CHALLENGES OF PRACTICAL IMPLEMENTATION OF IFRS IN ETHIOPIA, EVIDENCE FROM BANKING SECTOR

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BY

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DECLARATION

I hereby declare that MBA. Thesis entitled, **"Challenges of Practical Implementation of IFRS in Ethiopia, Evidence from Banking Sector"** is my original work and has not been presented for a Degree/Diploma in any other university, and all sources of material used for this thesis have been duly acknowledged.

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This is to certify that the thesis entitled, **"Challenges of Practical Implementation of IFRS in Ethiopia, Evidence from Banking Sector"** submitted in partial fulfillment of the requirements for the Degree of Master of business Administration in Finance has been carried out by **Aytenew Agumas, ID.No: GSE/1521/08** under my supervision. Therefore, I recommend that the student has fulfilled the requirements and hence hereby can submit the thesis to the department.

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Aytenew Agumas

Table of Contents

Acronyms

AABE	Accounting and Auditing Board of Ethiopia
ACCA	Association of Chartered Certified Accountants
ASE	Accounting Society of Ethiopia
BOD	Board of Directors
CEO	Chief Executive officers
CIA	Certified Internal Auditor
CPA	Certified Public Accountant
DIPIFR	Diploma international financial Reporting
EBA	Ethiopian Bankers Association
ECSAFA	Eastern, Central, and South African Federation of Accountants
ECX	Ethiopian Commodity Exchange
EPAAA	Ethiopian Professional Association of Accountants and Auditors
ERCA	Ethiopian Revenue and Customs Authority
EU	European Union
FDI	Foreign Direct Investment
GAAP	General Accepted Accounting Principle
HR	Human Resources
IAS	International Accounting Standards
IASB	International Accounting Standard Board
IASC	International Accounting Standard committee
ICAEW	Institute of chartered Accountants in England and Wales
IFAC	International Federation of Accountants Committee
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IMF	International Monitory Fund
IOSCO	International Organization of Securities Commissions
IPSAs	International Public Sector Accountant
ISAC	International accounting Standard committee

IT	Information System
MOFEC	Ministry of Finance and Economic Cooperation
NAO	National Audit Office
NBE	National Bank of Ethiopia
NGOs	None Governmental Organizations
OAG	Office of Auditor General
OFAG	Office of Federal Auditor General
PIE	Public interest entities
PWC	Price water house coopers
ROSC	Research on Observance of Codes and Standards
SAC	Standards Advisory Council
SIC	Standards Interpretation Committee
SMEs	Small and Medium Enterprises
SPSS	Statistical Package software for social science studies
TOR	Term of Reference
UK	United Kingdom
UN	United Nation
UNCTAD	United Nations Conference on Trade and Development
US	United States
USA	United States of America
WTO	World Trade organization

List of Tables

List of Figures

ABSTRACT

Since the turn of the century, there is an unprecedented appreciation of the usefulness of the International Financial Reporting Standards (IFRS) across the globe. As a single set of globally converged, high quality accounting standards, IFRS are designed to serve as a common global language for business affairs so that company accounts are understandable and comparable across the globe. As a result, by recognizing the relative importance of IFRS, over 150 countries required or permitted IFRS as their corporate financial reporting standard. Despite this widespread acceptance of IFRS, there are serious institutional, enforcement and technical challenges that countries need to overcome in order to benefit fully from the introduction of IFRS in their jurisdictions. Ethiopia is one of those countries that face serious challenges to implement IFRS. Therefore, this research is intended to investigate the practical challenges of IFRS adoption in Ethiopia, particularly in private commercial banks. To achieve this objective, both primary and secondary data were collected from IFRS implementation team members of 12 private banks who were selected purposively based on their role and involvement in the implementation process. Primary data were collected through questionnaire and interview whereas secondary based were collected through documentary evidence and analyzed by using different descriptive statistical tools. Finally, the result of the study revealed that weak corporate governance, poor quality of education and training, lack of supports from accountancy professional bodies, weak enforcements of regulatory body, inadequacy of transition period, improper planning, non-availability of transparent market information, high cost of implementation and weak management support are the major challenges of adopting IFRS by private banks in Ethiopia.

Keywords: *IFRS, Adoption/Implementation, Ethiopia, Private Banks, and Challenges.*

CHAPTER ONE

1. Introduction

This section of the study explained Background of the study, statement of the problem, objective of the study, significance of the study, scope of the study and limitation of the study and organization of the study with the intention to provide introductions and to set out the overall structures of the study

1.1. Background of the study

Globalization made countries borderless and economic resources Mobil across the world. Now a day's International trade and investment becoming increasingly global due to real world suffer from market imperfection. Multinational companies are seeking out foreign opportunities to capitalize resource from foreign countries. The increasing growth in international trade, cross border financial transactions and investments which unavoidably involves the preparation and presentation of accounting reports that is useful across various national borders (Armstrong et al., 2007)(as cited inOkpala,2012).

However, Accounting as the language of business is practiced differently within varying historical, political, economic and social environments (Hellmann et al., 2010). Pacter (2011) argued that historically accounting standards evolved country by country– Set by government, or accounting profession, or independent board. Using different national accounting standards, making it difficult and costly to compare investment opportunities in different countries (UNACTED, 2008). Prather-Kinsey (2006) stated that "dissimilar financial reporting and accounting practices make it very difficult for users of accounting and financial reports to consolidate such information and make comparisons of firms that are listed in different countries". National standards made sense when companies raised money in, and investors sought investment opportunities in, only their home country (Pacter, 2011).Therefore, Having access to financial statements that are written in the same "language" would eliminate what has historically been a major impediment to engendering investor confidence, which is sometimes referred to as "accounting risk"(Epstein & Jermakowicz,2010).

The faster pace of globalization, the growing interdependence of international financial markets and the increased mobility of capital have added to the pressure and demand for the harmonization of accounting and financial reporting frameworks and related standards around the world (UNACTED,2008). Renders & Gaeremynck (2007) argued that "Growth in international trade and capital flows and a rising cross-border economic integration over the past decades have led to the desire to harmonize accounting standards across countries". Without common standards, it is difficult to compare financial information prepared by entities located in different parts of the world (Mirza et al., 2006). Therefore, adopting a single global accounting language will ensure understandability, comparability and transparency of financial statements which will strengthen the confidence of investors and other users of accounting information around the world (Dholakia, 2012).

Consequently, the accounting profession has responded this requirement through establishing Accountants International Study Group in the year 1967, which has made great significant by publishing papers on topics with accounting standards. After years of study, the process of international convergence towards a global set of standards started and international accounting Standard committee (ISAC) was established in the mid 1973 by Accountancy professional bodies from nine countries namely Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom and Ireland, and the United States (UNACTED, 2008, Needles & Powers, 2011, Epstein & Jermakowicz, 2010, Mirza et al., 2006, Kuar&Kumar, 2014).

In 2001, fundamental changes were made to strengthen the independence, legitimacy, and quality of the international accounting standard-setting process and, the IASC was replaced by the International Accounting Standards Board (IASB) as the body in charge of setting the international standards and the international accounting standards (IAS) are renamed International financial reporting standards (IFRS). The objective of the IASB is to develop a single set of high quality, understandable, enforceable and globally accepted financial reporting standards that bring transparency, accountability and efficiency to financial markets around the world (IFRS Foundation, 2015).

The convergence process has gained speed when the International Organization of Securities Commissions (IOSCO) endorsed the IASC standards for international listings in May 2000

(UNACTED, 2008). Besides EU through ‘‘The European Union Act 1606/2002 mandated companies listed on European stock exchanges to prepare their consolidated group accounts in accordance with IFRS effective the year 2005,which is the millstone for the development of international accounting convergence.

Since then, International Financial Reporting Standards (IFRS) are gaining acceptance worldwide and about 150 jurisdictions in the world have been adopted or required IFRS as their reporting standard (www.ifrs.com).

The comparability, credibility, and positive capital market effects of adoption to capital market participants are not disputed. However, the impact, benefits and costs of the transition to IFRS vary from country to country depending on is starting point, characteristics and culture (Dunne et al., 2008).Chartered Accountants World Wide (ICEAW) (2015) on its summaries of 200 empirical research papers conducted on the effects of mandatory IFRS adoption conclude that “IFRS adoption benefits were unevenly distributed among different firms and different countries due to differences in institutions and incentives, there may have been either negligible benefits or even negative effects rather than benefits for particular firms or countries”. Zehri & Chouaibi (2013) argued that the developing countries transition modalities to the IFRS differ from those of developed countries.

