Business Management Review
Volume 26, Issue No. 1
January – June, 2023

ISSN 0856 2253 (Print) & ISSN 2546-213X (Online)

www.journals.udsm.ac.tz/index.php/bmr
The Journal of the University of Dar es Salaam Business School

The Mediating Role of IFRS Implementation on the Relationship between Cultural Dimensions and Accounting Practices of the Multinational Companies Operating in Tanzania

Chacha Ryoba[1]
Lecturer, Department of Business and Entrepreneurship Studies, National Institute of Transport, Dar es Salaam, Tanzania

Henry Chalu
Associate Professor, Department of Accounting, University of Dar es Salaam, Dar es Salaam, Tanzania

To cite this article: Ryoba, C., & Chalu, H. (2023). The Mediating Role of IFRS Implementation on the Relationship between Cultural Dimensions and Accounting Practices of the Multinational Companies Operating in Tanzania. *Business Management Review, 26*(1), 1–17. https://doi.org/10.56279/bmrj.v26i1.1

Abstract
This paper examines the mediation role of International Financial Reporting Standards (IFRS) implementation at the firm level on the influence of cultural dimensions (power distance, individualism, uncertainty avoidance, masculinity, long-term orientation, and indulgence) on accounting practices of the multinational companies (MNCs) operating in Tanzania. Data was gathered from 209 accountants, auditors, finance managers, and directors of the MNCs. Hypotheses were tested using Ordinary Least Square (OLS) regression based on Hayes PROCESS macro tool. The study results reveal that the IFRS implementation negatively mediates the influence of power distance and masculinity on the accounting practices of the MNCs. Conversely, the results show that IFRS implementation positively mediates the influence of uncertainty avoidance, long-term orientation, and indulgence on the accounting practices of the MNCs. These results indicate that enhanced implementation of IFRS may increase the influence of uncertainty avoidance, long-term orientation, and indulgence; while suppressing the influence of power distance and masculinity on accounting practices. The results suggest that cultural factors should be considered alongside the implementation of IFRS when examining accounting practices within MNCs. The findings contribute to our understanding of the interplay between cultural dimensions, IFRS implementation, and accounting practices in the context of MNCs operating in Tanzania.

Keywords: *Accounting practices, Cultural dimensions, IFRS implementation, Multinational companies (MNCs), Tanzania*

[1] Corresponding Author: ryoba80@gmail.com

Introduction

Accounting scholars have debated inconsistent accounting practices over the past couple of decades (Egbunike & Ogbodo, 2015). These inconsistencies comprise flexibility in accounting policies on recognition and measurement of financial statement items and information disclosure (Alina, Cerasela & Cristina, 2017; Tasos & Stergios, 2018). The inconsistencies have been linked to a set of environmental factors, such as legal and taxation systems, sources of external finance, culture, accounting bodies, and colonial economic and political factors triggering variations in accounting practices (Ali, Akbar & Ormrod, 2016; Tasos & Stergios, 2018). However, in this set of environmental factors for each country, culture has been considered a major factor contributing to inconsistency in accounting practices across countries, as it influences human behaviour and social values (Gierusz and Koleśnik, 2019; Khlif, 2016; Maali & Al-Attar, 2017). Consequently, the issue of cultural differences has been considered in the progress toward accounting harmonization, intended to create a unified system of solutions on an international scale (Gierusz & Koleśnik, 2019). The progress has been related to the harmonization and convergence of accounting standards through the adoption and implementation of International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) among countries and organizations (Akman, 2011; Gierusz & Koleśnik, 2019) motivated by the pressure from globalization and expansion of the MNCs activities (Ball, 2016; Mensah, 2021).

Globally, IFRS has been considered an important mechanism to minimize variations in accounting and financial reporting practices (IFRS Foundation, 2018; Nurunnabi, 2017; Quraishi & Islam, 2014), which have been largely associated with cultural differences. Prior studies argue that IFRS implementation brings greater opportunities to improve the transparency, comparability, and quality of financial statements, in particular, among MNCs (Olaoye & Aguguom, 2017; Shiferaw & Assefa, 2020). As a result, several countries have adopted IFRS and other countries expect to adopt or converge with IFRS in the future (Gierusz & Koleśnik, 2019). There are about 144 jurisdictions, including Tanzania, that use or permit the use of IFRS for all or most financial reporting practices (IFRS Foundation, 2018). Despite the highest level of adoption and implementation of IFRS across countries, accounting practice variations among MNCs continue to exist (Ball, 2016; Soetan, 2018). It is thus not clear whether these variations are a result of cultural differences across countries or otherwise.

Generally, there is a lack of studies that have examined the interplay between cultural dimensions (power distance, individualism, uncertainty avoidance, masculinity, long-term orientation and indulgence), IFRS implementation, and accounting practices among the MNCs. Existing empirical studies have examined the influence of cultural dimensions on accounting practices (see, for example, Egbunike & Ogbodo, 2015; Maali & Al-Attar, 2017); cultural dimensions and IFRS implementation (Gierusz & Koleśnik, 2019; Soetan, 2018), and IFRS implementation and accounting practices (Abata, 2015; Mensah, 2021), and ignored the interplay of IFRS implementation on the influence of cultural dimensions on accounting practices, indicating the knowledge gap this study sought to fill, among other things.

Furthermore, the results of the prior empirical studies regarding cultural dimensions, IFRS implementation, and accounting practices are mixed and inconclusive (Gierusz & Koleśnik, 2019; Hasan & Rahman, 2017). For example, while Fearnley and Gray (2015) reported that cultural dimensions significantly affect a company's choice of accounting measurement after IFRS implementation in the EU, others, such as Soetan (2018), found a non-significant impact of cultural dimensions on interpretation and use of the IFRS by professional accountants in Nigeria. The non-significant results were corroborated with those of Rotberg (2016), who revealed that cultural values do not impact IFRS implementation and financial reporting quality. Moreover, Maali and Al-Attar (2017) revealed that some cultural dimensions (power distance, masculinity, uncertainty avoidance) dimensions influence accounting practices (information disclosure) among the MNCs, while individualism, long-term orientation, and indulgence have a non-significant influence. In addition, Mensah (2021) showed that the IFRS adoption and its implementation improve the quality of listed manufacturing firms' financial reporting in Ghana. The inconclusive findings could, however, be related to the fact that many of the prior studies examined cultural dimensions, IFRS implementation, and accounting practices in isolation. Hence, this study, using Institutional Theory, aimed to examines whether IFRS implementation at the firm level mediates the relationship between cultural dimensions and accounting practices of the MNCs operating in emerging countries, such as Tanzania.

