposes of this paper.
accounting education system, insufficient professional skills of accountants in practice, the need to provide additional training to accountants to understand and apply IFRS and high costs of building adequate infrastructure and resources to support accountants working on IFRS.

Table 1. The difficulties to the application of IFRS in Sudan

<table>
<thead>
<tr>
<th>Difficulties</th>
<th>Mean</th>
<th>S.D.</th>
<th>Agree (%)</th>
<th>I do not know (%)</th>
<th>Dis-agree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortcomings of the government's regulatory system</td>
<td>4.02</td>
<td>1.02</td>
<td>73.81</td>
<td>14.29</td>
<td>11.90</td>
</tr>
<tr>
<td>Insufficient professional skills of accountants in practice</td>
<td>4.02</td>
<td>0.98</td>
<td>83.33</td>
<td>9.53</td>
<td>7.14</td>
</tr>
<tr>
<td>Weaknesses in the accounting education system</td>
<td>4.00</td>
<td>0.86</td>
<td>92.86</td>
<td>0.00</td>
<td>7.14</td>
</tr>
<tr>
<td>The need to provide additional training to accountants to apply IFRS</td>
<td>4.40</td>
<td>0.50</td>
<td>100.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>The high costs of building infrastructure to support accountants working on IFRS</td>
<td>4.10</td>
<td>1.01</td>
<td>78.57</td>
<td>9.53</td>
<td>11.90</td>
</tr>
<tr>
<td>Islamic banks should follow the Islamic accounting standards</td>
<td>4.21</td>
<td>1.16</td>
<td>88.10</td>
<td>0.00</td>
<td>11.90</td>
</tr>
</tbody>
</table>


Also, respondents stated that among the obstacles is the fact that IFRS are based on the Anglo-Saxon model of financial reporting, as a result of which they are not appropriate to the specifics of the local environment in Sudan. As we previously stated, it is worldwide problem, because IFRS have been developed for the environment of the developed countries, so it is not easy to adopt them by the developing countries. Finally, most of businesses in Sudan are a family business, which makes IFRS less relevant in such an environment.

This view on the possibilities of applying IFRS in Sudan is joined by representatives of various professional and regulatory bodies who were also interviewed in the aforementioned study. Respondents from SAAPOC, NAC (National Audit Chamber), Taxation chamber and Central bank of Sudan generally agree that the main obstacles to the introduction of IFRS in Sudan are:

- The weak government support and the strong government domination over the accounting profession;
- Lack of legal obligation;
- Political issues;
- Inconsistency of IFRS with Islamic law and Islamic accounting standards applicable in banks and insurance organizations in Sudan.
One of respondents from Taxation chamber even stated that “currently there isn’t any company or sector that can adopt the IFRS in Sudan except the banking, but only to some extent” (Abouagla, 2017: 168).

When speaking about the banks, it should be mentioned that the banking sector and insurance organizations are the most organized sectors in Sudan. These financial institutions are the only ones obliged to apply professional accounting standards in Sudan, and therefore the opinion is imposed that IFRS could be applied first in these sectors. However, we think that is not a good enough basis to enable the successful implementation of IFRS, because there are many differences between AAOIFI standards, used by banks, and IFRS. Namely, while IFRSs are based on reporting on the economic substance of business transactions, AAOIFI standards are Islamic accounting standards that must be in compliance with the Islamic law (Shariah). Therefore, their incompatibility leads to the fact that these two types of standards would result in completely different reporting if applied to the same business transactions.

Another study conducted in Sudan should be mentioned here, which came to similar conclusions about the main impediments to the introduction of IFRS in Sudan. Among the biggest obstacles, the authors recognize the internal environmental constraints, such as: the absence of clear reference in corporate law and other business regulation to the implementation of IFRS, the lack of professional skills and competencies of accountants, the weak training of accountants in practice (and lack of financial resources for better professional training), the lack of curricula dedicated to IFRS at Sudanese universities, the weak and insufficiently interested local professional association of accountants for the application of IFRS and the absence of awareness of managers and accountants about the importance of applying IFRS. This research also emphasizes the importance of external environmental factors, among which the most significant are: the lack of foreign multinational companies that would accelerate the implementation of IFRS and insufficient cooperation with international organizations such as IFAC, WTO, IASB, etc. (Elfaki & Hassan, 2018).

At the end, we can conclude that the nature of the mentioned obstacles is such that they seriously slow down and prevent any attempt to implement IFRS in Sudan. As a confirmation, the results of the presented researches show a high degree of agreement of academics from the Sudanese universities regarding the importance of all analyzed obstacles.

