

The advantages and constraints of IAS (11) implementation in construction companies in Gaza Strip

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Abstract: This study aims to identify situation of international accounting standard no.11 implementation by constructing companies working in Gaza strip in their financial statements through distributing 60 questionnaires to construction companies which have first & second grades from Palestine Contractors Union, then making analysis by statistical tests in SPSS program. The study found that most of constructing companies do not implement international accounting standard no.11; major restrictions are missing in legislations, laws and regulations referred as generally accept. Also, improve the efficiency and professionally of accountants, financial employees and management in construction companies. In addition to the shortage of professional experience of the administrative and financial employees in such companies in regard to the application of the internationally accepted accounting criteria.

The study advice to making accounting courses for financial department employee, especially in construction companies. And increase financial organizations authority to obligate making financial statements as suited international accounting standards.

Key words: Construction accounting –IAS (11)–contracting accounting methods – percentage of completion method – contracting ending method.

إيجابيات ومعوقات تطبيق معيار المحاسبة الدولي رقم (11)

في شركات المقاولات (دراسة حالة قطاع غزة)

البحث مستلماً من رسالة ماجستير بعنوان: إيجابيات ومعوقات تطبيق معيار المحاسبة الدولي رقم (11) في شركات المقاولات (دراسة حالة قطاع غزة) للباحث أحمد عبد الفتاح محمد سعيد العفيفي.

ملخص: هدفت الدراسة إلى التعرف على قدرة شركات المقاولات في قطاع غزة على تطبيق معيار المحاسبة الدولي رقم (11) في إعداد القوائم المالية، والمعوقات التي تحول دون ذلك، وتم استخدام المنهج الوصفي التحليلي باستخدام أسلوب الاستبيان، حيث وزعت الاستبيانات على 60 شركة مقاولات من الدرجة الأولى والثانية وفقاً لتصنيف اتحاد المقاولين الفلسطينيين، وتوصلت الدراسة إلى عدم تطبيق معيار المحاسبة الدولي رقم (11) بشكل كامل في معظم شركات المقاولات في قطاع غزة، لعدة معوقات أهمها: عدم وجود قوانين وتشريعات تلزم بتطبيق معايير المحاسبة الدولية، وقلة الوعي والإدراك لأهمية ذلك، بالإضافة إلى نقص الخبرة المهنية لدى

موظفي الدوائر المالية والإدارة في شركات المقاولات فيما يخص تطبيق معايير المحاسبة الدولية، وأوصت الدراسة بضرورة تنظيم دورات تخصص معايير المحاسبة الدولية في شركات المقاولات، وسن قوانين تلزم شركات المقاولات في قطاع غزة بتطبيق معايير المحاسبة الدولية، وتفعيل دور الهيئات المحاسبية مثل جمعية المحاسبين والمراجعين الفلسطينية لإلزام شركات المقاولات بتطبيق هذه المعايير لإضفاء الثقة والمصداقية عليها.

الكلمات المفتاحية: محاسبة المقاولات - معيار المحاسبة الدولي رقم (11) - طرق احتساب إيرادات المقاولات - طريقة نسبية الالتزام - طريقة المقابلة المنتهية.

1 Introduction:

Through the business grows, it is necessary to search for more funding and investors, as needed, in particular in networking with other institutions, that there will be clear financial statements prepared on a basis that is understood throughout the world.

Financial statements is the final product of accounting system, where it aims to provide information about the financial position, performance and changes in financial position of company reflecting the financial impacts previous events during the accounting period. The financial statements provide useful information in making investment and credit decisions. Thus, the objectives of the financial statements is the ability to provide information to users from outside and inside the company.

The study aims to examine the reality of international accounting standards implementation in the construction companies in the Gaza Strip, and explore accounting practices used in the construction sector, according to International Accounting Standards. As well as, identify the constraints that prevent the application of IAS (11) to find solutions to remove the conflicts between the construction companies and taxes departments.

accountants usually face the potential risks of error in interpretation of preparing financial statements, where different preparation of financial statements for administrative purposes and taxation purposes Therefore, in order to meet the published financial data needs of business and financial institutions, the information are provided by these data the credibility to be trusted and relied upon in the planning, control and decision-making, as well as, those information is comparable to possess indicators derived from them to accept can be used as a basis for assessing the performance of companies and stand on its financial position and make comparisons with great objectivity. (Jarboa and Helles. 2001)

This is a major ongoing problem should study and find solutions, because construction sector in Palestine is very important and representative large segment of the economy. So, this study will try to answer the following major question:

What are the advantages and constraints of IAS (11) implementation in construction companies in Gaza Strip?

Q1: What is the degree of IAS (11) compliance in the construction companies in Gaza Strip?

Q2: What is the constraints that prevent the IAS11 implementation in the construction companies in Gaza Strip?

Q3: What is the impact of non-compliance with implementation of accounting standards on the credibility of the company's financial statements?