Tanzania provides a suitable context to examine IFRS implementation due to its institutional settings in the development of accounting standards. The country, prior to the wholesale adoption of IFRS in 2004, has its local accounting standards (Kaaya, 2014; Mbelwa & Mahangila, 2020). Likewise, Tanzania as one of the emerging countries categorized as a high-power distance, collectivist and moderate uncertainty avoidance society (Hofstede, 2015), has received increasing investment by MNCs through FDI since 1985, when the country embarked on a number of reforms of the economy, specifically, investment reforms (Taylor, 2020). The country has been considered among the top 10 leading recipients of FDI inflows in Africa (UNCTAD, 2021). The overall country FDI stock has shown an increased trend for the past three decades (2000, 2010, and 2020), which were USD 2,781, 9,712, and 16,559 million, respectively. Moreover, many of the empirical studies conducted in Tanzania have not considered IFRS implementation as a mediating variable. For example, Mbelwa and Mahangila (2020) examined the influence of critical external institutional (coercive) pressure, such as that from the IASB, NBAA, and the TRA on the effectiveness of IFRS implementation among the Private Hospital sector in Tanzania. Kaaya (2019) compared the financial reporting and value relevance of IFRS between non-financial listed firms in Tanzania and India. Other studies (Lackson & Muba, 2021; Msuya & Maleko, 2015) focused on the levels of IFRS adoption among Small and Medium Enterprises (SMEs) in Tanzania.

In view of this background, this paper examines the mediating role of IFRS implementation on the relationship between cultural dimensions and accounting practices of the MNCs operating in Tanzania. The findings contribute to our understanding of the interplay between cultural dimensions, IFRS implementation, and accounting practices in the context of MNCs operating in Tanzania. The remainder of the paper is structured as follows. The following section presents the literature review, which covers an overview of key terms, theory and development of the study hypotheses. The research methodology and study results are presented in the third and fourth sections, respectively. The fifth section contains a discussion of the results and the last section includes conclusions and implications.

Literature Review

Culture, Accounting Practices, and IFRS Implementation

According to Kroeber and Parsons (1958, p.583), culture refers to *"transmitted and created content and patterns of values, ideas, and other symbolic meaningful systems as factors in the shaping of human behavior"*. Hofstede, *et al*. (2010) defined culture *''as the collective programming of the mind that distinguishes the members of one group or category of people from another''* (p.516). However, most cross-cultural studies have employed cultural dimensions to operationalize culture (Soetan, 2018). A dimension refers to an *''aspect of a culture that can be measured relative to others"* (Hofstede et al., 2010, p.516). This study considered power distance, uncertainty avoidance, individualism, masculinity, long-term orientation, and indulgence proposed by Hofstede's framework (Hofstede et al., 2010) as cultural dimensions.

Accounting practice is the system of procedures and controls that accountants apply to generate and record business entity (such as MNCs) transactions for the purpose of evaluating and monitoring its economic activities (Obara & Nangih, 2017). According to Prince (1963, p.4), the term accounting practices is used to ''denote the application of accounting theory; and the objective of accounting theory is to provide the factual body of knowledge for the measurement and communication of data revealing economic activity''. From another perspective, accounting practices entail the day-to-day activity of the accountants/practitioners. For the purpose of this study, accounting practices imply the extent to which MNCs select and apply accounting policies choice on recognition, measurement methods, and information disclosure (transparency) of financial statement items, as well as judgments and estimation techniques.

IFRS implementation refers to the institutional change process that occurs after IFRS adoption at the firm's level. In this study IFRS implementation comprised issues related to staff training on IFRS, meeting on IFRS adoption, IFRS customization and feedback mechanism on IFRS implementation, and financial statement compliance with IFRS (Ogbenjuwa, 2016; Shiferaw &Assefa, 2020).

Theoretical Framework

This study is informed by Institutional Theory which is one of the key theoretical perspectives in organisation theory. The main assumption of Institutional Theory is that organisational structures, procedures, policies, and even their activities, are shaped by the social environment in which they operate (Chariri, 2011; DiMaggio & Powell, 1983). The theory views organisations as open systems and their environments as being socially constructed (Meyer & Rowan, 1977). Furthermore, Institutional Theory addresses three isomorphism concepts, namely, coercive, mimetic and normative pressures "through which institutional isomorphic change occurs" (DiMaggio & Powell, 1983, p.150). Coercive isomorphism relates to regulatory compliance with existing rules and regulations (DiMaggio & Powell, 1983). Normative isomorphism stems largely from the process of professionalization in a particular field (DiMaggio & Powell, 1983). Mimetic pressures occur when one organisation imitates other's organisational practices, such as ''disclosing social and environmental information in their financial statements'' (Chariri, 2011, p.3), because of the belief that the practice of the latter organisation is useful in order to be legitimatized. In addition, the cultural dimensions (power distance, individualism, uncertainty avoidance, masculinity, long-term orientation, and indulgence) are commonly used measures of a normative isomorphism pillar of Institutional Theory (Busenitz, *et al*., 2000), cited in Ragland (2012), which comprises *"social norms, values, beliefs and assumptions that are socially shared and are carried by individuals"* (Kostova, 1997, p. 180). Furthermore, Institutional Theory has been widely used in examining accounting activities, such as IFRS implementation and accounting change (Irvine, 2008). The theory explains factors which can influence the implementation of IFRS by the MNCs or their subsidiaries as their institutional practices. Thus, the Institutional Theory was utilized to examine the extent to which the IFRS implementation process serves as an underlying mechanism which explain the relationship between cultural dimensions and accounting practices of the MNCs through issues, such as IFRS policies, staff training on IFRS, IFRS adoption and compliance factors.