In recognizing of the benefits of IFRS adoption, Ethiopia has enacted financial reporting proclamation in the year 2014 which can be applicable by all reporting entities operating in Ethiopia and announced the official adoption of IFRS as established by IASB. Accordingly, the Accounting and Auditing Board of Ethiopia has established as per council of ministers regulation no.332/2014 as an autonomous governing organ to Promote high quality reporting of financial and related information by reporting entities and to regulate the accounting Auditing profession of Ethiopia.

Implementing IFRS will help Ethiopia to increase stability, stewardship, accountability and transparency, increase the education of accounting profession and Standard setting bodies, improve good governance and reduce corruption and rent seeking behavior (AABE, 2016).According to UNACTED (2008) “Sound and internationally comparable corporate financial reporting that meets the requirements of financial markets improves investor confidence, facilitates risk assessment in making investment decisions, and helps reduce the cost of capital"(para.11). Kassa (2015) argued that IFRS leads to improved comparability & reliability of financial statements reduce cost of capital of firms through lower cost of information, facilitate easier international mobility of professional staffs across national boundary, greater marketability of shares, and reduced information asymmetry and others.

As per Financial Reporting proclamation 847/2014 article 5 (2), the public interest entities are required to comply International Financial reporting standard when preparing financial statements. Among others, Banks are the one and the biggest form of public interest entities which mobilizes financial resources from the public and injects it to the economy.

Ethiopian banks were accounted and presented their financial transaction based on requirements provided under commercial code 1960 and NBE proclamation 592/2008 for the last many years. However, both the commercial code and NBE proclamation has no requirements for compliance with any defined accounting standards (ROSC,2007).Consequently, inconsistency of reporting method from period to period and usage of different reporting methods among Ethiopian private banks were observed until the closing of the year, 2016.As stated on their annual financial report ,Some private banks were reported based on IFRS, some were based on GAAP and others based on internally developed accounting policies and procedures. Though, some companies including banks says reported their financial statement under IFRS, it was revealed that there were significant differences between the actual accounting practices and IFRS requirements and concluded that the actual accounting practice in Ethiopia differ from IFRS (ROCS, 2007, Tesfu, 2012, Mihiret, 2016). Accordingly, AABE has warned reporting entities in Ethiopia not to refer IFRS on their financial statement unless they fully comply with all the requirements of the IFRSs applicable to their circumstances (AABE, 2016). For smoothening the process of the adoption, AABE has established a three phase IFRS implementation road map under its four year strategic plan running from the year 2016-2020.Based on this Ethiopian banks are the one and the first which are required to adopt IFRS from July, 2016 and expected to issue IFRS based financial statements for the year ending June 30, 2018. To this end, Ethiopian private banks are now busy in conducting activities which are required by first time adopters stated under IFRS1. As a first time adopter it is inevitable that many factors will likely influence the probabilities of the adoption of IFRS by private banks positively or negatively.

Therefore, the aim of this study is to investigate the practical challenges of IFRS adoption in Ethiopia specifically in Private commercial Banks.

1.2. Statement of the problem

IFRS are clearly emerging as a global financial reporting benchmark and most countries have already started using them as their benchmark standards for listed companies. Currently, around 150 jurisdictions worldwide have required or permit IFRS as a basis for their corporate reporting (Retrieved from www.Ifrs.com). However, the principles behind the adoption of IFRS by different countries have always been the subject of controversy in accounting literature. This is because different researchers arrive at different conclusions and it is applicable only to some companies or some countries (ICAWE, 2015).

Some researchers argued that IFRS improves transparency & comparability of companies financial statements, reduces cost of capital, increasing of cross border transactions and improve the efficiency of corporate investment (Daske and Gebhardt,2006, Dodiya,2013, Harton Etal,2010, Lourenço & Branco, 2015). On the other hand, Clarkson *et al*.(2011) found that IFRS adoption has failed to enhance financial reporting quality, examine 1,722 firms from nine European countries in which early IFRS adoption (as cited Masoud, 2014). Various studies fail to find strong evidence that IFRS improves information set of investors and found limited or no capital market benefits for mandatory adopters (Das et al, 2008) as cited in (Harton et al., 2010) .Other researchers argued that the quality and comparability of information are questioned due to the difference of implementation and interpretation of the same standards by different countries (Ankarath et al., 2010, Harton et al., 2010). Achieving comparability in financial reporting depends on a consistent interpretation and application of IFRS across countries. Social, political, economic and cultural factors in countries influence accountants' professional judgments, and differences across countries may lead to an inconsistent interpretation and application of IFRS (Poudel et al., 2014). On their study of IFRS adoption the case of Nepal found that the adoption of IFRS is likely to be problematic due to the country's contextual environment. Accordingly, Dunne et al., (2008) argue that the impact, benefits and costs of the transition to IFRS vary from country to country depending on is starting point, characteristics and culture. ICAEW (2015) on its summaries of 200 empirical research papers conducted on the effects of mandatory IFRS adoption conclude that “IFRS adoption benefits were unevenly distributed among different firms and different countries due to differences in institutions and incentives, there may have been either negligible benefits or even negative effects rather than benefits for particular firms or countries".

However, it seems likely argued that IFRS improves transparency, comparability, credibility, and positive capital market effects, reduces cost of capital, corporate investment efficiencies and international capital flows (Dunne et al., 2008.,UNACTED,2008, Mira etal, 2006, Epstein & Jermakowicz,2010, Zeghal &Mhedhbi ,2006, Daske and Gebhardt,2006, Dodiya,2013, Harton Etal,2010, Lourenço & Branco, 2015).

In recognizing of the benefits using international accounting standards many developing countries have made efforts to adopt IFRS. However, the process of the adoption presented many challenges especially for most of the African countries. The cases study some countries shown that Regulatory system enforcement mechanisms and lack of technical capacities are the major challenges (UNACTED, 2008).

For instance, in Libya lack of technical skills and inadequate knowledge professional accountants, inconsistency of regulatory framework, inadequate education and training of accountants, weakness of professional accountancy body and lack of an independent oversight body were challenges faced during IFRS adoption (Zakari,2014). In Nigeria IFRS implementation faces problems including of lack considerable preparation time, lack of coherence of laws, shortage of accountants and auditors who are technically competent in implementing, lack of Training materials on IFRS at affordable costs (Madawaki, 2012). Like Libya and Nigeria, the case study of Kenya and south Africa shows that there had been facing a problem of conflicting of existing laws and IFRS requirements, the gap between accounting education and IFRS, in ability of accountants and professional bodies to apply IFRS ,Cost of implementing IFRS, complexity of standards were the major problems (UNACTED,2008).

Recently, Ethiopia has officially adopted IFRS as a means of its corporate reporting through proclamation number 847/2014. Accordingly, the Accounting and Auditing Board of Ethiopia (AABE) has designed IFRS implementation road map and announced the commencement dates of different groups of reporting entities. Based on this roadmap, Government development organizations and public interest entities including banks should have been started to IFRS transition in July, 2016 and expected to close their book of accounts as at June 30, 2018 based on IFRS requirements.

However, IFRS adoption cannot be realized simply through stating that the country has adopted IFRS. Evidence implies that moving to a single set of accounting standards is not enough to produce the required outputs rather benefits of adopting IFRS depends on the strengths of supporting institutions, rigorous enforcement, education and trainings, and professional competence and integrity (Hail et al.,2009, UNACTED,2008,ICAEW,2007).

There was no accounting and auditing standards set in Ethiopia and the accounting practices of vary among institutions and differ from IFRS requirements. Its corporate reporting practice was dominated by various sectorial laws and regulations such as Commercial code, Tax law, NBE regulation and Charities societies' law etc. Besides, its poor experience of implementing international accounting standards and availability of weak financial reporting infrastructures would expect to pose many challenges during their practical application of IFRS by reporting entities.

To date, little academic research has been published on the areas of IFRS adoption in Ethiopia since the history of adoption is a recent phenomenon. Some academic studies were conducted focusing on the benefits, challenges and progress of IFRS adoption in Ethiopia. According to these studies implementation costs, complexity of standards, lack of IFRS implementation guidance, increased volatility of earnings, lack of technical skills and inadequate knowledge of professionals**,** Resistance to Change, Absence of Professional Institutions, high level training requirement, lack of proper instructions from regulatory bodies problem, and problem with IFRS use of fair value accounting were identified as the major challenges IFRS adoption in Ethiopia (Mihiret, 2016, Kassa et al, 2015, Hailemichale, 2016, Simegn, 2015, and Deyuu and Pasricha, 2016, Bekelle, 2016).However, All of this studies were conducted before the commencement of Mandatory IFRS adoption (Pre-IFRS) and their findings are provided in references of the voluntary adopters and based on the perceptions of users of financial statements. Mihiret (2016) and Tesfu (2012) stated that their studies and findings were based on theoretical justifications and perceptions of financial statement preparers, auditors, managers and regulators and recommended to study the practical issues during implementation, on their future research suggestion parts.