Q4: What are the solutions to overcome the constraints of IAS (11) implementation in the construction companies?

2 Literature Review:

Before embarking on a study, it is an important to know what are other researchers studied and search in the field, in order to know where we are heading. Terre Blanche and Durrheim (2006) so, a researcher will addresses the previous work in the financial literacy field from most aspects.

2.1 International accounting standard implementation in developing countries:

The use of international accounting standards in the preparation of financial statements and data has become an essential requirement for the various parties to promote transparency and give it credibility, where Othman (1989) found the difficulties of international accounting standards committee in narrowing the conflict gap between IAS applicable in the member countries which most of them are industrial and development countries. While in many developing countries, he show that the accounting systems were an extension of accounting systems of foreign countries which control economics, also, the ineffectiveness of the IAS implementation in developing countries where he grow up to try out the problems led to damage their economics.

Khalif (1997) aims to test the suitable of application of international accounting standards in the companies in Egypt and to identify the degree of implementation of international accounting standards in the accounting practices of different countries through use analytical approach descriptive to test hypotheses through a questionnaire distributed to accounting and auditing profession in Egypt, It concluded a 45 potential problems if international accounting standards applied in Egypt linked to seventeen international accounting standard.

Because most developing countries do not have accounting system stems from its surroundings, as all systems used borrowed from Western

industrialized countries, which necessarily leads to their lack of success in serving the needs of government organizations and members of societies of these countries, because of the difference in the form of the content of accounting standards issued by these countries. He no longer has to be a consistent standards are causing uniformity in accounting practices at the level of countries of the world including comparisons can be made of the contents of the financial statements. Hashem (1992)

Gale Group (2001) discuss a problem of differences in accounting standards used in different countries, where they are assessing the financial performance of companies in many countries in Europe on the basis of profit from operations, instead of applying the changes in prices and in accordance with the system fair value that may these data are companies less useful in predicting future cash flows. The study concluded that it should re-display items in the financial statements and delete all the unnecessary data, has recommended using multiple criteria to evaluate the financial performance of companies, also must provide financial statements information to creditors and not just for investors, where the benefit creditors of the financial statements follow through liquidity cash.

Nassar and Lotfi (1998) pointed out in their study that aims to identify the factors that lead to delay issuance of the annual financial reports of public companies in Jordan included 97 companies listed in the financial market, where American accounting Standards Board timing of the annual report must be met in order to be appropriate accounting information to the decision maker. The study showed that the size of the company subjected to auditing, the type of auditing opinion, internal control system, and the procedure for issuing the annual financial report are have a significant effect in the delay in issuing the annual report. As well as, Noor and Al jajawi (2003) in their study that aimed to the compatibility of the Jordanian environment with application of international accounting standards, and the degree of application in Jordanian businesses, the study concluded that agree Jordan Environment International Accounting Standards have benefits as there are obstacles and difficulties that may have positive or negative results, but negative results greater chance of verification in accordance with the views of the study sample,

Siam (2005) attempted to review the idea of internationalizing the accounting standards and the factors that called for the presence of international accounting standards, also aimed to identify the degree of the accounting profession support to commit to International Accounting Standards in Jordan, and the constraints that prevent the application, he found that there was considerable support the obligation to apply

international accounting standards in Jordan because of its advantages, and in turn show the constraints that prevent the application process such as different political and economic conditions, laws and legislation, the study recommended the development of skills and abilities of workers in financial departments to enable them to practice the profession according to international Accounting standards, and reconsider the grounds for granting licenses audit profession, so be sure of their ability to deal with international accounting standards.

In a study of the United Nations Conference on Trade and Development (2000) aimed to find possible solutions in the form of approach proposed for the accounting systems for SMEs through collecting information on the situation and problems faced by the following countries: Argentina, Brazil, Botswana, Cameroon, Kenya, Morocco, Lebanon, Singapore, Malaysia, Poland, and Kazakhstan. They found that only a very small minority of managers of SMEs in developing countries have the capacity available regular bookkeeping, and this constitutes a major obstacle to business growth of these institutions. They also cannot get loans to finance their businesses because they cannot prove the profitability of the business or assets that they own. Finally, they are exposed to the risk of a tax perspective, the study recommended that there should be several attributes and characteristics of any accounting system must be available based on consistency with international accounting standards.

Ajax and Liljeheden (2005) Conducted a field study on SMEs in the period (March 2004 - June 2004) in Bolivia to identify the necessary level of mandatory disclosure of accounting data, where the study sample in creditors as the main beneficiaries of the accounting data of the companies due to the poverty and adoption permanent loans, study finds a significant gap between the information required accounting and the company's ability to provide credible information, and therefore creditors demanded to issue financial statements in accordance with the accounting system record and global, They also demanded that the financial reports published as simple as possible and describes the cash budget and prefer the income statement, in addition to the development of vocational and technical side so as to improve the company's ability in terms of financial accounting and give confidence to the financial statements.