Hypotheses Development

Mediation Role of IFRS Implementation on Power Distance and Accounting Practices

Power distance refers to the *''extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally"* (Hofstede *et al*. (2010, p.521). According to Egbunike and Ogbodo (2015), and Dobler, *et al*. (2016) power distance has a positive impact on accounting practices (choice of measurement methods and information disclosure), respectively. However, Maali and Al-Attar (2017) found a significant negative effect of power distance on information disclosure by large MNCs. Nevertheless, Emeni and Ugbogbo (2014) revealed that power distance has non-significant effect on accounting disclosure practices among 278 audit firms in Nigeria. Moreover, Mahjoub and Dicko (2017) showed that IFRS implementation has a significant positive influence on accounting practices, which, in turn, led to enhanced transparency and comparability of companies' financial statements. Furthermore, Borker (2013) found that low power distance positively influences IFRS implementation among countries and companies, including MNCs. Likewise, Riahi (2022) reported that a high extent of accounting flexibility (such as, choice of measurement methods) is expected in firms where power distance is not significant. This indicates that low power distance companies implement IFRS with their accounting practices (Edeigba, Gan & Amenkhienan, 2020). It is, therefore, hypothesised that:

H_1: The relationship between power distance and accounting practices of the MNCs is mediated by IFRS implementation.

Mediation Role of IFRS Implementation on Individualism and Accounting Practices

Individualism refers to a society in which the links among individuals are loose: every individual is likely to look after him or herself, and his or her close family, only; this is the opposite of a collective society (Hofstede *et al*., 2010). Studies (Blesia, 2017; Egbunike & Ogbodo, 2015; Dobler *et al*., 2016) reported a positive effect of individualism on choice of measurement methods and information disclosed by companies. However, Emeni and Ugbogbo (2014), and Maali and Al-Attar (2017) indicated a non-significant influence. Borker (2013) suggest that, a highly individualistic culture positively correlates IFRS implementation. This suggests that the higher the level of individualism in companies, the greater the extent of IFRS implementation, which in turn, enhance transparency and comparability of financial statements (Mahjoub & Dicko, 2017; Mensah, 2021). Furthermore, Hamawandy *et al*. (2021)

showed that the benefits of IFRS mediate the association between cultural factors and IFRS acceptance among selected companies in Iraq. It is, therefore, hypothesised that:

H2: The relationship between individualism and accounting practices of the MNCs is mediated by IFRS implementation.

Mediation Role of IFRS Implementation on Uncertainty Avoidance and Accounting Practices

Uncertainty avoidance represents *"the extent to which members of a society feel threatened by ambiguous or unknown situations"* (Hofstede *et al*., 2010, p.522). Earlier studies (Dobler *et al*., 2016; Egbunike & Ogbodo, 2015; Maali & Al-Attar, 2017) revealed a positive influence of uncertainty avoidance on accounting practices. However, Yamen *et al*. (2018) reported a non-significant association. Others studies (Borker, 2013, Rotberg, 2016) shown that weak uncertainty avoidance positively relate to IFRS implementation. Furthermore, Gierusz and Koleśnik, (2019) indicated a positive influence of uncertainty avoidance on information disclosed by financial statements prepared under IFRS guidelines among companies in European and Arabic countries. It is, therefore, hypothesised that:

H_3: The relationship between uncertainty avoidance and accounting practices of the MNCs is mediated by IFRS implementation.

Mediation Role of IFRS implementation on Masculinity and Accounting Practices

Masculinity *"stands for a society in which emotional gender roles are clearly distinct: men are supposed to be assertive, tough, and focused on material success; women are supposed to be more modest, tender, and concerned with the quality of life"* (Hofstede *et al*. (2010, p.519). Gray (1988) reports a positive effect of masculinity on information disclosure (transparency). While, Akman (2011) and Dobler *et al*., (2016), consistent with Gray (1988), showed a positive relationship, others (Egbunike & Ogbodo, 2015; Maali & Al-Attar, 2017) reported significant negative associations. Moreover, Borker (2013), and Khlif (2016) argued that a high level of masculinity plays a significant role in shaping IFRS implementation. On the other hand, Mensah (2021) showed that the IFRS implementation improve the comparability and quality of firms' financial reporting in Ghana. It is, therefore, hypothesised that:

H_4: The relationship between masculinity and accounting practices of MNCs is mediated by IFRS implementation.

Mediation Role of IFRS Implementation on Long-term Orientation and Accounting Practices

According to Hofstede *et al*. (2010, p.519), long-term orientation *"stands for the fostering of pragmatic virtues oriented toward future rewards, in particular perseverance, thrift, and adapting to changing circumstances.* The study by Yamen *et al*. (2018) found a positive influence of long-term orientation on information disclosure. However, Maali and Al-Attar (2017) indicated a non-significant influence of long-term orientation on information disclosure among large MNCs. Moreover, Rotberg (2016) revealed that long-term orientation has a non-significant effect on the extent of IFRS implementation and quality of financial reporting. However, Borker (2013) reported that long-term orientation negatively relates to the IFRS implementation across countries. In other areas, Zouita, Louail and Mameche (2019) revealed that IFRS adoption has a significant negative effect on the association between the SMEs sector and FDI inflows. It is, therefore, hypothesised that:

H5: The relationship between long-term orientation and accounting practices of MNCs is mediated by IFRS implementation.

Mediation Role of IFRS Implementation on Indulgence and Accounting Practices

Indulgence stands for *'the degree to which societies try to control desires and impulses''* (Zeghal & Lahmar, 2018, p.318). Almagtome and Khaghaany (2017) reported a significant positive association between indulgence and information disclosure, but Pucheta-Martínez and Gallego-Álvarez (2019) indicated a negative relationship. However, Maali and Al-Attar (2017) report a non-significant association between indulgence and information disclosure by MNC. Borker (2013) found a positive relationship between indulgence and IFRS implementation. This is because high indulgence favours the notion of the freedom of expression associated with individual professional judgment. Moreover, Rotberg (2016) found a positive relationship between indulgence and IFRS implementation practices. Furthermore, Abata (2015) showed that IFRS implementation improved accounting practices among corporate organisation in Nigeria. In addition, Khan, Usman and Jan (2021) suggest the potential of using IFRS as a mediating variable on the relationship between factors influencing IFRS adoption and firm performance (quality of financial statements) in Pakistan. It is, therefore, hypothesised that:

H_6: The relationship between indulgence and accounting practices of MNCs is mediated by IFRS implementation.

