

IFRS Standards in Moroccan SMEs with Challenges and Audit Firm Support in Implementation

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Abstract: In today's economy, characterized by constant globalization and an evolving landscape, aligning with International Financial Reporting Standards (IFRS) is no longer a key to success exclusive to large corporations. Small and medium-sized enterprises (SMEs), particularly in emerging economies such as Morocco, are also encouraged to align with international standards to improve transparency, comparability, and access to global financial markets. This study explores the complexities and potential future opportunities associated with the adoption of IFRS by Moroccan SMEs, with a specific focus on the role played by audit firms into supporting and guiding this transition. By employing a mixed-methods approach, combining questionnaires from 15 SMEs and 21 audit professionals with semi-structured interviews, the analysis identifies the primary obstacles related to IFRS adoption among Moroccan SMEs, while highlighting the critical role played by audit firms in this transition. Despite the strategic potential of IFRS implementation to lift both performance and international credibility, SMEs face considerable difficulties. These challenges are primarily related to high implementation costs and a shortage of internal accounting expertise, resulting in a low adoption rate of only 20% by the SMEs studied. Audit firms serve as essential facilitators by offering technical assistance, although their impact is often limited by structural and institutional limitations. This study highlights the need for a gradual and capacity-building approach to IFRS adoption, jointly supported by audit professionals and legislators, to enable Moroccan SMEs to integrate more effectively and sustainably into the global financial environment.

Keywords: IFRS Adoption, Moroccan SMEs, Audit Firms, Accounting Harmonization, Regulatory Challenges, Economic And Technical Constraints, Transparency, Governance

1. Introduction

Recently, the global convergence of accounting standards has reshaped today's financial landscape, emphasizing transparency, comparability, and investor confidence (Nobes & Parker, 2020). Central to this evolution is the widespread implementation of International Financial Reporting Standards (IFRS) in 140 countries (Nobes & Parker, 2020) all around the world, initially created for publicly listed multinational companies, but now extending to include a broader array of entities, including small and medium-sized enterprises (SMEs). In Morocco, where SMEs represents over 93% of business landscape (Gauthier, 2019), and serve as critical engines of economic growth and employment, the question of IFRS adoption is considered both strategic and complex.

The transition toward IFRS for Moroccan SMEs cannot be approached and examined through purely technical or compliance-based perspective. It unfolds within a broader framework marked by structural limitations, cultural specificities, and regulatory uncertainties. Unlike large companies, SMEs often face limited financial resources, a shortage of specialized expertise, and informal organizational structures. This is why in this complex landscape, audit firms play a critical role, acting not only as technical advisors but also as mediators, adapting international frameworks to the realities of the local business environment. However, their effectiveness in supporting SMEs depends largely on their own ability to reconcile these global standards with national constraints and to adapt their practices accordingly.

This study seeks to explore and investigate the following question: To what extent do audit firms help Moroccan SMEs to overcome the constraints related to IFRS adopting? More specifically, it examines how audit professionals can contribute to transforming IFRS from a mere legal or regulatory obligation into a meaningful driver of improved governance, operational efficiency, and financial credibility.

The dual focus of this study lies in identifying the structural barriers blocking IFRS implementation among Moroccan SMEs and evaluating the transformative potential of audit firm interventions. By analyzing primary data from 15 SMEs and 21 audit professionals, as well as sector-specific insights, the research addresses two central questions:

- How do economic, technical, and regulatory constraints limit IFRS adoption among Moroccan SMEs?
- To what extent can audit firms reduce these barriers and contribute to measurable performance improvements?

Finally, this paper contributes to a broader reflection on the relevance and adaptability of global standards within local economic contexts. It raises a critical question: Can IFRS genuinely serve as a development tool for emerging markets like Morocco, or does the lack of tailored support risk aggravating existing structural divides within the entrepreneurial ecosystem?

2. Literature Review

While the adoption of International Financial Reporting Standards (IFRS) has received considerable attention since it has been widely studied in the context of global accounting harmonization, its relevance and application among Small and Medium-sized Enterprises (SMEs) in emerging markets, particularly in Morocco, is still not enough explored.

The following section will provide a critical overview of theoretical and empirical contributions related to IFRS implementation, focusing and structured around six key dimensions which are: (1) the importance of IFRS in emerging economies, (2) the global expansion of IFRS and its application among SMEs, (3) economic, technical, and cultural constraints, (4) the key role of audit firms, (5) specific challenges encountered in Morocco, and (6) the structural and institutional characteristics of Moroccan SMEs.