In Palestine, accounting system applied is similar other Arab countries' accounting systems, where Nashwan (2004) pointed out in his study that aimed to identify the shortcomings in the accounting policies applied in the economic units Palestinian, and the possibility of developing the preparation of financial statements within the international accounting standards. He

found that the financial statements used are not prepared in according to international accounting standards except balance sheet and they do not comply by providing the specified dates because of lack of standards in published financial statements of the Palestinian institutions, as well as balance sheet considers the main statement in all Palestinian companies, therefore there is a need to commit economic units applying international accounting standards, taking into account Palestinian environmental changes in the preparation of financial statements.

2.2 IAS 11: Long- term contracts (construction):

IAS 11 Issued in 1979, and amended in 1993. It aims to prescribe the accounting treatment of revenue and costs related to construction, which is characterized by extension contracts to more than one financial period, which requires the allocation of revenue and costs between periods concerned by the percentage of completion each period. IAS 11 tries to provide guidance for the application of principles in contract, also IAS 11 offers mechanism to disclose various items related to revenues and costs of construction contracts. IAS(2007)

Construction contracts defines the contracts that are sign for the establishment of an asset or group of assets that are related to each other or depend on each other in terms of design, technical, functionality, purpose or end-use. Arab Society of Certified Accountants (2001) the construction contracts divide in two types: The price of lump sum (fixed), where the contractor agree on a fixed price contract but note that these contracts include clauses allowing reconsideration of the prices in certain circumstances. Second type is plus contracts or cost plus percentage contracts, where compensate the contractor for specific costs are allowed, as well as the proportion of fixed costs or fees.

IAS 11 requires a number of disclosures, some of which related to all contracts and others for construction in process in the financial statements. The disclosures of all contracts like the total amount of contract revenue during implementation period and methods used to estimate the revenue of the contract approved during the year. while the disclosures of construction in process like methods used to estimate the percentage of completion and total amount of costs paid and dividends received during the year. Hammad (2004)

Financial statements prepared in construction companies focus the study different on other financial statements prepared in other companies (commercial, industrial, or NGOs) because its characteristics and properties. Most important of these differences are: Atiya (2003)

- Long-term projects implementation require several financial periods which requires determining the profits at the end of each financial period, that mean determine the profits from businesses that have been accomplished without the need to wait until the end of the work on the project.
- Contract considers contracting cost center and profit center because it calculate costs for each contract by carries direct costs and indirect costs are then the interview process between the total contract cost and revenue to determine the total profit of the contract.

There is a difficult to determine the profits at the end of the year, where different methods of measuring the profits from one company to another to suit the company's management, where they may use the Contract completion method and another company uses the percentage of completion method to measure the project's profits at the end of the year which affects the financial statements. Mustafa Al-Rashed (1996) aimed to identify the problems relating to the measurement of taxable profit in the construction companies in Kuwait as well as evaluating the tax system and circulars issued in this regard with respect to companies contracting, and propose a practical framework for the foundations of determining the taxable income in the sector contracting, the study finds that there is a difference in the foundations of accounting measurement between companies and tax administrations because of the lack clearly defined in the tax legislation and the absence of specific destruction of the concept of profit tax, as shown by the absence of firm foundations to address cost items involved in the conflict of taxable profit, and follow accounting policies for management purposes, but is not allowed to follow them for tax purposes.

Abdeen (2006) aimed to identify the extent of the application of international accounting standards for construction contracts in Palestine and the impact on business results for service management and the beneficiaries. He found that the low rate of commitment contracting companies applying international accounting standards or any other standards when preparing the financial statements, and there are constraints on the company itself and other environment-related works of this company, and study recommended encouraging construction companies to apply international accounting standards and the need to pass a law binding on all contracting companies to keep proper accounts in preparation for the application of international accounting standards.

As we see, international accounting standards and long-term contracting accounting according to IAS 11 have been discussion in different aspects. Some studies (Othman 1989, Khalif 1997, Gale Group 2001 and Noor and Al jajawi 2003) illustrate the importance of the application of international

accounting standards in the companies around developing and developed countries, and the appropriateness of these countries for the application, and the constraints that prevent this. They found that the low level of IAS implementation especially SMS in developing countries,

In other aspect, the other studies which aimed to highlight the role of accounting in the decision-making in construction companies in accordance with international accounting standards. (Mustafa Al-Rashed 1996, and Abdeen 2006)

For the most researches have been focused on international accounting implementation. Although IAS have been studied from different aspects, but most of these have not studied as IAS 11 implementation (long-term contracts).

This study consider the one of a very little studies of its kind and complements to other researches, where will try to help to develop accounting systems in construction companies in the Gaza Strip, to be able to work accounting according to International Accounting Standards trough focusing on the reality of an international accounting standards implementation in the construction companies in the Gaza Strip and the constraint that prevent this, and try to find appropriate solutions for the full implementation

So, the study will make a modest contribution to theoretical development through focusing on neglected area of accounting system of SMEs – the relevance of IAS 11- As well as, will contribute towards improved understanding of accounting system in construction SME sustainability.