**IFRS AS A TOOL FOR IMPROVING THE QUALITY OF FINANCIAL REPORTING IN SUDAN**

Despite the numerous obstacles that impede the application of IFRS in Sudan, there is no doubt that there are numerous benefits that their application could bring. As previously emphasized, the application
of IFRS in many developing countries has led to improvements in the financial reporting system, which is reflected in increased quality, reliability and transparency of disclosed information. Consequently, wider disclosure of quality financial information leads to a reduction of the information asymmetry, better investor protection and lower costs of capital.

For example, a survey conducted in Ghana on companies listed on the local stock market confirmed that the application of IFRS in that country (after 2006) significantly improved the quality of accounting disclosures in just two years (Agyei-Mensah, 2013). A similar examination of the effects of the application of IFRS in Saudi Arabia in 2007 showed the positive impact of IFRS on the quality of financial reporting and the value of listed companies. The transition to IFRS in this country has also had a positive impact on the patterns of behavior of investors in the domestic financial market due to their greater confidence in the financial statements (Malagy, 2014).

The aforementioned research conducted in Sudan examined the opinion of professors from Sudanese universities about the potential benefits of applying IFRS in this country (Abouagla, 2017). The results showed that there is a strong consensus among respondents on the anticipated benefits of using IFRS. In this sense, as many as 96% of respondents believe that the application of IFRS can enhance the comparability of financial reports, while 92% from the total sample think that it ensures transparency and reliability of financial statements. Also, 88% of respondents believe that the potential benefits of applying IFRS are reflected in facilitating the growth of foreign direct investment, while only 76% stated that it can lead to the reduction of the possibility of illegal acts, such as frauds. Table 2 highlights the perception of the academics about the benefits that may be obtained from the adoption of IFRS in Sudan.

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Mean</th>
<th>S.D.</th>
<th>Agree (%)</th>
<th>I do not know (%)</th>
<th>Dis-agree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerates the growth of foreign direct investments</td>
<td>4.44</td>
<td>0.85</td>
<td>88.00</td>
<td>0.00</td>
<td>12.00</td>
</tr>
<tr>
<td>Reduces the possibility of illegal acts, such as frauds</td>
<td>4.32</td>
<td>0.99</td>
<td>76.00</td>
<td>2.00</td>
<td>22.00</td>
</tr>
<tr>
<td>Increases the comparability of financial statements</td>
<td>4.46</td>
<td>0.78</td>
<td>96.00</td>
<td>4.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Ensures transparency and reliability of financial statements</td>
<td>4.49</td>
<td>0.78</td>
<td>92.00</td>
<td>0.00</td>
<td>8.00</td>
</tr>
</tbody>
</table>

The same survey included interviews with relevant representatives of the SAAPCO and other regulatory bodies in Sudan (Abouagla, 2017). Their opinion on the benefits of applying IFRS complements previous results and could be summarized as follows:

- Implementation of IFRS could enable the rehabilitation of accountants and development of all accounting practices in the country;
- The use of IFRS would result in intensified cooperation with international organizations;
- Due to the increased comparability and reliability of financial statements, the application of IFRS would facilitate the flow of foreign direct investments;
- IFRS may enable Sudanese companies to enter the international financial markets and help international companies to facilitate their accounting work in Sudan.

There is no doubt that the introduction of IFRS in Sudan would improve the quality of financial reporting, and thus communication with users such as current and potential investors. Increased user confidence in the financial statements and the lower investment risks leads to a greater presence of international companies and an increase in foreign direct investment. This results in a raised level of efficiency of the domestic market and in an increase in the rate of economic growth. In addition to attracting foreign companies and facilitating their financial reporting to Sudan, the application of IFRS also helps domestic companies to access international capital markets. Finally, the application of IFRS contributes to the development of accounting profession and makes it close to the accounting practices in developed countries (Kieso & Wygand, 1995).

CONCLUSION

The main purpose of IFRS, as a single set of high-quality accounting rules, is to improve the quality and transparency of the financial reporting process and to enable the comparison of financial statements across the countries. Benefits from a common financial reporting language are reflected in providing reliable information to current and potential investors of the company, whose better institutional protection leads to a reduction in costs of capital, increased cross border investments, more efficient global financial integration and accelerated economic growth. As such, IFRS are rules that are primarily intended for economically developed countries, with a tradition of quality financial reporting, developed capital markets, good legal protection of investors and adequate enforcement mechanisms.

On the other hand, in many developing countries the local political, economic, cultural and legal environment is an obstacle to the effective
implementation of IFRS. Numerous specifics and variations of these factors of the local environment lead to numerous problems when trying to uncritically and linearly implement IFRS, because what suits one country usually does not suit another. In this regard, there is a general question of the justification of establishing a single regulatory framework for all specific information needs of different countries.