Methodology

This study utilized primary data collected from respondents working in MNCs operating in Tanzania. The cross-section survey was used by this study, because it intended to collect data from several MNCs at a given point in time (Emeni & Ugbogbo, 2014). The study population was 600 MNCs or their subsidiaries (BOT, 2021; CRB, 2020; TEITI, 2020). The sample size was 240 companies; based on Yamane's formula: $n = N / [1 + N (e)^2]$ (Yamane, 1973) assuming a 5% margin error and a 95% confidence interval (CI). Whereby, n = sample size, N= population of the study e = the acceptable sampling error. The study employed stratified and random sampling technique, using the MS-Excel '= RAND' function to ensure that each individual MNC or subsidiary had an equal chance of being selected (Bhattacherjee, 2012). Due to the constraints of time and resources, five (5) regions were selected to take part in this study: Dar es Salaam, Coast, Mwanza, Arusha and Mtwara. The MNCs in Tanzania were used as the unit of analysis. From the MNCs or their subsidiaries, the unit of enquiry comprised accountants, auditors, financial managers and directors, with diverse nationalities. The usual ethical issues in research, such as voluntary participation and the confidentiality of the information were observed (Bhattacherjee, 2012).

The study involved three categories of variables, specifically, independent, mediating and dependent variables. The independent variables were the six cultural dimensions (power distance (PD), individualism (IN), uncertainty avoidance (UA), masculinity (MD), long-term orientation (LTO) and indulgence (IG)). The IFRS implementation (IFRSIMP) was the mediating variable, while accounting practices (AP) was the dependent variable of the study. To measures power distance, individualism, uncertainty avoidance, masculinity, and long-term orientation the study used validated indicators by Yoo, Donthu and Lenartowicz (2011), while for indulgence adopted from Darwish (2014). The IFRSIMP measures were developed from Ogbenjuwa (2016), and Shiferaw and Assefa (2020). To measure the AP, this study adapted the operationalisation developed by Chanchani and Willett (2004), and Egbunike and Ogbodo (2015).

This study deployed a survey questionnaire comprised four sections. Section A required the respondents to provide demographic information, such as gender, age, highest level of education, professional qualification, job position, experience and the MNC details. In addition, sections B and C involved questions addressing the six cultural dimensions and IFRS implementation, respectively, with respect to MNCs. Section D focused on the accounting practices items. The questionnaire was designed in a 5 point Likert scale (starting from 1 = strongly disagree to 5 = strongly agree). The respondents were asked to indicate the levels to which they agreed or disagreed with each statement provided. The Likert scale of 5 points was utilized because of its usefulness in increasing the respondent's rate and reducing measurement error (Mitchell & Jolley, 2010). Prior to pre-testing the research instrument, two academic researchers and three practitioners were consulted to enrich face and content validity (Heale & Twycross, 2015). Afterward, the questionnaire was piloted in five MNCs. After that, the questionnaire was revised to reduce ambiguity and increase clarity. Subsequently, three hundred (300) self-administered questionnaires were distributed among the MNCs or their subsidiaries in Tanzania. However, only 209 (69.7%) were actually collected. Nine (9) questionnaires had incomplete responses and were excluded in line with Hair *et al.* (2014) suggestions, making a realized sample size of 200 questionnaires, with a response rate of 66.7 percent.

Model Specification

The study utilized Hayes's *PROCESS* model 4 in testing the mediating effect, using 5,000 bootstrap samples (Hayes, Montoya & Rockwood, 2017). PROCESS is an important computational tool for studies involving path analysis consisting of mediation, moderation along with their integration in the form of a conditional process model. It uses Ordinary Least Squares (OLS) regression to compute ''path coefficients, standard errors, t and p - values and bootstrap confidence intervals of independent, mediator, moderator, control and dependent variables'' (Hayes *et al*., 2017 p.2). The parameters for model 4 are estimated using two regression equations as depicted by *Models 1 and 2,* below, one for IFRS Implementation (M) and one for accounting practices (AP), respectively. PROCESS ''estimates each equation separately, meaning that the estimation of the regression parameters in one of the equations has no effect on the estimation of the parameters in any other equations defining the model'' (Hayes *et al*., 2017 p.2). The bootstrap confidence interval was used to examine the significance of the indirect effects since it has been regarded as a more powerful statistical method. This is because bootstrapping is a resampling method and differs from other mediation approaches (such as, Sobel test) in that it does not require the normality assumption about the shape of the sampling distribution when conducting mediation tests (Özdil & Kutlu, 2019).

Model 1i-vi: M = $\beta_0 + a_1CD + \varepsilon$ for each predictor

Model 2i-vi: AP = $\alpha + \acute{c}_1CD + b_1M + \varepsilon$ for each predictor

Where, M is the IFRS implementation (IFRSIMP) as a mediating variable; AP is the Accounting Practices as dependent variable; CD represents the six Cultural Dimensions (Power Distance (PD), Individualism (IN), Uncertainty Avoidance (UA), Masculinity (MD), Long-Term Orientation (LTO) and Indulgence (IG)); α is the coefficient for the intercept, a_1, b_1, and $\acute{c}_1$ are the coefficient for model slopes and ε is the error term.

Table 1: Demographic Characteristics of the respondents and MNCs

Type	Profile	Frequency	Percentage
Gender	Male	133	66.5
	Female	67	33.5
Age	21-30	55	27.5
	31-40	110	55
	41-50	27	13.5
	Above 50	8	4
Education level	Diploma	9	4.5
	Bachelor Degree	116	58
	Masters	75	37.5
Professional qualification	CPA	70	35
	ACCA	54	27
	Others	25	12.5
Position	Chief Financial Officer	2	1
	Director of Finance	9	4.5
	Chief Accountant	20	10
	Senior Accountant	43	21.5
	Accountant	83	41.2
	Others	43	21.5
Experience	Less than 2 years	49	24.5
	2-4	44	22
	5-7	84	42
	8-10	15	7.5
	Above 10	8	4

Analysis and Results

Demographic Characteristics of the Respondents

According to the findings in Table 1, 113 (66.5%) of the respondents were males, while 67 (33.5%) were female respondents. The majority of respondents, 145 (72.5%), were over the age of 30, indicating that they were mature and able to provide accurate information. In addition, majority of the respondents, 145(72.5%) were of the age above 30 years, showing that the respondents were mature and capable of providing adequate and reliable information. The results also showed that, about 78% of the respondents were concerned with accounting. Also, the majority of the respondents had work experience of 5 years and above. Moreover, the respondents had adequate academic levels (Bachelor degree and Masters - 191 (95.5%)) and professional qualifications, such as Certified Public Accountants (CPA) – 70 (35%) and Association of Chartered Certified Accountants (ACCA) – 54 (27%)).