3 Methodology of the study:

The study used the survey research method of inquiry to test the hypotheses. It was considered the best approach to this study because it is empirically verifiable, and it is deterministic, based on logic, and clear elaboration of cause and effect, as well as, survey research is general because it is conducted for the purpose of understanding the larger population from which the sample is drawn. Groves (2004)

3.1 Study hypotheses:

The study will answer the major questions, and the problems related to IAS 11 implementation in construction companies by a set of following hypotheses:

H1: construction companies disclose about special items of curried out projects in current period at financial statements.

H2: construction companies in the Gaza Strip applying accounting policies and procedures for construction projects in accordance with International Accounting Standard No. (11).

H3: construction companies in the Gaza Strip configure emergency reserves and the potential loss in construction projects in accordance with International Accounting Standard No. (11).

H4: Construction companies in Gaza strip face difficulties when applying IAS11 in the preparing of financial statements.

H5: The compliance with IAS (11) effects on the credibility of the financial statements in the construction companies in the Gaza Strip.

H6: There is no statistical relationship in the degree of compliance to the implementation of IAS (11) due to classify the construction companies in the Gaza Strip.

3.2 Study variables:

Ø Dependent variables:

- International accounting standard (11) implementation.

Ø Independent variables:

- Financial disclosure of financial statements in construction companies.
- Financial policies and procedures applying in construction companies.
- Financial treatments for allocations & emergency reserves in construction companies.
- The advantages & disadvantages of non-compliance of ISA.

3.3 Data collecting:

Data collecting are outsourcing of primary and secondary sources. Secondary sources consist of books, journals, and specialized publications on the subject of study, while primary sources will collect through distribution of questionnaire to study sample who represented as construction companies in Gaza strip, to examine the advantages and constraints of IAS 11 implementation in construction companies and the effects on their financial statements disclosure. Study takes into consider in the questionnaire design that the questions are open-ended and closed questions for the review of the views of the sample more accurately. The study used standardization scale to answering some questions as follows:

Likert scale				
strong disagree	disagree	neutral	agree	strong agree
0	1	2	3	4

Table (1): Likert scale classification.

3.4 Population and sampling structure:

The population of study focused on construction companies in Gaza strip in classification (first grade and second grade) according to the classification of Palestinian contractors union and the 130 companies. Random sampling technique was used to ensure that all the relevant construction companies

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were represented. The target sample was 70 respondents, with 60 eligible responses used as the final sample, where the table (2) explore the main characteristics of sample.

statements	No.	percentage
study sample according to the technical characteristics of the companies		
<i>Firm's age:</i>		
Before 1993.	10	% 17
1994 – 1999.	39	% 65.8
After 2000.	11	% 17.2
<i>Firm's classification:</i>		
First grade.	34	% 57.1
Second grade.	26	% 42.9
<i>Firm's type:</i>		
Sole trader.	7	% 12.2
Partnership (LTD).	44	% 73.5
Corporation.	9	% 14.3
<i>Firm's capital:</i>		
Less than 1 million USD.	43	% 71.4
More than 1 million USD.	17	% 28.6
<i>Projects amount in last 5 years:</i>		
Less than 1 million \$.	20	% 32.7
1 million – 10 million \$.	35	% 59.2
More than 1 million \$.	5	% 8.1
<i>international accounting standards compliance:</i>		
Full compliance.	11	% 18.4
Part compliance.	44	%73.5
Never compliance.	5	% 8.1
study sample according to the technical characteristics of respondents:		
<i>Respondent position:</i>		
Accountant.	40	% 67.4
Manager.	11	% 18.4
Engineer.	8	% 12.2
Other.	1	% 2
<i>Education level:</i>		
Less than bachelor.	2	% 4
Diploma.	6	% 8.3
Bachelor degree.	50	% 83.7
Master degree.	2	% 4

statements	No.	percentage
<i>Experience age:</i>		
Less than one year.	2	% 4
1 year – 5 years.	30	% 49
More than 5 years.	28	% 47
<i>Construction accounting courses attend:</i>		
Yes.	32	% 53
No.	28	% 47
<i>international accounting standards courses attend:</i>		
Yes.	21	% 35.4
No.	39	% 64.6
<i>international accounting standards knowledge:</i>		
I know it and apply.	34	% 57.1
I know it but do not apply.	21	%34.7
I do not know it.	5	% 8.2

Table (2): the study sample according to the technical characteristics of the companies and respondents.

3.5 The validity and reliability of the questionnaire:

3.5.1 Cronbach’s alpha method:

Cronbach’s alpha method was used to measure the reliability of the questionnaire, table no. (3) Shown that high reliability coefficients.