According to World bank & IMF joint initiative (ROSC,2007), on a sample of 35 audited financial statements including those said reported under IFRS revealed that there were significant differences between the actual accounting practices and IFRS requirements. On the same vein Tesfu (2012) documented that even though the companies report stated prepared based on IFRS, they are not applying the standards properly rather they make some minor amendments to the existing financial reporting standards.

This shows that the findings of these studies were affected by the improper applications of the standards and some of them were conducted based on ideally arguments instead of practical evidences. For instance, Hailemichael (2016) were conducted his study in the case of financial institutions while the actual implementation date of these institutions started after the date of this study (May, 2016). It indicates that his study didn't take in to account of the practical issues of IFRS implementations and its validity needs to be confirmed during the practical implementation period.

In terms of Measurement, to the best knowledge of the researcher this is the only study which employed three to eight parameters (items) to measure each of the practical challenges. The previous researchers measure the challenges of IFRS adoption with a single item which leads a risk of potentially misleading results. Warmbrod (2014) argued that the sum of the response to a set of multiple items is more stable, reliable and unbiased estimate than response to any single item in a Likert scale. For instance, (Hailemichael, 2016, Tesfu, 2012, Bekelle, 2016 and Mihret, 2016) measure IFRS adoption costs by mentioning as "IFRS adoption is costly" while collecting the agreements or disagreements of the respondents. They failed to mention what are those costs and how much are their magnitude to avoid the possibility of biasness where as in this study the sum score of seven items were used to measure the cost of IFRS implementation such training cost, audit & compliance, consultant, IT, Cost of updating accounting system, cost of purchasing implementation guidelines and additional staff costs.

Therefore, this study is designed to examine and identify the challenges hindering the practical implementation of IFRS in Ethiopia particularly in private banks. One of the state commercial bank, commercial bank of Ethiopia is exclude from this study as it has already implemented IFRS before a year. In addition this study has evaluated the status of the IFRS implementations of private banks by taking transition road map designed by AABE and subsequently cascaded work schedule developed by the banks as a bench mark.

1.3. Objective of the study:

1.3.1. General Objectives of the Study

The general objective of this study is to describe the practical challenges of IFRS implementation by private banks

1.3.2. Specific Objectives

- To Study the process of IFRS implementation of Ethiopian Private commercial Banks.
- To investigate the efficiency of IFRS adoption by private commercial banks
- To assess the challenges that hindered during the practical implementation IFRS in private banks such as weak corporate governance, poor quality of education and training, lack of supports from accountancy professional bodies, weak enforcements of regulatory body, inadequacy of transition period, improper planning, non-availability of transparent market information, high cost of implementation and weak management support.

1.4. Research Questions

The research is designed in a way to address the following questions;

1. How private banks are facilitating the IFRS implementation project
2. How are efficient and smooth are IFRS adoptions by Private commercial Banks
3. What are the practical challenges faced in the process of Practical implementation of IFRS in private banks

1.5. Scope and limitations of the study

It would be vital conducting a study in the case of all significant public interest entities which are the first phase IFRS adopters in Ethiopia. However, due to time and finance constraints and seeking the flexibility of the data collection this study is covered IFRS adoption the case of private bank of Ethiopia. The reasons for the selection of private banks are, they are operating under the same regulatory environment and their IFRS adoption is handled at the same time with the formation of similar adoption strategies. It helped the researcher to avoid the biasness of the data that may create in connection with the difference of above mentioned cases. The study mainly assessed and examined the practical challenges faced during by private banks during convergence of their existing accounting system to IFRS. One of the state commercial bank, commercial bank of Ethiopia is exclude from this study as it has already implemented IFRS a year ago.

Lack of adequate empirical evidences in Ethiopian context which enable to support the researchers finding are one of the limitations of this study. Secondly, Non-willingness of banks to accept researches as a whole was a big challenge for the researcher. Out of 16 private banks four banks are restricted to conduct researches in the case their organization. In addition to this project teams of those banks allowed to conduct the research are over burden with the implementation activities. Due the researcher was forced to knock the doors of the banks more than four times and the process of the data collection took more than a month. The last but not the least limitation of the study was lack of adequate time for data collection.

1.6. Significance of the study

The result of this study expected to provide a better understanding about the practical challenges and their impacts on IFRS implementation to financial statement preparers, auditors, regulators and managers.

The findings of the study are expected to provide useful and timely information to the regulatory body (AABE) on the activities to be done for the realization of the IFRS adoption by the second and third phase adopters.

The findings of this study may also help the second and third phase adopters to prepare and get ready for implementing IFRS through taking proactive actions on potential challenges that may happen in their adoption.

This study will have knowledge contribution, provides an important introduction to the areas of IFRS adoption in Ethiopia and will add valuable contributions to the existing body of literature and assist the future researchers in obtaining new ideas and perspectives for their study.

1.7. Organization of the Paper

To answer the research questions and achieve the above stated objectives, this study has organized in to five chapters. Chapter one consists of the introduction part, background of the study, statement of the problem, objective of the study, significance of the study, scope and limitations of the study. The second chapter of this study discussed literatures available in the areas of IFRS adoption which includes defining of the terms and concepts, review of theoretical and empirical literature, and designing of conceptual frame work on challenges of practical implementation of

IFRS in Ethiopian private commercial banks. Methodology of the research, which includes research design, the data collection methods and tools, the sources of data, sampling design, Data analysis methods and description of variables to be used in the research has been presented in the third chapter. The fourth chapter has presented the results and discussions of the research study, based on data collected by the researcher from primary and secondary sources of data. Tthe final chapter is summarized the findings of the research work, concluded the results and forwarded recommendations based on the findings of the study.

CHAPTER TWO

2. Review of Literature

2.1. Introduction

Globalization has laid down a way for all the countries to adopt a single set of accounting (kaur and Amkumar, 2014). In an increasingly global economy, the use of a single set of high-quality accounting standards facilitates investment and other economic decisions across borders, increases market efficiency, and reduces the cost of raising capital (Mira etal, 2006). With the growing internationalization of economic trade and the globalization of businesses and financial markets, financial information prepared according to a national accounting system may no longer satisfy the needs of users whose decisions are more and more international in scope (Zeghal & Mhedhbi, 2006).

Achieving consistency in financial reporting worldwide is the need of the hour, especially if meaningful comparisons are to be made of financial information emanating from different countries using accounting standards that, until recently, were vastly different from each other. Thus, there has arisen the urgent need for promulgation of a common set of global accounting standards or, in other words, global convergence into a common language of accounting for the financial world (Mirza et al., 2006).

Without common standards, it is difficult to compare financial information prepared by entities located in different parts of the world ((Mirza et al., 2006). The impetus for the convergence of historically disparate financial reporting standards has been, in the main, to facilitate the free flow of capital (Epstein & Jermakowicz, 2010).

2.2. Theoretical and Conceptual Literature Review

International Financial Reporting Standards (IFRS) are principles-based Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

IFRS is a single set of high quality, understandable and enforceable global accounting standards Published by the London-based International Accounting Standards Board (Deloitte, 2008, Mirza et al, 2011). Dodiya (2013) defined IFRS as “principles-based Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB)”.

Convergence of accounting standards means harmonisation of national GAAP or existing accounting system with IFRS through design and maintenance of accounting standards in a way that financial statements prepared with national accounting standards are in compliance with IFRS (Phan,2014).It is also defined as the goal of establishing a single set of accounting standards that will be used internationally(Retrieved from http://en.m.wikipedia.org/ convergence of accounting standards)

2.3. History of International Convergence of Accounting Standards

Financial reporting for capital markets purposes developed initially in the UK, in a common law environment where the state legislated as little as possible and left a large degree of interpretation to practice and for the sanction of the courts (Epstein & Jermakowicz, 2010). This approach was rapidly adopted by the US as it, too, became industrialized. IFRS are an example of the second, capital market-oriented, systems of financial reporting rules.

The history of international convergence of accounting standards began in1950s and early 1960s in response to post World War II economic integration and the related increase in cross boarder Capital flows (Retrieved from http://www.ifrs.org/about-us/IFRS/Pages/organization-history.aspx).

Accounts international study group was found in 1967 which aggressively championed for change by publishing papers on topics with great significance. As a result of these papers, the way was paved for the standards that were to come, and in 1973, and agreement was reached to establish an international body with the sole purpose of writing accounting standards to be used internationally (Retrieved from http://www.difference between.net/business/difference-between-ias-and-ifrs/).

In the mid-1973 ,International accounting Standard committee (ISAC) was established by Accountancy professional bodies from nine countries namely Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom and Ireland, and the United States (UNACTED, 2008, Needles & Powers, 2011, Epstein & Jermakowicz, 2010, Mirza et al., 2006, Kuar & Kumar, 2014). These bodies were members of the International Federation of Accountants in more than 100 countries (IFAC) (Needles & Powers, 2011, Mirza et al., 2006)

The principal significance of IASC was to encourage national accounting standard setters around the world to improve and harmonize national accounting standards.