Characteristics of the MNCs

The results in Table 2, below, revealed that 117 (58.5%) of the 200 sampled MNCs had their headquarters outside of Tanzania. In addition, 58 (29%) of the MNCs had operations in the manufacturing sector, followed by 22 (11%) in insurance, 20 (10%) in transportation, and 16 (8%) in the construction sectors. The banking sector comprised 16 (8%), the extractive sector 8 (4%), agriculture 7 (3.5%), communication 5 (2.5%), and other sectors 48 (24%), respectively. This shows that a wide range of sectors were represented in the study.

Table 2: Profile of the MNCs

Type	Profile	Frequency	Percentage
Headquarter	Tanzania	83	41.5
	Outside Tanzania	117	58.5
Sector	Manufacturing	58	29
	Extractive	8	4
	Construction	16	8
	Agriculture	7	3.5
	Banking	16	8
	Insurance	22	11
	Communication	5	2.5
	Transport	20	10
	Others	48	24
Number of employees	1-20	19	9.5
	21-50	49	24.5
	51-100	47	23.5
	101-250	41	20.5
	251-500	18	9
	over 500	26	13

Reliability and Multicollinearity Test

The reliability of the questionnaire focused on internal consistency and was measured by Cronbach's alpha (Hair *et al.*, 2014). The results for the Cronbach's alpha coefficients presented in Table 3, show that the majority of the values were greater than the minimum acceptable threshold of 0.7 suggested by Hair *et al.* (2014), although a Cronbach's alpha value greater or equal to 0.6 is also considered to be sufficient. This implies that adequate internal consistency of the research instrument (questionnaire) was attained. Moreover, the Variance Inflation Factors (VIF) and Tolerance Value (TV) were used to check for any multicollinearity problem in the data set (Field, 2013). The findings displayed in Table 3 indicate that VIF were less than the threshold value of 10 and the TV were above 0.2 in all predictors' variables, which indicated the absence of multicollinearity (Field, 2013).

Table 3: Variance Inflation Factor (VIF), Tolerance Value (TV) and Reliability Statistics

	VIF	TV	Cronbach's α
Power Distance (PD)	1.299	0.770	0.857
Individualism (IN)	1.094	0.914	0.607
Uncertainty avoidance (UA)	1.134	0.882	0.748
Masculinity (MD)	1.317	0.759	0.919
Long-term Orientation (LTO)	1.555	0.643	0.841
Indulgence (IG)	1.717	0.582	0.873
IFRS Implementation (IFRSIMP)	1.523	0.657	0.877

Hypotheses Tests

The hypotheses were tested using OLS regression based on Hayes *PROCESS macro* tool for mediating effect. The study used 5,000 bootstrap samples and tested the mediating effect at the 95% confidence interval (CI). A mediation effect exists if zero (0) does not fall between the lower limit (Boot LLCI) and the upper limit (Boot ULCI) of the 95% bootstrapped CI (Hayes, 2013; Hayes *et al.,* 2017). The *macro* results for hypothesis **(H_1)**, shown in Table 4, below, confirmed that the association between power distance and accounting practices is significantly mediated by IFRS implementation (β =-0.1043), thereby supporting hypothesis **(H_1)**. This is because zero does not occur between the Boot LLCI and the Boot ULCI of the 95% CI which were -0.1677 and -0.0479, respectively.

For Hypothesis **(H_2),** the results displayed in Table 4, below, indicate that IFRS implementation did not mediate the relationship between individualism and accounting practices (β = 0.0695), thereby rejecting hypothesis **(H_2)**. This is because zero falls between the Boot LLCI and the Boot ULCI of the 95% CI, which were -0.0015 and 0.1456, respectively. Additionally, concerning hypothesis **(H_3)**, the results exhibited in Table 4, below, reveal that the indirect effect of uncertainty avoidance on accounting practices had a significant coefficient (β = 0.1269, 95% CI=0.0214 to 0.2477). Therefore, the mediation effect of IFRS implementation on accounting practices was significant, thereby supporting **(H_3)**.

The results with regard to hypothesis (**H_4)** presented in Table 4, below, confirmed that IFRS implementation significantly mediates the link between masculinity and accounting practice (β =-0.1302), thus supporting H_4. This is because zero does not fall between Boot LLCI and the Boot ULCI of the 95% CI of our data (-0.1994, -0.0684). Regarding hypothesis **(H_5)**, the results in Table 4, below, show that the relationship between long-term orientation and accounting practices is significantly mediated by IFRS implementation (β=0.2051), thus supporting **(H_5)**. This is because the lower limit and the upper limit of the 95% CI which were 0.1237 and 0.3043, respectively, do not include zero. Furthermore, for hypothesis (**H_6)**, the results displayed in Table 4, below indicate that the indirect effect of indulgence on accounting practices of the MNCs had a significant coefficient (β =0.2347, 95% CI =0.1538 and 0.3260). Hence, the mediation effect of IFRS implementation in the relationship between indulgence and accounting practices was significant, thereby supporting **(H_6)**.

Table 4: Bootstrap results for mediating (indirect) effect

Variables	Effect (β)	BootSE	Boot LLCI	Boot ULCI	Results
PD→IFRSIMP→AP	-0.1043	0.0300	-0.1677	-0.0479	Significant
IN→IFRSIMP→AP	0.0695	0.0374	-0.0015	0.1456	Not significant
UA→ IFRSIMP→AP	0.1269	0.0564	0.0214	0.2477	Significant
MD→IFRSIMP→AP	-0.1302	0.0338	-0.1994	-0.0684	Significant
LTO→IFRSIMP→AP	0.2051	0.0471	0.1237	0.3043	Significant
IG→ IFRSIMP→AP	0.2347	0.0451	0.1538	0.3260	Significant

Key: *AP-Accounting Practices, PD-Power Distance, UA-Uncertainty Avoidance, IN-Individualism, MD-Masculinity, LTO-Long-term Orientation, IGD-Indulgence, IFRSIMP-IFRS Implementation, LLCI = Lower Limit of the 95% confidence interval; ULCI = Upper Limit of the 95% confidence interval.*