2.1 Relevance and Application of IFRS in Emerging Economies

The adoption of International Financial Reporting Standards (IFRS) in emerging economies has been the subject of many studies. Various researchers, such as Zeghal and Mhedhbi (2006), Hassan et al. (2009), and Gyasi (2010), urging for IFRS adoption in developing countries, arguing that it will enable them for a better access to a strong, internationally recognized accounting framework. According to them, such harmonization can promote higher-quality financial reporting while improving transparency and facilitating cross-border investment by aligning local practices with global expectations.

On the other hand, some other researchers have questioned the usefulness of IFRS in non-Western contexts. For instance, Cerne (2009) affirms that financial information made in conformity with standards designed for advanced economies may not align with the needs or even decision-making models of stakeholders in emerging markets. These different perspectives suggest that the decision behind the adoption of IFRS is conditional not only on the technical quality of the standards but also on the broader institutional, cultural, and economic context of each country.

Many emerging economies, including Jordan, China, Poland, and the United Arab Emirates, have moved toward full adoption of IFRS, while others, like Egypt, have opted for local adaptations of the standards. These initiatives are generally driven by goals to improve financial reporting credibility, increase investor confidence, and encourage economic growth (Zakari, 2014).

However, uniformity remains out of reach across the region. While many Middle Eastern countries have integrated IFRS into their regulatory frameworks, others continue to rely on local accounting systems. Countries such as Syria, Morocco, Libya, and Algeria, for example, have maintained their own national Generally Accepted Accounting Principles (GAAP) and currently require entities within their authority to apply them. Although IFRS is technically permitted in some of these countries, it is not yet recognized as an official or preferred reporting standard by local financial authorities (Abd El-Razik, 2009).

2.2 The Global Expansion of IFRS and Its Implications for SMEs

IFRS was originally formulated by the International Accounting Standards Board (IASB) in 2001, aiming to harmonize financial reporting across authorities globally, fostering higher transparency, comparability, and investor assurance (Nobes & Parker, 2020). While its adoption is well established among publicly listed firms, extending these standards to SMEs remains and still presents a significant challenge, especially in economies such as Morocco, where SMEs represent over 93% of the business landscape (Gauthier, 2019).

Furthermore, Moroccan SMEs currently operate under the CGNC (Code Général De Normalisation Comptable), which prioritizes legal form and tax conformity over economic substance of transactions. In contrast, IFRS are based on principles such as fair value accounting and substance-over-form reporting (Brabije, 2017). Adopting them requires and implies a profound shift in accounting practices, particularly for firms that are seeking to attract international investors or business partners. However, this kind of transition often exceeds the financial and operational capacity of smaller businesses (Es-Sayeh, 2019). Similar concerns have been raised in countries such as Nigeria, where IFRS adoption, which was launched in 2010, is often blocked by cost constraints, implementation complexity, and a shortage of skilled professionals (Madawaki, 2012).

2.3 Constraints on IFRS Adoption in Developing Contexts

Economic Limitations

IFRS implementation generates substantial costs. Moroccan SMEs often consider expenses related to training internal human resources, software updating, and hiring external consultants as major expenses. Recent study data indicates that 72% of non-adopting SMEs identify cost as the primary obstacle. Moreover, the limited access to formal financing complicates matters, although lenders tend to favor IFRS-compliant statements, many SMEs cannot afford the transition needed to meet these expectations (El Moutaoukil & Zaroual, 2021).

Technical Challenges

Most Moroccan SMEs are characterized by family ownership or centralized leadership, which typically lacks advanced accounting capabilities (Mehdi et al., 2018). The complexity and nature of IFRS, particularly standards such as IFRS 9 (on financial instruments) and IFRS 15 (on revenue recognition), require a higher level of financial expertise that exceeds both familiarity and understanding of many SMEs with simplified local regulations (IASB, 2023a).

Regulatory and Cultural Obstacles

Unlike banks or publicly listed companies, SMEs in Morocco are not legally required to adopt IFRS, which weakens their motivation for voluntary adoption (Ghandari, 2018). Additionally, their cultural preference for traditional practices, as well as the uncertainty towards international norms, contributes to their resistance to adapting new practices (Ouezzani & Alami, 2019). Similar cultural resistance has been observed in studies conducted in Egypt which highlighted a local trend (Dahawy et al., 2002).