Its objectives were to:

• Formulate and publish in the public interest accounting standards to be observed in the presentation of financial statements and to promote their worldwide acceptance and observance

• Work generally for the improvement and harmonization of regulations, accounting standards, and procedures relating to the presentation of financial statements

During its existence, IASC issued 41 numbered Standards, known as International Accounting Standards (IAS), as well as a Framework for the Preparation and Presentation of Financial Statements. However, IASC was criticized as permitting too many alternative treatments intended to satisfy the great variation in accounting practices among all the members (Needles & Powers, 2011). In addition, Epstein & Jermakowicz (2010) mentioned that a need for a common language of business was felt, to deal with a growing volume of international business, but other more political motives abounded also. In response to criticism, the IASC began work on revising the current standards into a set of "core" standards that allow fewer alternatives that urged the restructuring of the IASC to make it more independent of the member bodies. As stated on Epstein & Jermakowicz (2010) IASC members voted to abandon the organization's former structure, which was based on professional bodies, and adopt a new structure.

Therefore, in 2001 fundamental changes were made to strengthen the independence, legitimacy, and quality of the international accounting standard-setting process, in particular, the IASC was replaced by the International Accounting Standards Board (IASB) as the body in charge of setting the international standards (Mirza et al., 2006). The International Accounting Standards Board (IASB) started operations in April 2001 as the successor to the International Accounting Standards Committee (IASC).The International Accounting Standards Board (IASB) is an independent standard-setting board and does not represent any particular country, and is not part of any other international bodies such as IFAC.

Mirza et al., (2006) stated the following Key Differences between IASC and IASB

• Unlike the IASC, the IASB does not have a special relationship with the international accounting profession. Instead, IASB is governed by a group of Trustees of diverse geographic and functional backgrounds who are independent of the accounting profession.

• Unlike the Board members of the IASC, Board members of the IASB are individuals who are appointed based on technical skill and background experience rather than as representatives of specific national accountancy bodies or other organizations.

• Unlike the IASC Board, which only met about four times a year, the IASB Board usually meets each month. Moreover, the number of technical and commercial staff working for IASB has increased significantly as compared with IASC. (Similar to IASC, the headquarters of the IASB is located in London, the United Kingdom.)

The interpretive body of the IASC (SIC) has been replaced by the International Financial Reporting Interpretations Committee (IFRIC).

The objectives of the IASB are to

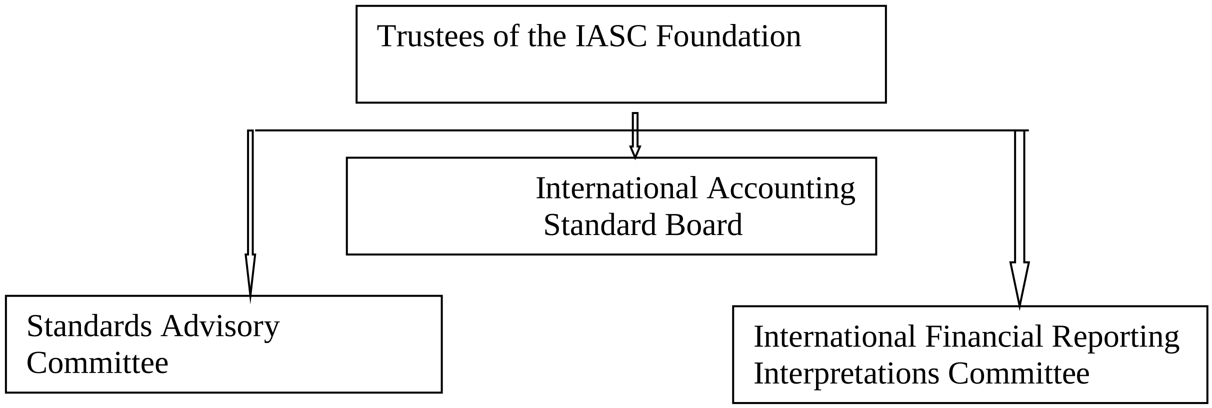
(a) Develop, in the public interest, a single set of high-quality, understandable, and enforceable global accounting standards that require high-quality, transparent, and comparable information in financial statements and other financial reporting to help participants in the various capital markets of the world and other users of the information to make economic decisions;

(b) Promote the use and rigorous application of those standards; and

(c) Work actively with national standard setters to bring about convergence of national accounting standards and International Financial Reporting Standards to high-quality solutions.

New Standards issued by IASB are known as IFRS. When referring collectively to IFRS, that term includes both IAS and IFRS and New interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) are known as IFRIC Interpretations.

2.4. Structure and Governance of IASB



Source: www.ifrs.org

2.4.1. Trustees

The governance of IASB rests with the Trustees of the International Accounting Standards Committee Foundation (the "IASC Foundation Trustees" or, simply, the "Trustees") (Ankarath et al., 2010, Mirza et al., 2006, Hussey& Ong, 2005). The Trustees comprise 22 individuals who are chosen from around the world. In order to ensure a broad international representation, it is required that six Trustees are appointed from North America, six from Europe, six from Asia/Oceanic region, and four from any part of the world, subject to establishing overall geographical balance (Ankarath et al., 2010). The Trustees are independent of the standard-setting activities (which is the primary responsibility of the Board members of the IASB). Instead, the Trustees, on the other hand, are responsible for broad strategic issues, such as

- Appointing the members of IASB, the IFRIC, and the Standards Advisory Council (SAC);
- Approving the budget of the IASC Foundation and determining the basis of funding it;
- Reviewing the strategy of the IASC Foundation and the IASB and its effectiveness including consideration, but not determination, of the IASB's agenda (which if allowed may impair the Trustees' independence of the standard-setting process);
- Establishing and amending operating procedures, consultative arrangements and due process for the IASB, the IFRIC, and the SAC;
- Approving amendments to its constitution after consulting the SAC and following the required due process;

- Fostering and reviewing the development of the educational programs and materials that are consistent with the objectives of the IASC Foundation; and
- Generally, exercising all powers of the IASC Foundation except those expressly reserved for IASB, the IFRIC, and the SAC.

2.4.2. The Board

The Board is responsible for all standard-setting activities, including the development and adoption of IFRS (Ankarath et al., 2010, Mirza et al., 2006). The Board has 14 members from around the world who are selected by the Trustees based on technical skills and relevant business and market experience. The Board, which usually meets once a month, has 12 full-time members and 2 part-time members. The Board members are from a mix of backgrounds, including auditors, preparers of financial statements, users of financial statements, and academics.

The IASB has the complete responsibility for all IASB technical matters including preparation and issuing of IFRS and Exposure Drafts that precede issuance of the final standards (i.e., the IFRS).

There are 17 IFRS Issued by the IASB to July, 2017

IFRS 1, First-Time Adoption of International Financial Reporting Standards

IFRS 2, Share-Based Payment

IFRS 3, Business Combinations

IFRS 4, Insurance Contracts will be replaced by IFRS 17 effective January, 2021

IFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations

IFRS 6, Exploration for and Evaluation of Mineral Resources

IFRS 7, Financial Instruments: Disclosures

IFRS 8, Operating Segments

IFRS 9, Financial Instruments

IFRS 10, Consolidated Financial Statements

IFRS 11, Joint Arrangements

IFRS 12, Disclosure of Interests in Other Entities

IFRS 13, Fair Value Measurement

IFRS 14, Regulatory Deferral Accounts

IFRS 15, Revenue from Contracts with Customers

IFRS 16, Leases

IFRS 17, Insurance Contracts published on May 17, 2017 to replace IFRS 4

2.4.3. Standards Advisory Council

IASB is advised by the Standards Advisory Council (SAC). It has about 40 members appointed by the Trustees and provides a forum for organizations and individuals with an interest in international financial reporting to provide advice on IASB agenda decisions and priorities (Mirza et al., 2006). Members currently include chief financial and accounting officers from some of the world's largest corporations and international organizations, leading financial analysts and academics, regulators, accounting standard setters, and partners from leading accounting firms.

2.4.4. International Financial Reporting Interpretations Committee (IFRIC)

IFRIC members are appointed by the Trustees. The IFRIC is the IASB's interpretive body and is in charge of developing interpretive guidance on accounting issues that are not specifically dealt with in IFRS or that are likely to receive divergent or unacceptable interpretations in the absence of authoritative guidance (Ankarath et al., 2010). The Trustees select members of the IFRIC keeping in mind personal attributes such as technical expertise and diversity of international business and market experience in the practical application of IFRS and analysis of financial statements prepared in accordance with IFRS. The IFRIC shall comprise 14 voting members.