Discussion

This study investigated the mechanisms between cultural dimensions and accounting practices of the MNCs in Tanzania by examining the mediating role of IFRS implementation at firm level. The results show that the IFRS implementation negatively mediates between power distance and masculinity as cultural dimensions and accounting practices. This implies that IFRS implementation plays an important role in MNCs where power distance and masculinity are not significant, which, in turn, enhance their accounting policies on recognitions, measurement methods and disclosure of financial statements items. The plausible reason for this might be that high power distance and masculinity rarely exist among MNCs or their subsidiaries operating in Tanzania. This enriches earlier studies by Edeigba *et al*. (2020)' and Riahi (2022)'s results, which reveal that companies characterized by low power distance integrate the effect of IFRS with their accounting practices, as it allows accountants to exercise professionalism and use their independent opinions. Moreover, the study extends the finding of Mensah (2021), who showed that IFRS implementation is an important factor which minimize the variations in financial reporting among companies in Ghana, through enhanced comparability and the quality of financial statements.

Furthermore, it was indicated that IFRS implementation positively mediates the relationship between cultural dimensions (namely, uncertainty avoidance and long-term orientation) and accounting practices of the MNCs. This shows that IFRS implementation has a significant role in MNCs where standardized work procures, regulations, persistence and thrift are considered significant, which, in turn, positively affect their choice measurement methods and information disclosure of financial statement items. The study's findings, to a certain extent support Mahjoub and Dicko (2017), who concluded that IFRS implementation positively influence accounting practices, which, in turn, improve comparability of companies' financial statements. However, do not support studies in other areas, such as Zouita et al. (2019), who showed that IFRS adoption negatively mediate the association between the SMEs sector and FDI inflows. The plausible reason might be because Zouita *et al*. (2019) considered IFRS adoption by the local SMEs other than MNCs which, in turn, might affect the magnitude of IFRS implementation, such as fair-value measurement (Khlif *et al*., 2020) among companies.

The results also reveal that IFRS implementation positively mediates the association between indulgence and accounting practices of the MNCs. This might be due to the flexible nature of IFRS and its dependence on the ''substance-over-form'' principle with a solid reliance on professional judgments which are affected by accountants' cultural values (Heidhues & Patel, 2011 cited in Khlif, 2016, p. 549). Additionally, IFRS, as a "principle-based" standard, does not prescribe detailed rules, which leaves the task of actual accounting practices to the discretion of companies and/or accountants (such as, discretion on fair value approach), which further supports the existence of a high indulgence culture in the MNCs. This result extends those of Hamawandy *et al*. (2021), which revealed that the IFRS benefit mediates the link between cultural factors and IFRS acceptance among companies in Iraq. Therefore, the current study's results are consistent with the Institutional Theory, which explains that institutional change process can create coercive (comply with IFRS), normative (staff training on IFRS) and/or mimetic pressures, when MNCs or their subsidiaries implement IFRS with their accounting practices to be legitimized.

Conclusion and implications

The study concludes that IFRS implementation positively (negatively) mediates the relationship between uncertainty avoidance, long-term orientation, indulgence (power distance and masculinity) as cultural dimensions and accounting practices of the MNCs. The positive mediation results indicate that IFRS implementation is an important mechanism which increases the magnitude of the total effect of uncertainty avoidance, long-term orientation and indulgence on accounting practices. A possible explanation could be that a MNC which needs to avoid uncertainties and to care for its employees is likely to consider the long-term existence of the company by adopting proactive, open and transparent approaches in their accounting practices. However, the negative mediation findings suggest that IFRS implementation suppresses the extent of the total effect of both power distance and the masculinity culture on accounting practices. This might be because MNCs' or their subsidiaries staff who are concerned with accounting have sufficient academic levels and professional qualifications, such as ACCA and are hired based on competencies rather than gender differences.

Theoretically, the results suggest that cultural factors (power distance, uncertainty avoidance, masculinity, long-term orientation and indulgence), should be considered alongside the implementation of IFRS when examining accounting practices within MNCs. Unlike other earlier studies, the findings contribute to our understanding of the interplay between cultural dimensions, IFRS implementation, and accounting practices in the context of MNCs operating in Tanzania. The result reveal that IFRS implementation significantly mediates the relationship between cultural dimensions and accounting practices of the MNCs, which in turn, enhance the comparability of financial reporting. This call for more companies, including MNCs or their subsidiaries across countries to adopt and implement IFRS as their accounting standards to addressing the problem of inconsistency accounting practices. Furthermore, the findings may help regulatory bodies, such as the NBAA, BOT and TRA to ensure appropriate implementation of IFRS standards among companies in Tanzania. This may be through enacting and enforcing legislation and regulations requiring regular substantive training on the technicalities and practical application of the existing, new and revised IFRS. Moreover, the results may also be used by MNCs or their subsidiaries to align and integrate the effect of IFRS implementation with their accounting practices.

However, the research design of this study was cross-sectional in nature, which differs from a longitudinal study design, which was not utilized. Theoretically, the use of this research design might limit the depth of the obtained results. Despite this limitation, the use of cross-sectional survey research design remains predominant and common in the field (Emeni & Ugbogbo, 2014; Ogbenjuwa, 2016). Furthermore, the study drew its empirical findings from a sample of the MNCs operating in Tanzania. Hence, the results and conclusions drawn might not essentially be generalizable among the MNCs or their subsidiaries in developed countries' contexts with different settings. Hence, the limitations of this study offer areas for further studies. For example, future studies may consider increasing the sample of MNCs operating in developed and emerging countries in examining the interplay between cultural dimension, IFRS implantation and accounting practices to enhance generalizability of results.

References

Abata, M. A. (2015). The Impact of International Financial Reporting Standards (IFRS) Adoption on Financial Reporting Practice in the Nigerian Banking Sector. *Journal of Policy and Development Studies*, *9*(2), 169–184.

Ali, A., Akbar, S., & Ormrod, P. (2016). Impact of international financial reporting standards on the profit and equity of AIM listed companies in the UK. In *Accounting Forum* , *40*(1), 45-62.

Alina, C. M., Cerasela, S. E., & Cristina, D. M. (2017). Culture and Accounting Practices. *Ovidius University Annals, Economic Sciences Series*, *17*(1), 435-438.