Sudan is an African country with an underdeveloped economy, low economic growth rate and a British colonial legacy. There is a capital market in this country, but the number of transactions is negligible, so in such an environment, creditors and tax authorities are the main users of financial statements, with the great influence on the functioning of accounting. This has resulted in a low level of development of the accounting profession, a small number of competent professionals, inadequate financial reporting regulations and a lack of membership of SAAPoC in international organizations, such as IFAC. Also, the economic environment in Sudan is characterized by a low level of foreign direct investment, inadequate governance, bad local legislative, non-transparency and the lack of other important factors of local infrastructure that are vital to the successful adoption of IFRS. All of the above is a set of impediments for the implementation of IFRS in this country, which for obvious and understandable reasons has not yet decided on such a major step. Therefore, the question that arises pertains not only to whether Sudan should apply IFRS, but also whether this country is currently capable of doing so, having in mind all of the stated aggravating factors and limitations.

In our research, it was found that respondents (professors from Sudanese universities and other institutions) believe that the key obstacles to the application of IFRS in Sudan are: shortcomings of the government's regulatory system, weaknesses in the accounting education system, insufficient professional skills of accountants in practice, the need to provide additional training to accountants to understand and apply IFRS and high costs of building adequate infrastructure and resources to support accountants working on IFRS. Also, obstacle to the application of IFRS in Sudan is the fact that most of businesses in Sudan are family owned and that Anglo-Saxon standards are not appropriate to the specifics of the local environment in Sudan. On the other hand, according to the same respondents, the anticipated benefits of the possible application of IFRS are reflected in: facilitating the growth of foreign direct investment, ensuring the transparency, reliability and comparability of financial statements and the reduction of the possibility of illegal acts, such as frauds.

As a global set of uniform standards, IFRS should improve the quality and comparability of financial reports and provide value-relevant information. However, national governments and other interested parties must weight well costs and benefits of IFRS adoption, because uniform accounting rules may not be to the same extent appropriate to all countries. Therefore,
Can IFRs Improve the Quality of Financial Reporting in Sudan?

“whichever course some country decides to take, quality of financial reporting is based not only on the accounting standards, but also the company’s own business model, structure, including the cultural, economic, legal and political systems in which it operates” (Alali & Lei, 2010: 85). Sudan is no exception to this statement and it is confirmed by the review of the current possibilities and limitations of the introduction of IFRS in this country.

REFERENCES


ДА ЛИ МСФИ МОГУ ДА ПОБОЉШАЈУ КВАЛТИТЕТ ФИНАНСИЈСКОГ ИЗВЕШТАВАЊА У СУДАНУ?

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Резиме

Изазови са којима се сусрећу компаније у земљама у развоju потичу, између осталих, и због нехармонизованог начина финансијског извештавања са праксом развијених економија, из којих се најчешће и очекује прилив страних директних инвестиција. Судан, као земља са неразвијеном економијом, неадекватним законодавством, слабом рачуноводственом професијом и бројним културним специфичностима сукова се са тим изазовима. Свакако је један од начина привлачења страних инвеститора обезбеђење поузданих и релевантних финансијских извештаја, састављених у складу са глобално прихваћеним принципима, оличеним у Међународним стандардима финансијског извештавања (МСФИ). У том смислу, сврха овог рада је да размотри могућности и предуслове за примену МСФИ у Судану.

Кључно питање које се појавило током истраживања перцепција академске јавности о овој теми није било да ли Судан треба да примењује МСФИ, већ да ли је тренутно могуће уопште применити МСФИ у овој земљи, с обзиром на бројне препреке које то спречавају. У нашем истраживању утврђено је да испитаници (професори са суданских универзитета и других институција) верују да су кључне препреке примене МСФИ у Судану: недостаци владиног регулаторног система, слабости у систему рачуноводственог образовања, недовољне професионалне вештине рачуновода у пракси, потреба за пружањем додатне обуке рачуновода за разумевање и примену МСФИ, као и високи трошкови изградње одговарајућег инфраструктуре и ресурса за подршку рачуноводима који раде на МСФИ. Такође, препрека у примени МСФИ у Судану је чињеница да је већина предузећа у Судану породичног власништва и англосаксонски стандарди нису прилагођени специфичностима локалног окружења. С друге стране, према истим испитаницима, предвиђене користи могуће примене МСФИ огледају се у: омогућавању раста страних директних инвестиција, обезбеђивању транспарентности, поузданости и упоредивости финансијских извештаја и смањењу могућности нелегалних дела, као што су преваре.

Свакако, примена МСФИ није потребан и довољан услов за побољшање квалитета финансијског извештавања у било којој држави, па ни у Судану, али уз разматрање осталих фактора (пословни модел компаније, економско, право и генерално културолошко окружење), представља важан предуслов за реализацију тог циља.