2.5. Acceptance of IFRS Worldwide

The international accounting standard-setting process has been able to claim a number of successes in achieving greater recognition and use of IFRS.

A major breakthrough came in 2002 when the European Union (EU) adopted legislation through European Union Act 1606/20020 that required listed companies in Europe to apply IFRS in their consolidated financial statements (Needles & Powers, 2011, Ankarath et al., 2010, Epstein & Jermakowicz, 2010). The legislation came into effect in 2005 and applies to more than 8,000 companies in 30 countries, including countries such as France, Germany, Italy, Spain, and the United Kingdom.

In addition, in November, 2007, in a surprise move that is considered by some as the most significant nod of friendliness and an astounding move toward convergence in recent times, the U.S. SEC opened its doors to IFRS. The SEC dropped the reconciliation to US GAAP requirement that had formerly applied to foreign private registrants; thereafter, those reporting in a manner fully compliant with IFRS (i.e., without any exceptions to the complete set of standards imposed by IASB) do not have to reconcile net income and shareholders' equity to that which would have been presented under US GAAP. This defining moment in the fast-tracked race of the IASB has helped gain global acceptance of the SEC's standards. Since then, International Financial Reporting Standards (IFRS) are gaining acceptance worldwide and about 150 jurisdictions in the world have been adopted or required IFRS as their reporting standard (www.ifrs.com).

2.6. History and practices of Accounting in Ethiopia

Accounting professionalization in Western societies is closely related to the rise and development of industrial economy (Hoskin & Macve, 1986; Sikka & Willimtt, 1995; Wilmott, 1986) (cited in Terdpaopong and Mihret, n.d). On the other hand the developing countries accounting systems has been shaped by Western countries (Wijewardena and Yapa 1998; Ashraf and Ghani 2005) (cited in Kidane, 2012).This is due to the impact of colonizers and the development of accounting professionalization by western countries. For instance most of former British colonies modeled their accounting practices around the British systems (Ashraf and Ghani 2005) (cited in Kidane, 2012). Sirilanka, Ghana and Pakistan adopts the British accounting system which were colonies of this country.

Even though Ethiopia has existed as an independent country throughout its recorded history, it has had periods of very open relationships with Western powers – especially Britain and USA (Mihiret and Bobe, 2014).

The craft of modern accounting started in Ethiopia in 1905 with the establishment of the Bank of Abyssinia as a branch of the Bank of Egypt, which was in turn administered under the British financial system (Mihret and bobe, 2014, kidane, 2012).They argued that as result of the above British accounting terminology and financial reporting requirements were used and personnel training reinforced the adoption of British-oriented accounting practice. British experts were the first to introduce public accounting practices in Ethiopia; and the first Ethiopian professional accountants obtained certifications from British accountancy bodies (kidane, 2012). public accounting started in Ethiopia in the 1940s with the establishment of Ethiopian branches by British accounting firms, namely Price Waterhouse and Peat & Co., mainly to service foreign subsidiaries of their British clients (Kinfu, 1990) (cited in Mihret & Bobe 2014).

In 1944, the Audit Commission was established by proclamation (Imperial Government of Ethiopia, 1944) to 'examine and control the accounts of the Ministry of Finance', whereas accounts of other ministries were 'controlled and examined by officers of the Ministry of Finance' (Article 3). Article 2 of Proclamation 79/1946 extended the commission's responsibility with a view to "centralizing the audit and control of all Government accounts under one Department [i.e., the commission." Subsequently, The Office of the Auditor General (OAG) was established by Decree 32/1958 and then Proclamation 199/1961, with greater authority of public sector auditing than was provided in 1944 (Government of Ethiopia, 1961). The 1940s saw the start of internal and external auditing.

In response to the growth of private sector business in subsequent decades, the Commercial Code of Ethiopia was proclaimed in 1960 (Government of Ethiopia, 1960), which served as another landmark in Ethiopia's accountancy development.

The code contains accounting and external auditing provisions, which serve as the basis of companies financial reporting accompanied with other sector specific regulations and directives such as ERCA and NBE directives until the publication of financial reporting proclamation 847/2014 and repealed this law. Article 63-85 of the code specifies accounting and auditing requirements of traders and business organizations. Article 63(1) requires "*any person or business organization carrying on trade to keep books and accounts as are required in accordance with business practice and regulations having regard to the nature and importance of the trade carried on".*

The second development was the formation of the Office of the Auditor General (OAG) was then established in 1961 by proclamation number 199/1961 (Government of Ethiopia 1961), which accorded the OAG greater authority than the Audit Commission that was established in 1944 (Argaw 2000; Kinfu 1990) (cited in kidane, 2012)

Due to the change in political order of Ethiopia, the over thrown of the derge regime in 1974 the development of accounting appears to have been held back (Argaw, 2000; Blake, 1997; Kinfu, 2005) (cited kidane,2012).He also cited that international public accounting firms that have been operating in Ethiopia, i.e. Price Waterhouse Peat and Co and Mann Judd & Co., were closed (Kinfu, 2005; Weldegiorgis, 1992).Consequently, a state-owned Audit Service Corporation (ASC) was established by Proclamation No. 126/ in order to fill the gap created by the exit of UK public accounting firms (Mihret and Bobe,2014,kidane,2012). Besides, limited achievements were made in terms of the development of professional associations as perceived from the perspective of the Western model. Ethiopian Professional Association of Accountants and Auditors (EPAAA) was established in 1973, mainly as a state initiative through the Auditor General (Mihret and Bobe, 2012). They also stated that the Association has not developed the capacity to control entry into professional practice. Instead, EPAAA has continued to import professional accounting qualification through an arrangement in which it grants automatic membership to ACCA qualified professionals.

After the downfall of the communist system in 1991 the current Ethiopian government has made some notable efforts to improve the accounting profession of Ethiopia. OFAG was established by Proclamation No.68/1997 by which it was set up "to make efforts, in co-operation with concerned organs, to promote and strengthen accounting and auditing professions. The OFAG undertakes regulation of the Ethiopian accounting profession. Article 14 of Proclamation 68/1997 empowers the OAG to 'issue, renew, suspend and cancel certificates of competence of auditors and accountants who provide auditing and accounting services…" (Government of Ethiopia, 1997). Besides, the EPAAA has been re-activated and three other professional associations, i.e. the Ethiopian Accounting and Finance Association (EAFA), the Ethiopian chapter of the Institute of Internal Auditors (IIA), and the Accounting Society in Ethiopia (ASE) have been established (Mihret et al, 2009). It has membership in Eastern, Central, and South African Federation of Accountants (ECSAFA).According to World Bank and IMF joint initiative program (ROSC, 2007) EPAAA's purpose is to further professional accounting and auditing in Ethiopia. However, EPAAA is still far from being a strong association. It is not a professional certification or regulatory body. It is more like a "voluntary club", with about 45% of the qualified professional accountants in Ethiopia being members of EPAAA. This review stated two main issues that undermine the position of EPAAA. First, EPAAA does not have legal backing in the country's laws, essential for regulatory responsibilities. Second, EPAAA does not have IFAC membership.

2.6.1. Professional Education and Training in Ethiopia

Ethiopia continued using western accounting education and professional certification since the introduction of modern accounting.

The British orientation of accounting practice has been sustained through professional accountancy training provided by the Association of Chartered Certified Accountants (ACCA) (Mihret et al., 2012). On the other hand, accounting education was introduced into Ethiopia's higher education with the assistance of American academics in the early 1960s (Kinfu, 1990; Knowles, 2006)(cited in Mihret and Bobe,2014). Consequently, Ethiopia's accounting education has continued to be American-oriented over the past five decades, owing to a predominant use of American literature. According to ROSC (2007) there is neither a professional accountancy qualification nor training available for professional accountancy in Ethiopia. All professional accountants hold foreign professional qualifications. The leading professional qualification is Association of Chartered Certified Accountants (ACCA). As for training, there is no institution that provides professional accountancy training. Professional accountants get their qualification through distance learning. Despite the availability of Academic accountancy programs in universities and colleges of Ethiopia, the curriculum as well as text books may not prepare graduates well for enhanced financial reporting requirements. The curriculum does not include international components in accounting (IFRS) and auditing (ISA). Mihret and Bobe (2014) argued that tertiary accounting education draws on the US model whereas professional accountancy training is imported from the UK; and accounting practice, while not making explicit reference to any financial reporting framework, tends to have been influenced largely by the UK system. A review of World bank and IMF teams (ROSC, 2007) criticized that Professional values and ethics are not taught as a separate subject (as required by IFAC standards on education) although a subject in the curriculum (Civics) covers general ethics. The textbooks in use are not up to date with recent trends in financial reporting.