2.4 Audit Firms as key Factor to this Transition

Audit firms play an essential, critical and mediating role by supporting SMEs through this transformation. Their involvement may include:

- Providing customized training to reinforce internal financial capacities.
- Assisting in the transition of financial statements from CGNC to IFRS.
- Advocating for measured regulatory frameworks, such as simplified IFRS versions suitable for SMEs (IASB, 2023b).

However, their outreach remains limited among Moroccan SMEs. High service costs discourage and prevent many SMEs, where audits are not often viewed as value-adding engagements, but simply as administrative or legal obligations (PwC, 2021).

2.5 Encountered Challenges of IFRS Adoption in Morocco

Limited Internal Preparedness Among Moroccan Enterprises

A significant number of Moroccan firms remain poorly equipped in terms of internal expertise to effectively navigate the shift toward IFRS. This lack of preparation complicates their ability to adopt and apply standards according to expected norms (Ghandari, 2018).

Technical Complexity of IFRS Framework

IFRS offers a range of sophisticated accounting principles, such as the priority for economic substance over legal form and the large application of fair value measurements. These advanced requirements necessitate a deep understanding of accounting and audit practices, which may not be easily available within all organizations, especially among SMEs (Ghandari, 2018).

Organizational and Technological Adjustments

The adoption of IFRS often involves a reshaping of internal systems and operational procedures within organizations. Companies are required to invest in both employee training and adaptable technological solutions, which can lead to a significant challenge, especially for SMEs with limited resources (Ghandari, 2018).

Valuation Challenges and the Need for External Expertise

Adopting IFRS frequently involves the use of higher professional judgments, especially in the context of fair value measurement. This often requires resorting to external independent experts' intervention, raising issues related to the credibility, validation, and oversight of such external inputs and control (Ghandari, 2018).

Transparency Considerations

One of the stricter financial reporting requirements, particularly related to the disclosure of detailed annex information, may generate confidentiality concerns for businesses. In certain cases, the level of transparency requested could lead to potentially exposing or placing certain companies at the risk of competitive disadvantage, especially in sectors where strategic information is considered sensitive (Ghandari, 2018).

2.6 Specific Characteristics of Moroccan Enterprises

Small and Medium-sized Enterprises (SMEs) constitute approximately 93% of Morocco's business landscape, making them these essential contributors to employment creation and local development (Gauthier, 2019). Despite their importance to the business and economic landscape, these firms' adoption of IFRS standards remains limited, mainly because of structural and contextual challenges.

Several Moroccan SMEs operate under significant resource constraints, including financial, human, and technological, that block their ability to implement complicated accounting frameworks such as IFRS (Es-Sayeh, 2019). These firms have a limited operational scope and little international exposure, which reduces the perceived urgency of aligning with global reporting standards. In addition, the centralized governance models that characterize most Moroccan SMEs, often rooted in family ownership structures, make this transition more difficult, particularly when the financial management skills required for such a transition remain limited (Es-Sayeh, 2019).

On a cultural level, the organizational environments of many Moroccan SMEs are characterized by a rigid hierarchy and a preference for traditional practices. These cultural trends reduce the willingness of being open to external norms and promote resistance to adopting international accounting standards (Mehdi et al., 2018).

Additionally, regulatory and administrative complexities continue to present significant barriers. The tax system is often perceived as heavy, while compliance costs remain high, especially for smaller firms, despite recent policy reforms (El Moutaoukil & Zaroual, 2021). The frequency of informal employment, recording for over 55% of the manpower, worsens the

situation by limiting SMEs' access to formal financing channels and reducing motivation to pursue and adapt IFRS (Saoudi & Ouhnini, 2023).

A critical obstacle is the widespread lack of technical expertise in IFRS among SME leadership. A study conducted in 2019 revealed that 97% of examined SME managers lacked familiarity with international accounting standards, where the majority expressed their hesitancy to adopt them, particularly in the absence of any legal obligation (Ouezzani & Alami, 2019).

3. Methodology

This study will adopt a mixed-methods research approach to investigate the challenges faced by Moroccan SMEs in adopting IFRS while also examining the critical role played by audit firms in this process. By combining quantitative study with qualitative interviews, the research captures both measurable trends and contextual insights from stakeholders through their lived experiences and perspectives.