Category	Cronbach’s alpha
The factors effect in international accounting standards implementation.	0.8453
Accounting disclosure of financial data.	0.4612
Accounting policies and procedures.	0.924
Accounting treatment of the allocations in projects under progress	0.5860
Negative effects due to not comply with international accounting standards	0.7887
positive effects due to not comply with international accounting standards	0.7388

Table (3): Reliability of the categories by Cronbach’s alpha test.

3.5.2 Normal distribution test - Kolmejev- Samarnov (K-S sample-1):

Kolmejev – Samarnov test shows that whether the data follow a normal distribution or not, a test is necessary in the case of hypothesis testing

because most parametric tests require that the normal distribution of the data. Through categories test in table (4), the study found that the significant level is greater than 0.05, that is mean the data follow a normal distribution and should use parametric tests.

Category	Z-test value	Significant level
The factors effect in international accounting standards implementation.	0.802	0.541
Accounting disclosure of financial data.	0.753	0.432
Accounting policies and procedures.	0.778	0.580
Accounting treatment of the allocations in projects under progress	0.560	0.331
Negative effects due to not comply with international accounting standards	0.657	0.781
positive effects due to not comply with international accounting standards	0.913	0.375

Table (4): Normal distribution test – (K-S sample-1).

3.6 Data statistical analysis:

In order to know the answers respondents, the study used percentages, the average of the answers, relative weights, the value of T-test, and significant level according to the requirements of the study.

H1: construction companies disclose about special items of carried out projects in current period at financial statements.

Through sample responds analysis to disclosure degree of cost calculation in financial statements, where study found that most firm's respondent's 85.4% record all actual cost paid in financial statements. That make those financial statements validity and reliability. As well as, many construction firms of sample respondent 57.1% followed engineer's evaluation method because it is easy and avoiding conflict between client and firm in determining the amount of payment. While other respondents prefer to use cost method to calculate the payment amount because it is more trustful.

statements	No.	Percentage
Ø The way of cost disclosed in F.S:		
All costs incurred to date	51	% 85.4
All actual and expected costs	5	% 7.5
Do not include costs only at the end of the project	4	% 7.1
The way of payment calculation:		
Cost method.	26	% 42.9
Engineer evaluate method.	34	% 57.1

Table (5): Cost calculation and disclosure in F.S.

Table (6) pointed out that most construction companies (85.4%) disclose in under progress projects revenue, while this percentage increase to 93% for carried out projects revenue disclosure in financial statements. But for disclosure of change in contract value and disclosure of accruals payment and what they received, not many construction companies disclose, where 62.5% of sample disclose about increasing or decreasing of contract value because they afraid of cancel the change next time specially for long-term contracts. As well as, 66.7% disclose of claims in financial statements. Also, many construction companies 91.7% disclose about advanced payment, also disclose about loss, penalty, and reserves.

In general, it found that many construction companies make disclosure about contracts values, revenues and loss in financial statements in the end of financial year. That mean the first hypotheses titled: construction companies disclose about special items of carried out projects in current period at financial statements.

statements	percentage		Significance Level
	Yes	No	
Ø Contract discloser in financial statements:			
Under progress projects amount disclosure.	85.4	14.6	0.000
Curried out projects amount disclosure.	93.8	6.2	0.000
The change in contract value disclosure.	62.5	37.5	0.020
Claims amount and payments disclosure.	66.7	33.3	0.005
Advanced payments amount and guarantee amount disclosure.	91.7	8.3	0.000
Emergency loss, penalty and reserve disclosure.	83.3	16.7	0.000
All statements significance Level			0.000

Table (6): contract disclosure in F.S.

H2: *construction companies in the Gaza Strip applying accounting policies and procedures for construction projects in accordance with International Accounting Standard No. (11).*

sample responds analysis found that most firm's respondents 89.6% with significance level is 0.00 are agree on revenue achieved at the end of the project In Contract completion method, regardless of the number years of implementation, as well as, many construction companies who use Contract completion method 81.2% record all actual cost paid during the financial year. The third paragraph show that 77.1% of respondents recognized revenue collected during the year in the financial statements and they deal with expenses paid before getting the tender record within the project costs, even if they are not awarding it with level of significance 0.002. next statement refer to many respondents 83.3% are calculated Depreciation payment of equipment within project costs at the end of the financial year, while the last paragraph found that 64.6% of respondents disclose to policies accounting changes and its impact on the financial statements of the company, has reached the level of significance 0.020.

statements	percentage		Significance Level
	Yes	No	
Ø Accounting policies and procedures implemented:			
In Contract completion method, revenue achieved at the end of the project.	89.6	10.4	0.000
In Contract completion method, all paid costs are recorded at the end of the financial period.	81.2	18.8	0.000
In Contract completion method, all revenues are included at the end of the financial period.	77.1	22.9	0.000
Expenses paid before getting the tender record within the project costs, even if they are not awarding it.	29.8	70.2	0.002
Depreciation payment of equipment is loaded in The project costs at the end of the fiscal year	83.3	16.7	0.000
If you change the presentation of projects under progress policy of in balance sheet, your company disclose change, its causes and its effects on the financial statements.	64.6	35.4	0.020
All statements significance Level			0.000

Table (7): Accounting policies and procedures implemented.