Akman, N. H. (2011). The effect of IFRS adoption on financial disclosure: does culture still play a role?. *American International Journal of Contemporary Research*, *1*(1), 6–17.

Almagtome, A. and Khaghaany, M. (2017), "The Impact of National Culture and Political Instability on Sustainability Reporting: A Comparative Study".

Ball, R. (2016). IFRS–10 years later. *Accounting and Business Research*, *46*(5), 545–571.

Bhattacherjee, A. (2012). *Social Science Research: principles, methods, and practice: Textbooks Collection. Book 3.* Retrieved from https://digitalcommons.usf.edu/oa_textbooks/3/

BOT (2021). List of Licensed Institutions. Retrieved from https://www.bot.go.tz/BankSupervision/Institutions

Borker, D. R. (2013). Is there a favorable cultural profile for IFRS?: an examination and extension of Gray's accounting value hypotheses. *International Business & Economics Research Journal (IBER)*, *12*(2), 167–178.

Chanchani, S., & Willett, R. (2004). An empirical assessment of Gray's accounting value constructs. *The International Journal of Accounting*, *39*(2), 125–154.

Chariri, A. (2017). Financial reporting practice as a ritual: Understanding accounting within institutional framework. *Journal of Economics, Business and Accountancy Ventura*, *14*(1), 107–135

Contractors Registration Board (CRB). (2020). *Contractor's Directory*. Retrieved from http://www.crb.go.tz/contractors?combine=&field_registration_number_value=&field_class_tid=36&field_types_of_contractor_tid=All&field_cocategory_tid=35

Confederation of Tanzania Industries (CTI). (2017). *Annual Report for 2016/2017.* Dar es Salaam, Tanzania

Darwish, M. A. (2014). *The Role of Cultural Dimensions in Shaping the Generally Accepted Accounting Practices in Palestine* (Doctoral dissertation, Al-Azhar University-GAZA). Retrieved from http://dstore.alazhar.edu.ps/xmlui/bitstream/handle/123456789/2342/20102894.pdf?sequence=1&isAllowed=y

DiMaggio, P. J., & Powell, W. W. (1983). The Iron Cage Revisited : Institutional Isomorphism and Collective Rationality in Organisational Fields. *American Sociological Review*, *48*(2), 147–160

Dobler, M., Lajili, K., & Zéghal, D. (2016). Risk disclosures and cultural values: A research note. *Research Journal of Finance and Accounting*, *7*(18), 53-61.

Edeigba, J., Gan, C., & Amenkhienan, F. (2020). The influence of cultural diversity on the convergence of IFRS: evidence from Nigeria IFRS implementation. *Review of Quantitative Finance and Accounting*, *55*(1), 105–121.

Egbunike, C. F., & Ogbodo, O. (2015). The influence of cultural values on accounting practice in Nigeria. *Developing Country Studies*, *5*(3), 110–121.

Emeni, F. K., & Ugbogbo, S. N. (2014). Accounting frameworks and cross-cultural effects on accounting disclosure practices in Nigeria. *Covenant Journal of Business and Social Sciences*, *6*(2), 48–69.

Fearnley, N., & Gray, S. (2015). National institutional factors and IFRS Implementation in Europe: The case of investment property companies. *International Journal of Accounting and Information Management*, *23*(3), 271–288.

Field, A. (2013). *Discovering Statistics Using IBM SPSS Statistics* (4th ed.). SAGE Publications.

Gierusz, J., & Koleśnik, K. (2019). The influence of culture on disclosures in financial statements prepared under International Financial Reporting Standards. *Zeszyty Teoretyczne Rachunkowości*, *101*(157*)*, 111–132.

Gray, S.J. (1988). Towards a Theory of Cultural Influence on the Development of Accounting Systems Internationally. *Abacus*, *24*(1), 1–15.

Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. L. (2014). *Multivariate data analysis* (7th ed.). Pearson Education Limited, Harlow, Essex.

Hamawandy, N. M., Omer, A. J., Kakil, R. M., & Qader, A. N. (2021). Perceived Challenges of IFRS Acceptance among Iraqi Firms: Do Benefit of IFRS matter. *Review of International Geographical Education, 11*(10), 1261–1280

Hasan, M. T., & Rahman, A. A. (2017). IFRS Adoption and earnings management: A review and justification of earnings management model for developing countries. *ELK Asia Pacific Journal of Finance and Risk Management*, *8*(3), 43–60.

Hayes, A. F., Montoya, A. K., & Rockwood, N. J. (2017). The analysis of mechanisms and their contingencies: PROCESS versus structural equation modeling. *Australasian Marketing Journal*, *25*(1), 76–81.

Heale, R., & Twycross, A. (2015). Validity and reliability in quantitative studies. *Evidence-Based Nursing*, *18*(3), 66–67.

Hofstede, G., Hofstede, G. J. & Minkov, M. (2010). *Cultures and Organisations: Software of the Mind* (Rev. 3rd ed.). New York: McGraw-Hill

IFRS Foundation. (2018). *Use of IFRS Standards around the world*. Retrieved from https://www.ifrs.org/content/dam/ifrs/around-the-world/adoption/use-of-ifrs-around-the-world-overview-sept-2018.pdf

Irvine, H. (2008). The global institutionalization of financial reporting: The case of the United Arab Emirates. *Accounting Forum*, *32*(2), 125–142)

Kaaya, I. D. (2014). The IFRS Application Status : Espousal or Convergence ? A Retrospective Pragmatic Review between India and Tanzania. *The African Journal of Finance and*

Management, 23(1&2), 55–69.

Kaaya, I. D. (2019). Financial reporting and value relevance: Empirical evidence from Indian and Tanzanian listed firms. *Business Management Review, 22*(2), 100–118.

Khan, I.U., Usman, A., & Jan, M.F. (2021). Factors Affecting IFRS Adoption in Pakistan and Its Impact on Firm Performance. *Multicultural Education, 7*(11), 556–580

Khlif, H. (2016). Hofstede's cultural dimensions in accounting research: A review. *Meditari Accountancy Research, 24*(4), 545–573.

Khlif, H., Ahmed, K., & Alam, M. (2020). Accounting regulations and IFRS adoption in francophone North African countries: the experience of Algeria, Morocco, and Tunisia. *The International Journal of Accounting*, *55*(01), 2050004

Kroeber, A. L., & Parsons, T. (1958). The concepts of culture and of social system. *American Sociology Review*, *23*,582–583.