2.6.2. Ethiopia's Journey towards the adoption of IFRS

Reports on Observance of Standards and Codes (ROSC) a World Bank and IMF joint Initiative that helps member countries strengthen their financial systems was reviewed accounting and auditing practices and the institutions underpinning the accounting and auditing environment in the corporate sector in Ethiopia from September to November 2007.According to this report there is no accounting and auditing standards set in Ethiopia and in a s ample 35 sets of audited financial statements the accounting practice vary among institutions and differ from IFRS.

Financial reporting entities of Ethiopian are preparing their financial statements based on the requirements Commercial code of Ethiopia (1960) and in accordance with sector specific laws and regulations. For instance, in addition to the commercial code Public Enterprises Proclamation 25/1992 mentioned the requirements of state-owned enterprises financial reporting, The financial reporting requirements of NGOs are contained in the General Guidelines for the Implementation of the societies and charities law of Ethiopia (621/2009) and banks and insurance companies are presented in accordance with national banks requirement set forth in banking and insurance business directives respectively. All the above sector specific laws including the commercial code of Ethiopia didn't require entities to prepare financial statements in compliance with any defined accounting standards or for their auditors to comply with any defined auditing standards. Therefore, every auditor determine accounting standards for their clients and most institutions follow advice of their auditors on how to prepare financial statements until the proclamation of Ethiopian financial reporting law 847/2014.

Consequently, ROSC (2007) provides policy recommendations aimed at improving the quality of financial reporting in the country. Among others, revise the Commercial Code 1960 and the other relevant laws and regulations, Enact a financial reporting law, issue accounting and auditing standards and Establish a National Accountants and Auditors Board were the major once. In recognizing this effort, the Ethiopian government has taken major regulatory actions to improve the accounting and auditing practices of the country. During the writing of this study the government has already revised the national income tax law and processing the revision of commercial code of Ethiopia. Besides, the government has enacted a financial reporting law 847/2014 and announced the official adoption of IFRS issued by ISAB which is a major breakthrough in the history of Ethiopian accounting. It has also establish Accounting and Auditing board of Ethiopia (AABE) through council of Ministers regulation number 332/2014 a body responsible to regulate the accounting and auditing professions of Ethiopia.

The board has the following Duties and responsibilities as set forth in the regulation number 332/2014;

- ✓ setting accounting and auditing standards and code of conduct to regulate the behavior of professionals; register and certify professionals and firms to provide such services; review and monitor the work of professionals and firms rendering accountancy and/or audit services and reporting entities; providing professional qualification training, supporting education and continuous professional development programs; enforcing the financial reporting law and taking disciplinary measures on those who do not comply with the provisions of the law and the regulation set by the Government and directives, other relevant policies and guidelines issued by the Board.

Proclamation Number 847/2014 sets out financial reporting frameworks applicable to different reporting entities. Therefore, as per article 5(1) of this proclamation the financial statements to be used when preparing financial statements shall be

1. International financial reporting standards
2. International financial reporting standards for SMEs
3. International Public sector Accounting standards applicable to societies and charities issue by the international accounting standard board or its predecessor or issued by the international public sector accounting standard board or its successors as adopted, adapted or amended by the board.

In line with the power given by to regulating the accountancy profession and ensuring its development in the country AABE Plans a three phase transition over a period of three years for reporting entities in Ethiopia (AABE, 2016).

Phase 1: Significant Public Interest Entities - Financial Institutions and public enterprises owned by Federal or Regional Governments

July 8, 2016 is recommended as the date for adoption of IFRS for all financial institutions and large public enterprises. Any entity that starts preparation for transiting would need to convert its closing balances at July 7, 2015 to IFRS-based figures which then become the opening balances as at July 8, 2015 for IFRS-based financial statements as at July 7, 2016. This provides opening balances for July 8, 2016 which is the first IFRS full financial statements as at July 7, 2017 (with 2015/16 as comparative year).

Mandatory reporting for these reporting entities shall be June 30, 2018 or July 7, 2018. This means that all financial institutions and government owned (Federal and Regional) public enterprises in Ethiopia will statutorily be required to issue IFRS based financial statements for the year ending June 30, 2018 or July 7, 2018.

Phase 2: Other Public Interest Entities (ECX member companies and reporting entities that meet PIE quantitative thresholds) and IPSAs for Charities and Societies

All other public interest entities (ECX member companies and reporting entities that meet the qualitative thresholds for PIE) and Charities and Societies are expected to mandatorily adopt IFRS and IPSAs (for Charities and Societies), for statutory purposes, by July 8, 2017. This means that all other public interest entities and Charities and Societies in Ethiopia will statutorily be required to issue IFRS and IPSAs based financial statements respectively for the year ending July 7, 2018.

Phase 3: Small and Medium-sized Entities

IFRS for SMEs shall mandatorily be adopted as at July 8, 2018. This means that all Small and Medium-sized Entities in Ethiopia will statutorily be required to issue IFRS based financial statements for the year ending July 7, 2019.

2.7. Review of Empirical Literatures

The comparability, credibility, and positive capital market effects of adoption to capital market participants are not disputed. Consequently, there is growing appreciation of the usefulness of IFRS by countries in different regions of the world irrespective of the size of their economies or financial reporting traditions. It is not possible, however, to draw indisputable conclusions on the overall effects of mandatory IFRS adoption based on the available research (ICAEW, 2015). This is because different researchers arrive at different conclusions and it is applicable only to some companies or some countries.

The impact, benefits and costs of the transition to IFRS vary from country to country depending on is starting point, characteristics and culture (Dunne et al., 2008). ICEAW (2015) on its summaries of 200 empirical research papers conducted on the effects of mandatory IFRS adoption conclude that “IFRS adoption benefits were unevenly distributed among different firms and different countries due to differences in institutions and incentives, there may have been either negligible benefits or even negative effects rather than benefits for particular firms or countries”. The comparability of financial reports depends on a consistent interpretation and application of IFRS across countries. Social, political, economic and cultural factors in countries influence accountants' professional judgments, and differences across countries may lead to an inconsistent interpretation and application of IFRS (Poudel et al., 2014). On their study of IFRS adoption the case of Nepal found that the adoption of IFRS is likely to be problematic due to the country's contextual environment.

On the same way, Hail et al (2009) studies conclude that, firms’ reporting incentives are shaped by many factors, including a country’s legal institutions (e.g., the rule of law), the strength of the enforcement regime (e.g., auditing), capital market forces (e.g., the need to raise outside capital), product market competition, a firm’s compensation, ownership and governance structure and its operating characteristics.

Overall, researchers argued that IFRS improves transparency, comparability, credibility, and positive capital market effects, reduces cost of capital, corporate investment efficiencies and international capital flows (Dunne et al., 2008, Mira etal, 2006, Epstein & Jermakowicz, 2010, Zeghal &Mhedhbi ,2006, Daske and Gebhardt,2006, Dodiya,2013, Harton Etal,2010, Lourenço & Branco, 2015).

The IFRS adoption benefits notwithstanding, there are however, a number of challenges to be faced in the process of adoption of the new standard (Iyoha and Owolabi, 2012). Some of the challenges includes lack of knowledge and expertise in IFRS, Quality of education and training, High cost of implementation, resistant to change, poor incentives of managers and auditors, complexities of standards, the absence of general guidelines, inconsistency of laws and regulations, weak statutory enforcement, lack of technical Expertise, High cost of implementation, Poor preparedness (Ball, 2003, Dwommor, 2017, Abedana & John Gayomey, 2006, Weaver and woods, 2015, Madawaki, 2012). Obazee, (2007) stated that the principal factors affecting the implementation of IFRS in Europe, America and the rest of the world are cultural issues, mental models, legal impediments, educational needs and political influences in those countries rather than the most widely perceived technical issues (as cited in Amanamah,2017).

The study entitled "the Challenges Faced by Reporting Entities on Their Transition to International Financial Reporting Standards in Europe" revealed that lack of adequate education, training, Knowledge of IFRS and securing executive level support and resources are the major challenges faced by reporting entities on their transition to IFRS (Weaver and Woods ,2015). Weak regulatory frame work and enforcement mechanisms are challenges of IFRS adoption in GCC countries which affected the quality of their financial reports (Aljifri, 2013).

Dwommor (2017) indicated that a better understanding of the challenges of adoption may help countries to prepare and take precautionary measures before adopting IFRS. The findings on the challenges of IFRS adoption, however, are heterogeneous and inconclusive. The challenges of IFRS adoption vary with respect to the context of the study.

Siaga (2012) categorized challenges of IFRS adoption that were experienced by different African Countries under five specific categories namely financial, Educational, technical, institutional and enforcement challenges. He mentioned that there are financial constraints to adopt IFRS which seems also play a negative role in education and technical capacity. Lack of coherence between the educational and professional programs are the source for skill shortage in the accounting professional in Africa. This problem also results the shortage of technical knowledge to implement the standard. The coherence between Accounting authorities and government/regulatory bodies appears to be challenge in Africa.