In other aspect, many construction companies 64.6% prefer to allocated of public costs through distributing on the projects implemented during the year. as well as, the general trend in the method of calculating the results for the construction in process at the end of the year is percentage of completion method, where 52.1% followed by percentage of completion method in the calculation of the carried out part during the year, while 16.7% follow ccontract completion method where no disclosed as a result of the project until the end. In addition, 31.2% of respondents follow both methods in the projects, where there are projects final value can be estimated accurately are following the Contract completion method and other projects cannot be estimated final value are following the percentage of completion method.

statements	No.	Percentage
Ø The way of public costs allocated:		
Distributed to the projects implemented during the year.	38	% 64.6
Total amount in income statement.	22	% 35.4
Ø The way of construction in process revenue calculated:		
Percentage of completion method.	32	% 52.1
Contract completion method.	10	% 16.7
Both methods.	18	% 31.2

Table (8): The way of public costs allocated and under progress project revenue calculated.

Generally, most construction companies in Gaza strip are applying international accounting standards in the accounting policies and procedures for construction accounting during the financial year, also, the level of significance of the preceding paragraphs are 0.000, which is less than 0.05, which confirms the validity of the second hypothesis.

H3: construction companies in the Gaza Strip configure emergency reserves and the potential loss in construction projects in accordance with International Accounting Standard No. (11):

The study found that 58.3% of respondents with significance level is 0.197 establish contingency reserve to meet any potential fluctuations in projects, as well as, a little construction companies 44.7% established a contingency reserve for projects in the case of profit only, note that the international Accounting Standards reserves and provisions require that form the emergency reserve in case of profit only, in addition that the significance level 0.796 is larger than 0.05, which indicates a lack of international accounting standards implementation in configuring of emergency reserves

for construction in process of the construction companies in the Gaza Strip. While 38.3% of respondents are establish a contingency reserve for projects in case of loss only, the significance level 0.039. Overall, most construction companies in the Gaza Strip apply international accounting standards for construction contracts regarding emergency reserves for projects in case of loss. Fourth paragraph show that 64.6% of respondents are recognized for the expected loss the project may face, and the significance level 0.005, also they recognized for the expected loss affecting a particular project even if there are profits from other projects during the year offset the expected loss for this project, with significance level 0.010.

statements	percentage		Significance Level
	Yes	No	
<i>Ø allocations of construction in process accounting:</i>			
The company has established a contingency reserve for construction in process.	58.3	41.7	0.197
Contingency reserve is established for projects in the case of profit.	44.7	55.3	0.796
Contingency reserve is established for projects in the case of loss.	38.3	61.7	0.039
If the company expected a loss in one of the projects carried out, this loss is recognized in the final accounts.	64.6	35.4	0.005
If the expected profits in construction in process covering the potential loss in one of these, this loss is recognized in final accounts.	64.6	35.4	0.010
All statements significance Level			0.030

Table (9): allocations of construction in process accounting.

Table No. (10) shows the provision establishing policy of a potential losses, it was found that 68.7% of respondents are configuring a potential losses provision for the full value of the project, has provided the international accounting standards for long-term construction that if the expected loss big, the potential losses provision should configure for the full value of the project.

statements	No.	Percentage
<i>∅ reserves establishing policy of expected losses for construction in process:</i>		
Reserves establish for the carried out part of the project.	2	% 4.2
Reserves establish for the remaining part of the project.	11	% 18.8
Reserves establish for the full value of the project.	42	% 68.7
The firm do not establish reserves for expected loss of the project.	5	% 8.3

Table (10): reserves establishing policy of expected losses for construction in process.

Therefore, through third hypothesis analysis, study found that the most construction companies in Gaza strip are configuring a contingency reserve to cope with fluctuations possible in projects, also recognizes the loss expected for these projects if there are indications that, and the significance level for total paragraphs 0.030, which is less than 0.05, which confirms the validity of the hypothesis.

H4: Construction companies in Gaza strip face difficulties when applying IAS11 in the preparing of financial statements.

Through questions analysis related to H (4), the average score in total questions statements is 57.77% and relative weight is 2.31. Because the average scores greater than average hypothesis that equal 2 and significant level is 0.00 where it less than 0.05. So, construction companies in Gaza strip face difficulties when applying IAS11 where the most important of the lack of law require companies to apply IAS11 by relative weight 77%. There for, the hypothesis (4) that the construction companies in Gaza strip face difficulties when applying IAS11 in the preparing of financial statements.