3.1 Adopted Study Structure

The study follows an instructive sequential method, where the research will be conducted in two distinct but complementary phases:

- **Phase 1. Quantitative Study:** Structured questionnaires were distributed to determine IFRS adoption levels, key barriers (economic, technical, and regulatory ...), and the extent of audit firm involvement. Quantitative data were analyzed using descriptive statistics and Chi-square tests, using both Excel and SPSS.
- **Phase 2. Qualitative Inquiry:** Based on the previous results of the first phase, semi-structured interviews will confirm the findings while also exploring deeper motivations, challenges, and auditor-SME interactions to provide a deeper level of analysis.

3.2 Data Collection

Table 1. Description of Respondent Categories for the Questionnaire

Category of Stakeholders	Number of Respondents	Selection Criteria	Justification for Selection
Moroccan SMEs	15 SME owners and managers	- Company size: ▪ Micro-enterprise (1–10 employees). ▪ Small enterprise (11–50 employees) ▪ Medium enterprise (51–250 employees). - Business sector: ▪ Industry. ▪ Services. ▪ Commerce. - Annual turnover: ▪ Less than 10 million. ▪ 10 to 50 million. ▪ More than 50 million.	Representation of the challenges and opportunities related to IFRS.
Audit Firms	21 Auditors	- Experience in IFRS support. - Presence in the Moroccan market.	Expertise in IFRS standards and ability to support SMEs.

Source: Authors' compilation

4. Empirical results analysis and discussions

This section offers an examination of the empirical outcome resulting from questionnaires, semi-structured interviews, and statistical analyses. It aims to explain these results through the point of view of relevant theoretical perspectives and the specific contextual realities of the Moroccan

SME environment. By combining both qualitative and quantitative data, the analysis sheds light on the multifaceted factors influencing the adoption of IFRS, with particular attention to the intermediary and crucial role played by audit firms. The following discussion brings forward areas of alignment and divergence in stakeholder perspectives, as well as structural and institutional constraints, as a consequence improving our understanding of how international accounting standards interact with locally based economic, technical, and cultural conditions.

4.1 Disparities in Perception: The Reality Behind Limited IFRS Adoption

The data obtained from 15 managers and directors of various Moroccan SMEs, which are primarily operating in the industrial (53%) and commercial (27%) sectors, indicates a low level of IFRS adoption. Only four of the entities studied (20%) reported having either partially or fully adopted these standards. Interviewees primarily cited technical (100%) and financial (93%) difficulties as key obstacles, while regulatory factors were mentioned far less frequently (20%). This indicates that the challenge doesn't lie in the absence of legal requirements, but in the perceived complexity and financial burden associated with the IFRS' implementation.

Table 2. Key Barriers to IFRS Adoption among SMEs

Barrier Type	Mentions (n = 15)	Frequency (%)
Technical	15	100%
Financial	14	93%
Regulatory	3	20%

Source: Authors' compilation

Furthermore, 73% of interviewees reported having encountered difficulties in estimating the potential impact of IFRS adoption on their SMEs' performance. This highlights a dual issue related to a significant information gap and a lack of qualifications, critical factors which shape adoption behavior.

These observations are a reflection of the results that were confirmed in the theoretical findings of authors Barth et al. (2008) and Nobes & Parker (2020), who point out that the adoption of IFRS, while improving transparency and international comparability, remains complex for SMEs. They face major challenges due to their complexity, economic constraints (costs of training and updating systems) and technical obstacles, mainly linked to a lack of qualified internal resources.

4.2 The Role of Audit Firms: Valuable, Yet Often Unexploited

Audit firms were widely recognized by interviewed SMEs as providing essential support, frequently described as "indispensable." Despite their key role in providing regulatory guidance and technical expertise, their involvement tends to be limited to isolated interventions rather than steady strategic partnerships. This point was shared during interviews, where SMEs leaders noted that the cost of audit services often exceeded their financial capacities, in consequence limiting the possibility of sustained collaboration.

This gap reveals a deeper structural issue, although SMEs recognize the importance of audit expertise in addressing the complexities of IFRS, their engagement is limited due to financial constraints and the lack of a long-term strategic planning culture. Although audit professionals underline the enduring benefits of their support, particularly in improving competitiveness and transparency, many SMEs continue to view such services primarily as short-term expenses.