Besides, Iyoha and Owolabi (2012) found that ethical environment and the ability to protect qualified and competent employees are the most important challenges in Africa .They stressed that corporate transparency is a particularly important component of good governance as it ensures the protection of parties (both individual and institutional) who have operational interest in financial reporting in terms of accurate and reliable information which are needed in order to take well-considered economic decisions.

The study conducted on IFRS adoption in Nigeria shown that inadequate preparation time, lack of coherence of laws, shortage of technically accountants and auditors and lack of IFRS training materials were obstacles (Madawaki,2012) where as in Libya lack of technical skills and inadequate knowledge professional accountants, inconsistency of regulatory framework, inadequate education and training of accountants, weakness of professional accountancy body and lack of an independent oversight body were a challenges faced during IFRS adoption (Zakari,2014).

Dwommor (2017) conducted a study entitled “IFRS Adoption in Ghana: The Dimensions of Challenges Firms Encounter “ found that firms in Ghana did encounter some challenges such as IFRS Complexity, lack of Knowledge and Expertise, Regulation problems, System and Processes, and weak Institutional Support. In addition According to Amanamah (2017), though the cost of implementation was very high and accountants and business managers’ faced some challenges in the implementation of the standards due to its complexity in Gana. The case study of Kenya and south Africa shows that there had been facing a problem of conflicting of existing laws and IFRS requirements, the gap between accounting education and IFRS, in ability of accountants and professional bodies to apply IFRS ,Cost of implementing IFRS, complexity of standards were the major problems (UNACTED,2008).

Though a couple of studies have been carried out on the challenges of IFRS adoption in developing countries including Africa (Amanamah, 2017, Dwommor, 2017, Madawaki, 2012, Zeghal & Mhedhbi, 2006, Zakari, 2014,), there is a dearth of empirical study in the areas of IFRS adoption in Ethiopia. Only few researchers were conducted their study on the benefits, challenges and progress of IFRS adoption in Ethiopia (Mihiret, 2016, Kassa et al, 2015, Hailemichale, 2016, Simegn, 2015, and Deyuu and Pasricha, 2016, Bekelle, 2016). According to these studies implementation costs, complexity of standards, lack of IFRS implementation guidance, increased volatility of earnings, lack of technical skills and inadequate knowledge of professionals**,** Resistance to Change, Absence of Professional Institutions, high level training requirement, lack of proper instructions from regulatory bodies problem, and problem with IFRS use of fair value accounting were identified as the major challenges IFRS adoption in Ethiopia. However, all of these researchers were conducted their study based on the perceptions of the respondent’s and theoretical justification of IFRS adoption. As a result, they failed to communicate the practical challenges of IFRS as the implementation was commenced recently and still ongoing.

Therefore, the focus of this study is the practical challenges of IFRS implementation in Ethiopia particularly in Private Banks which are the first phase IFRS adopters per AABE requirement.

CHAPTER THREE

3. Research Methodology

This section of the research has explained the research Purpose, research design, Sources, Methods and Tools of Data Collection, Sampling Techniques and Sample Size, Methods of Data Analysis, and description of variables used in the research.

3.1. Research Purpose

The purpose of this study was to describe practical challenges of IFRS adoption by Ethiopia private Banks. It has described the status of IFRS implementation in and the practical challenges faced during the adoption through primary and secondary or documentary evidences.

The challenges that has been focused under this study are Corporate governance, Capacity and Strengths of regulatory body (AABE), Professional Accountancy bodies, Training and Education, adequacy of transition period, planning, Availability and transparency of market information, Cost of transition and management support. The challenge are identified by referring different sources such as existing studies published in well journals, ABBE strategic plan (2016 to 2020), Ethiopian Financial reporting Proclamation 847/2014,different national and sectoral laws of Ethiopia and considering the real problems observed on the ground. Besides, this challenges are the main challenge which affected IFRS implementation in many countries.

3.2. Research Design

Conducting an Empirical study on the adoption of IFRS which is new to Ethiopia in general and the banking industries in particular requires the researcher to discover various kinds of data to enable him to draw conclusions based on the findings. Therefore, to achieve this objective and to address the research questions the researcher used mixed method design that encompasses a combination of both qualitative and quantitative methods. The quantitative data were used to substantiate and support the qualitative data that were collected using different data collection methods and tools. Hence, employing the mix of qualitative and quantitative research methods enabled the researcher to consolidate, triangulate and cross-check the data collected, which in turn allowed formulating a holistic interpretive framework of the study. Bryman (2006) stated that mixed method provides a wealth of data and help the researcher to discover findings that they had not anticipated (as cited saunders et al, 2009).

3.3. Sources, Methods and Tools of Data Collection

To answer the research questions and come up with pertinent findings, both primary and secondary data had been used. The primary data were collected by questionnaire and interview of the banks IFRS project implementation team members. The researcher has interviewed IFRS implementation team leaders of the Banks under study to substantiate the data collected through questionnaire. Questionnaires were distributed to all 71 IFRS implementation team members OF 12 Banks and out of which 53 of the participants are completed the questionnaire and responded accordingly.

On the other hand, secondary data were collected by referring published and unpublished sources of data such as books, academic studies, Articles, journals, periodicals, magazines, newspapers, annual reports of the banks, Proclamation and directives issued by federal government, annual plans of the regulatory bodies and various websites etc. For instance, well known international journals were referred and used as a support of the result of this study. Moreover, Local studies conducted in the areas of IFRS were reviewed and compared against with this study. Similarly, proclamation and regulations which specify the financial reporting requirements of Ethiopia as well as well as measurements and recognitions of assets and liabilities were referred.

Using the above different types of procedures for collecting data and obtaining the information through different sources helped to boost the validity and reliability of the data and interpretation (Zohrabi, 2013). Since all different techniques and procedures have different effects, using different methods can cancel out the ‘method effect, that will lead to greater confidence being placed in the researcher’s conclusions (saunders et al, 2009).

3.4. Target Population, Sampling Techniques and Sample Size

The researcher has selected all 16 private commercial banks operating in Ethiopia as population of this study. This is due to all private commercial banks are facilitating the IFRS adoption process together through Ethiopian bankers association. This helps the researcher to access the required data easily in an organized manner. Purposive non-probability sampling was employed to select the participants of this study. The selection of the sampling method is based on the findings of Tongco (2007) revealed a purposive non-probability sampling technique is most effective when one needs to study a certain cultural domain with knowledgeable experts within. Cresswell and Plano (2011) added that purposive sampling techniques employed when identifying and selecting individuals or groups of individuals that are especially knowledgeable about or experienced with a phenomenon of interest (as cited Palinkas et al, 2015).

As IFRS is a new terminology to Ethiopia in general and private banks in particular, the participants of this study need to have specialized expertise and Knowledge in the areas of IFRS to enable the researcher to answer the research questions and to meet the research objectives. Zeghal & Mhedhbi (2006) argued that the adoption of IFRS is a very Strategic and critical decision; it requires a high level of education, competence, and expertise to be able to understand, interpret, and then make use of these standards.

Therefore, based on their role and close involvement in the process of IFRS adoption, the target populations of this study were IFRS project implementation team members of private banks. The researcher believed that those who have close involvement in the adoption has better knowledge than others. Consequently, the participant selected for these study were all IFRS project implementation team members of 16 private banks which are about 100 in number. Unfortunately, due to non-willingness of four banks (Buna international bank, Berhan bank, Awash and United Banks) to accept researches, the researcher forced to downsize the number of banks from 16 to 12 which directly affected the number of participants. Hence, the researcher has distributed questionnaires' to 71 IFRS project team members of 12 private banks.

3.5. Methods of Data Analysis and Interpretation

Following the completion of the data collection, the data were edited, structured, coded and entered in to SPSS version 20, for analysis and interpretation purposes. The data were analyzed using descriptive statistical methods. These includes Frequencies, percentages, means, Medians, Modes and standard deviations were used to summarize and give condensed picture of the collected data.

The parameters employed to describe the variables being studied were measured by five point likert scale. The scale consists of the level of the agreements or disagreements of the respondents ranging from strongly disagree to strongly agree. The levels are comprising ordinal values as follows: 1=Strongly Disagree on the statement (SD), 2=Disagree on the statement (D) , 3=Neutral on the statement (N), 4= agreed on the statement (A), 5=Strongly Agreed on the statement (SA).. In addition, there are two variables (Cost of Adoption and Management support) measured by using Likert type scale such as extremely low, low, neutral, high and very high. The answer/ratings of the respondents were summed to drive an overall score for the factors being analyzed.