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The preparation of financial statements difficulties according with IAS 11	percentage					average of 4	average weight	T value	significant level
	strong agree	agree	neutral	disagree	strong disagree				
Difficult to record revenue projects under implementation	8.3	54.2	2.1	35.4	0	2.33	58.25	4.810	0.000
Lack of qualifications for the staff of the Finance Department	6.2	10.4	10.4	68.8	4.2	1.43	35.75	-1.869	0.047
Lack of management attention to financial reporting	6.3	31.3	12.4	37.5	12.5	1.77	44.25	0.618	0.003
The company is small in its capital	14.6	45.8	8.3	20.8	10.5	2.35	58.75	4.137	0.000
The absence of laws required to apply IAS 11.	54.2	22.8	6.3	12.5	4.2	3.08	77	8.835	0.000
Delay of financial department in supplying management of the financial reports for the financial performance of projects immediately.	4.2	39.6	8.3	45.8	2.1	2.00	50	2.417	0.019
the volume and nature of the financial transactions are low.	4.2	54.2	6.2	31.2	4.2	2.22	55.5	3.939	0.000
The high cost of training to become able to deal with the international accounting standards.	4.3	61.7	6.4	27.6	0	2.45	61.25	6.384	0.000
lack of understanding the important of IAS implementation.	16.7	52.1	10.4	20.8	0	2.63	65.75	7.404	0.000
Lack of effective internal control system in construction companies.	31.2	54.2	0	14.6	0	3.02	75.5	10.81	0.000
Administration's unwillingness to show the real profits of company.	17	34	10.6	32	6.4	2.15	53.75	3.050	0.003
No conviction in management of the importance of the standards application.	25.5	46.8	10.7	17	0	2.78	69.5	8.400	0.000
Identify problems taxable profit in the final accounts	8.3	54.2	12.5	20.8	4.2	2.43	60.75	5.828	0.000
Total of statements section						2.31	57.77	7.737	0.000

T Table's value equal to 1.67 when the freedom degree of 59 and 0.05 level.

Table (11): the preparation of financial statements difficulties according with IAS 11.

H5: The compliance with IAS (11) effects on the credibility of the financial statements in the construction companies in the Gaza Strip:

The study use T-test one sample analysis in order to examine the questions related to first part of hypotheses 5, where it found that sample opinions are positive through results analysis, as well as, T calculated value is greater than T table value and significant level is less than 0.05, and average weight is 64.6%. That means the respondents agree on facing of construction companies in Gaza strip difficulties in long term projects whether they do not comply with IAS11, also will face problem in accounting processing of same projects. Therefore, there financial statements will not be credibility because the difference in methods used in the treatment of similar projects which leading to difficulties in decision-making, and difficulties in comparing between company's financial statements. So, in general, the main average in total question section in part 1 is 2.79, weight average is 69.7% and T calculated value is 12.1, that confirm the negative effective if the absent of IAS11 implementation in construction in Gaza strip.

In second part of hypotheses 5, and through T-test one sample analysis to examine the positive impact of the application of international accounting standards on the credibility of the financial statements. it shows that the value of T calculated is greater than the value of t tabular and level significance less than 0.05 and the relative weight greater than the relative weight neutral 50%, meaning that the study sample agree that the international accounting standards implementation is working to unify the components of financial statements in construction companies and also unify the accounting treatment for similar projects with relative weight 75.5%. as well as, the implementation of international accounting standards provide financial information comparable accurate and credible relative weight, and provide guidance for the preparation of financial statements as determined disclosure requirements necessary and required and methods for calculated profits in the financial statements. Also, it enhances user confidence of Lists Financial through provide fixed rules to guide the preparation of the financial statements, and trying to remove the conflicts with the Tax Department about determining taxable profit through the consolidation of the methods used in the treatment of projects and disclosure of the terms of the financial position in accordance with standards 72.5%.

In general, it appears that the arithmetic average of all the paragraphs of second Part 3.15 and the relative weight 78.8% which is greater than the relative weight neutral 50% and T calculated value is 22.4 that largest of the

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of T table value which is equal to 1.67, and the significance level 0.000, which is less than 0.05. so, this confirm the benefits resulting from the implementation of IAS (11) in the construction companies in the Gaza Strip. Therefore, the fifth hypothesis is accepted.

The preparation of financial statements difficulties according with IAS 11	percentage					average of 4	average weight	T-test value	significant level
	strong agree	agree	neutral	disagree	strong disagree				
Difficulty processing revenues and costs of long-term projects.	14.6	72.9	4.2	6.2	2.1	2.90	72.5	11.37	0.000
Differences in the methods used in the treatment of similar projects.	2.1	62.5	14.5	18.8	2.1	2.45	61.25	6.93	0.000
Providing inaccurate information to decision makers & management.	35.5	50	6.2	6.2	2.1	3.10	77.5	12.10	0.000
Difficulties in decision-making.	37.5	43.8	6.2	12.5	0	3.08	77	11.38	0.000
Difficult comparison between the financial statements of company.	25.5	38.4	8.5	25.5	2.1	2.63	65.75	6.33	0.000
Lower user confidence to the financial statements.	30.4	30.5	15.2	23.9	0	2.70	67.5	7.00	0.000
Total of statements in part 1						2.78	69.72	12.1	0.00
Unify components of the financial statements in all construction companies.	31.2	56.3	4.2	4.2	4.2	3.02	75.5	10.80	0.000