Lackson, B., & Muba, S. (2021). Factors Affecting the Adoption of Financial Reporting Standards by Micro, Small and Medium Enterprises in Tanzania: The Case of Mbeya City Council. *East African Journal of Business and Economics, 4*(1), 46–61.

Maali, B. M., & Al-Attar, A. (2017). Corporate Disclosure and Cultural Values: A Test for Multinational Corporations. *The Journal of Developing Areas, 51*(3), 251–265.

Mahjoub, E. E., & Dicko, S. (2017). The Impact of IFRS Adoption on Canadian Firms' Disclosure Levels. *International Journal of Accounting and Financial Reporting, 7*(1), 227–248

Mbelwa, L. H., & Mahangila, D. N. (2020). Critical External Institutional Pressures towards Effective Implementation of IFRS in the Tanzanian Private Hospital Sector. *ORSEA Journal, 9*(1), 90–109.

Mensah, E. (2021). The effect of IFRS adoption on financial reporting quality: Evidence from listed manufacturing firms in Ghana. *Economic Research-Ekonomska Istraživanja*, *34*(1), 2890–2905.

Meyer, J. W., & Rowan, B. (1977). Institutionalized Organisations : Formal Structure as Myth and Ceremony. *American Journal of Sociology, 83*(2), 340–363.

Mitchell, M. L., & Jolley, J. M. (2010). *Research Design Explained*: Instructor's edition (7th ed.). Belmont, CA: Wadsworth/Cengage Learning.

Msuya, R., & Maleko, G. (2015). Non-compliance and Challenges of Implementing IFRS in Saving and Credits Cooperative Societies (SACCOS) in Shinyanga Region – Tanzania. *Journal of Business Administration and Education, 7*(1), 17–33.

NBAA. (2018). *Technical Pronouncement No.1 of 2018: Scope of Applicability of IFRS, IPSASs and IFRS for SMEs in Tanzania*. Dar es Salaam: Tanzania. Retrieved from https://www.nbaa.go.tz/2019/march/techpro2019.pdf

Nurunnabi, M. (2017). Auditors' perceptions of the implementation of International Financial Reporting Standards (IFRS) in a developing country. *Journal of Accounting in Emerging Economies, 7*(1), 108–133.

Obara, L. C., & Nangih, E. (2017). Accounting practices and performance of oil and gas industry (upstream sector) in Nigeria: An empirical analysis. International journal of Academic Research in Accounting, Finance, and Management Sciences, *7*(2), 215-222.

Ogbenjuwa, E. I. (2016). *Implementation of International Financial Reporting Standards by listed companies in Nigeria* (Doctoral dissertation, Walden University). Retrieved from https://scholarworks.waldenu.edu/cgi/viewcontent.cgi?article=3430&context=dissertations

Olaoye, S. A., & Aguguom, T. A. (2017). Justification for IFRS in Sub-Sahara African

Countries : A case of Multinational Corporations. *International Journal of Economics and Business Management, 3*(7), 56–68.

Özdil, S. Ö., & Kutlu, Ö. (2019). Investigation of the mediator variable effect using BK, Sobel and Bootstrap methods (Mathematical literacy case). *International Journal of Progressive Education*, *15*(2), 30-43.

Prince, T. R. (1963). *Extension of the Boundaries of Accounting Theory*. South-Western Publishing Company, Ohio

Pucheta-Martínez, M.C. and Gallego-Álvarez, I. (2020). Corporate Environmental Disclosure Practices in Different National Contexts: The Influence of Cultural Dimensions. *Organization and Environment*, *33* (4), 597–623.

Quraishi, M. K., & Islam, M. S. (2014). The Adoption of IAS/IFRS in a Developing Country- A Case of Bangladesh. *ELK Asia Pacific Journal of Finance and Risk Management, 5*(3).

Riahi, R. (2022). Adoption of International Accounting Standards in Emerging Countries: A Cultural Perspective. *European Journal of Business and Management Research*, *7*(1), 28–34.

Rotberg, B. (2016). *Culture and IFRS: The effect of Culture on IFRS Implementation and financial Reporting Quality*. (Thesis, Radboud University). Retrieved from https://theses.ubn.ru.nl/server/api/core/bitstreams/6ef729cf-9ee5-4c4e-91be-e2044fe14892/content

Shiferaw, N., & Assefa, D (2020). Benefits and Challenges of International Financial Reporting Standard (IFRS) Transition in Ethiopia (Case Study on Some Selected Organizations in Ethiopia). *International Journal of Scientific and Research Publications*, *10*(6), 1041–1049

Soetan, T.. (2018). Analysis of cultural influence in the application of international financial reporting standards in Nigeria. *International Journal in Management & Social Science*, *6*(6), 190–203.

Tanzania Extractive Industries Transparency (TEITI), (2020). *The 10th TEITI Report for the Period of July 1st 2017 to June 30th 2018.* Mzumbe University, Dar Es Salaam.

Tasos, S., & Stergios, A. (2018). Classification and Factors Influencing Accounting Systems. International Journal of Research in Management, *5* (8), 1–7.

Taylor, R. S. (2020). Foreign direct investment and economic growth. Analysis of sectoral foreign direct investment in Tanzania. *African Development Review*, *32*(4), 699-717.

UNCTAD. (2021). *World investment report 2021: Investing in sustainable recovery*. UN.

Yamane, T. (1973). *Statistics: An Introductory Analysis* (3rd ed.). Harper and Row.

Yamen, A., Nimer, K., Ramadan, A., & Abidi, O. (2018). The impact of national culture on sustainability reporting: a cross country analysis", *Asian Journal of Empirical Research*, *8*(3), 110–123.

Yoo, B., Donthu, N., & Lenartowicz, T. (2011). Measuring hofstede's five dimensions of cultural values at the individual level: Development and validation of CVSCALE. *Journal of International Consumer Marketing*, *23*(3&4), 193–210.

Zouita, M. S., Louail, B., & Mameche, Y. (2019). The impact of the local SMEs sector on FDI and the mediating effect of IFRS adoption in developing economies: The case of Algeria. *International Journal of Advanced and Applied Sciences*, *6*(11), 120–129.