4.3 Insights from Audit Professionals: A Realistic Yet Constructive Perspective

The answers gathered from 21 audit professionals, where nearly half of whom held senior or lead auditor positions, provided valuable insights into the constraints faced by SMEs. Their

observations reinforced earlier findings, notably the limited familiarity of SMEs leadership with IFRS, aligning with the 73% of SMEs reporting challenges in measuring its implications. From the auditors' perspective, the main obstacles were economic in nature, followed by technical and cultural challenges.

Table 3. Key Barrier Types related to IFRS Adoption

Nature	Barriers	Mentions (%)
Economic	High compliance costs	45%
	Insufficient financial means	42%
Technical	Lack of qualified internal resources	41%
	IFRS complexity	33%
Cultural factors	Internal cultural values	45%
	Resistance to change	43%
Context-specific	Governance structures	42%
	Organizational culture	33%
	Limited market exposure	23%

Source: Authors' compilation

In light of these results, the majority of interviewees proposed as solutions a gradual and phased approach to IFRS adoption (91%), along with targeted capacity-building programs (86%), and the creation and development of simplified tools (86%) that are tailored to SMEs' needs and specificities. Also, auditors generally expressed a more optimistic outlook than SME leaders. They emphasized the potential benefits of IFRS adoption by improving financial transparency (81%), boosting international investor confidence (91%), and facilitating access to external financing (81%). This divergence in perception underlines an ongoing communication gap between audit advisors and SMEs decision-makers, which continues to shape the progress and direction of improvement efforts.

4.4 Statistical Insights: Exploring Correlations

In addition to the qualitative findings, a series of chi-square tests were performed using SPSS software. The purpose was to examine potential statistical relationships between key variables:

- The involvement of audit firms and IFRS adoption,
- Perceived barriers and adoption levels,
- Audit support and perceived benefits.

In each case, the p-values exceeded the 0.05 significance level, leading to the acceptance of the null hypothesis. These results indicate that no statistically significant associations were identified among the tested variables. However, this does not necessarily imply the absence of underlying causal links. Rather, the findings likely reflect limitations such as the small sample size.

Table 4. Summary of Chi-Square Test Results

Variable Pair Tested	p-Value	Statistical Significance
The involvement of audit firms and IFRS adoption	> 0.05	Not significant
Perceived barriers and adoption levels	> 0.05	Not significant
Audit support and perceived benefits	> 0.05	Not significant

Source: Authors' compilation

5. Conclusion

This paper has as an objective to examine the conditions, challenges, and potential path for IFRS adoption among Moroccan SMEs by integrating the perspectives of both SMEs leaders and audit professionals. Based on a qualitative and interpretive approach, the analysis reveals a fragmented adoption process, driven less by regulatory obligations than by structural limitations, intellectual resistance, and the lack of institutional support mechanisms.

The outcomes confirm that the primary barriers are technical and economic, further composed of limited familiarity with IFRS and a constant concern about increased financial costs. Yet, beyond these constraints, the study uncovers deeper tensions, between the global urge of normalization and the local need for adaptation between the pursuit of transparency and the persistence of informality, and between occasional external support and the need for ongoing internal transformation.

Audit firms emerge as key facilitators of interpretation and adaptation of the international standards. Their role is crucial since it is both strategic and educational. Yet often constrained by the limited financial capacity of SMEs and the absence of a simplified and tailored IFRS framework. While audit professionals tend to view IFRS as a driver of long-term value, many SMEs remain focused on immediate costs and operational breakdowns, creating this disconnect that must be addressed through trust-building, clear communication, and gradual engagement.

After all, the study affirms that successful IFRS adoption within the Moroccan SME sector cannot rely simply and entirely on compliance with laws and regulations. Instead, it must be included within a broader reform ecosystem, covering designed training, grants and financial assistance, user-friendly tools, and regulatory clarity. The future of IFRS in local context depends not only on rigid enforcement, but precisely on contextual adaptation: on the ability of local actors to reframe global norms as tools for performance development rather than administrative burdens.

In this sense, the study also contributes to the broader debate on how international standards can be effectively deployed in local contexts. It also invites decision-makers within authorities, and professional organizations, as well as researchers, to engage more closely with the unique characteristics of SMEs and to view them not as entities to be fixed but as essential partners in fostering better financial governance in Morocco.

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