Provide financial information comparable.	35.4	62.5	0	2.1	0	3.32	83	22.48	0.000
Provide guidance in preparation of financial statements in the company.	22.9	64.6	10.4	2.1	0	3.10	77.5	17.58	0.000
Enhance the confidence of users of financial statements.	43.8	45.8	6.2	4.2	0	3.28	82	16.41	0.000
Provides rules to guide preparation of final accounts.	37.5	54.1	6.3	2.1	0	3.28	82	18.75	0.000
Remove the conflicts with the Tax Department about determining taxable profit.	22.9	54.1	14.6	6.3	2.1	2.90	72.5	10.63	0.000
Total of statements in part 2						3.15	78.82	22.4	0.00

T Table's value equal to 1.67 when the freedom degree of 59 and 0.05 level.

Table (12): the preparation of financial statements difficulties according with IAS 11

H6: There is no statistical relationship in the degree of compliance to the implementation of IAS (11) due to classify the construction companies in the Gaza Strip:

Through examine the relationship between IAS implementation compliance and classification of construction companies (first class and second class). Most accounting policies which required from IAS are applied, where statistical tests found that there is no significant difference between variables, and average weight of most statements are greater than 0.05. that means the hypothesis 6 is rejected.

Statements	First grade	Second grade	Significant level
Ø Accounting disclosure for financial statements:			
Under progress projects amount disclosure.	%81.8	%92	0.265
Curried out projects amount disclosure.	%97	%92	0.397
The change in contract value disclosure.	%69.7	%52	0.169

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Statements	First grade	Second grade	Significant level
Claims amount and payments disclosure.	%72.7	%57.7	0.226
Advanced payments amount and guarantee amount disclosure.	%93.9	%92	0.773
Emergency loss, penalty and reserve disclosure.	%69.7	%100	0.002
ØAccounting policies and procedures implemented:			
In Contract completion method, revenue achieved at the end of the project.	%84.8	%96	0.167
In Contract completion method, all paid costs are recorded at the end of the financial period.	%84.8	%76.9	0.438
In Contract completion method, all revenues are included at the end of the financial period.	%69.7	%84.6	0.181
Expenses paid before getting the tender record within the project costs, even if they are not awarding it.	%28.1	%34.6	0.595
Depreciation payment of equipment is loaded in The project costs at the end of the fiscal year	%78.8	%92	0.169
If you change the presentation of projects under progress policy of in balance sheet, your company disclose change, its causes and its effects on the financial statements.	%54.5	%76.9	0.075
Øallocations of projects under progress accounting:			
The company has established a contingency reserve for projects under execution.	%48.5	%72	0.072
Contingency reserve is established for projects in the case of profit.	%37.5	%52	0.274
Contingency reserve is established for projects in the case of loss.	%31.3	%48	0.197
If the company expected a loss in one of the projects carried out, this loss is recognized in the final accounts.	%69.7	%57.7	0.339
If the expected profits in projects under progress covering the potential loss in one of these, this loss is recognized in final accounts.	%78.8	%48	0.015

The percentages mean's agree of respondents on statements implementation.
Table (13): the relationship between classification of construction companies and IAS 11 implementation.

4 Conclusions and recommendations:

Through analysis and discussion of the theoretical and practical aspects, the study found that most construction companies in the Gaza Strip disclose financial statements for projects executed during the financial year. But do not fully comply with the International Accounting standard 11, where they load expenses paid to tender has not been implemented as expenses period and not the cost of the project in many construction companies, as well as, the method used in most construction companies to calculate the projects profits during the year is the percentage of completion method. But they confused in the distinction between the contingency reserve and provision for the loss expected, and the time of formation of each. In addition that construction companies face obstacles to the implementation of international accounting standards, including the absence of laws and legislation requiring construction companies when preparing financial statements, and the lack of an internal control system in the corporate help in completing the process of accounting in accordance with international accounting standards when preparing financial statements.

The study recommended the need to issue laws and legislation requiring contractors to prepare its financial statements in accordance with international accounting standards. And work to establish an internal control system in the construction companies. There more, they should try to reconcile the construction companies and the Tax Department in determining taxable profit, where differs from profit calculated by the method of engineer evaluation and the cost method. Also, should restrictions on construction companies of national institutions such as the Palestinian Contractors Union, and the Ministry of Public Works, and others that benefit from the financial statements for the purpose of rehabilitation for the implementation of their projects.

The study was limited to contracting companies classified (first and second grades) according to the Union of Palestinian construction, as well as, construction companies were selected in the Gaza Strip only, without selecting contractors in other Palestinian cities, due to the current political circumstances. Therefore, the study proposes in the future to expand your search to include other cities.

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