In fact there is a controversy on the type of statically analysis (parametric or non-parametric) used to analyze the results of the likert scale data. Some scholars argued that Statistics, such as means and standard deviations, have unclear meanings when applied to Likert scale responses because of these observations, experts over the years have argued that the median should be used as the measure of central tendency for Likert scale data, Similarly, other experts have contended that frequencies (percentages of responses in each category) (Gail M. and Anthony R.). Gardner and Martin (2007) and Jamieson (2004) reveled that Likert data is of an ordinal or rank order nature and hence only non-parametric tests will yield valid results (as cited Murray.J, 2013**).**

On the other hand, Norman (2010) using real scale data found that parametric tests such as Pearson correlation and regression analysis can be used with Likert data without fear of "coming to the wrong conclusion" (as cited Murray.J, 2013**).**Pell (2005) agreed that parametric tests can be conducted on the summed scores of Likert scale data provided that the assumptions are clearly stated and the data is of the appropriate size and shape. A research conducted by Murray (2013), entitled "Likert Data: What to Use, Parametric or Non-Parametric?" concluded that parametric and non- parametric tests conducted on Likert scale data do not affect the conclusions drawn from the results (Murray, 2013).In the same vein, Norman (2013) explained that parametric tests are sufficiently robust to yield largely unbiased answers that are acceptably close to ''the truth'' when analyzing Likert scale responses ((as cited Murray.J, 2013**)**.

Therefore, the data analysis of this research has been conducted by using Frequencies, percentages, means, Medians, modes and standard deviation as deemed necessary. The result of the analysis are interpreted by taking the mean value of the response of the respondents.

3.6. Reliability Test

A reliability analysis was carried out on the perceived task values scale comprising 59 items to assess the internal consistency of the questionnaire used in this study. Consequently, Cronbach's alpha showed the questionnaire to reach acceptable reliability α=.90.

Reliability Statistics result	
Cronbach's Alpha=.90	*N of Items =59*

Source: Questionnaire survey, 2018.

CHAPTER FOUR

4. Results and Discussion

4.1. Measuring IFRS implementation process and status of private banks

In this section of the study the researcher provides an overview of the process and status of private banks IFRS implementation project. As part of their implementation process all private banks together had been recruited a well-known international Audit firm, Price Water House Coopers (PWC) as their consulting partner of the adoption. Banks have cascaded the national IFRS implementation road map set by AABE for first time adopters with four stages. These are:

- Completion of opening statement of financial position preparation up to *January 31, 2018*
- Completion of Comparative financial statement preparation as of comparative date up to *February 28, 2018*
- Completion of preparation of the first quarter interim IFRS based financial reports up to *March 15, 2018*
- Closing of 2017 /2018 book of accounts based on IFRS requirement up to June 30, 2018

Therefore, the researcher used the cut of dates as a reference to measure the status of IFRS implementation of banks.

IFRS Adoption/implementation: is the process of converting the banks existing reporting system based on IFRS requirements as adopted by International Accounting Standard Board (IASB). The conversion is realized when the first annual financial statements is produced by an explicit and unreserved statement of compliance with IFRSs. This involves three major activities such as preparation of opening statement of financial position (July 01, 2016), Comparative financial statement at comparative date (June 30,2017) and interim IFRS based financial reports for the four quarters of 2017/2018 then later production of the first set of IFRS based financial statement.

Preparation of opening financial statements: -it is the reporting entities statement of financial position at the date of transition to IFRSs. Banks are required to prepare opening statement of Financial Position on the transition date (July, 2016). Prior to the preparation of opening statement of financial position banks were required to organize an IFRS project implementation team. Following the establishment of the team banks conducted GAP analysis between where it is in accordance with their existing reporting standard or framework and where it wants to be in accordance with IFRS. The conversion process requires a complete, retrospective restatement of assets, liabilities and equity in conformity with IFRSs. Therefore the following set of activities should have been conducted to produce the opening statement of financial position. These are Recognize all assets and liabilities required by IFRSs, Derecognize all assets and liabilities not permitted by IFRSs, Classify all assets, liabilities and components of equity in accordance with IFRSs, Measure all assets and liabilities in accordance with IFRSs, Any adjustments resulting from applying IFRSs instead of previous GAAP in the opening IFRS, Present a number of reconciliations between previous GAAP and IFRSs.

Until the final date of data collection for this study April 10, 2018, the private banks opening statement of financial position were not produced while the dead line was over on January 31, 2018.

Comparative Financial statements: - Comparative financial reports are required for the year prior to the reporting period. Therefore, Private Banks are required to prepare at least four types of financial statements as of June 30, 2017 and had been expected to deliver by February 15, 2018 as per the work schedule set by them and the consultant. The financial statements and related activities required to be delivered are statement of financial position, statement of profit or loss, statement of other comprehensive income, statement of cash flows, Statement of changes in equity, notes to the financial statements, Choice and amendment of accounting policy.

Similar with the opening statement of financial statements, private banks didn't deliver the statements and activities required at the comparative date as well.

Interim financial reports:- interim financial reports are a kind of financial reports which shows the position, performances, cash flows and earnings of an entity for a quarter. As per the work plan produced by private banks, Interim financial reports for the first quarter should have been prepared as March 15, 2018. The required financial statements and activities are the same with the one stated for comparative period.

In this case also, private banks are unable to deliver interim reports until April, 2018 which is the final period of this research data collection.

Therefore, considering the above facts the researcher could able to conclude that the IFRS implementation processes of private banks are lagged and not running in line with their schedules. Unless the banks take an immediate corrective action, the chance of meeting the deadline set by the regulatory body for the production of their first IFRS based financial statement is very low as the reporting date is approaching.

During the interview, IFRS implementation team leaders expressed that the possibility of meeting the deadline is unthinkable because the data required for the interim reports are not provided to the consultant yet. It will be made after the completion of opening and comparative financial reports. Interim reports are necessary for the preparation of the first IFRS base financial reports.

In the following section the researcher analyzes the practical challenges of IFRS implementation by private banks

4.2. Analysis of the results of the Survey Questionnaire

The results of the data collected from IFRS project implementation team of 12 banks through structured questionnaire are analyzed below.

4.2.1. IFRS project implementation team formation across Banks

All private banks have organized IFRS project implementation team to facilitate their accounting standard transition process. Some of the banks have independent IFRS project implementation team members which are solely responsible for the implementation process whereas some banks IFRS team members has facilitated the implementation in addition to their regular activities.

Table 4.1**: IFRS project implementation team formation across Banks**

Number	Name of Bank	No. of IFRS implementation project Team Members
1.	Abay Bank	10
2.	Abyssinia bank	7
3.	Addis International bank	4
4.	Cooperative Bank of Oromiya	5
5.	Dashen Bank	5
6.	Debub Global Bank	4
7.	Enat Bank	5
8.	Lion International Bank	6
9.	NIB International Bank	5
10.	Oromiya International Bank	7
11.	Wegagen Bank	6
12.	Zemen Bank	7
Total		**71**
13	Awash Bank	Excluded from the study
14	Buna International Bank	Excluded from the study
15	United Bank	Excluded from the study
16	Berhan International Bank	Excluded from the study

Source: Researcher's own Survey, 2018

As shown on the table above banks has organized IFRS implementation team consists of 4 to 10 members. Since all of private banks have conducted IFRS adoption through one international consultant (PWC) their adoption status is found at similar stage. Therefore, it is unable to study the impacts of the size of IFRS implementation team for the effectiveness of the implementation. *However, as per the interview with project team members, having large number of project team member is recommended than the small number. This is because, as the standards are many and complex, it would help the members to divide each other s and one can specialized on a specific standard. As per their recommendation for those banks that have independent IFRS team, four members may be enough whereas for those who didn't have separate IFRS implementation team up to 10 members are recommended.*

4.2.2. Respondents demographic data

The following section shows the demographic data of the IFRS project implementation team members

4.2.2.1. Education level of the respondents

Table 4.2. Education levels the respondents

Education levels the respondents			
N=53	**Education**	**Frequency**	**Percent**
	Diploma	1	1.9
	Degree	32	60.4
	Masters	20	37.7
	Total	53	100.0

Source: Researcher's own Survey, 2018

As depicted on the above table most of IFRS implementation team members of banks (60%) have possess their first degree, 38% have second degree and 2%% have diploma. Regardless of the relevance of the degree given by the universities towards IFRS implementation, IFRS implementation team members of banks have good academic backgrounds. Its relevance towards the IFRS implementation has been discussed in detail under Education and training variable section which is one of the nine variables considered under this study.

4.2.2.2. Professional membership/Certification

Table 4.3.Membership/Certification

Professional membership/Certification status of respondents			
N=53	**Certification**	**Frequency**	**Percent**
	ACCA	5	9.4
	DIPIFR	5	9.4
	None	43	81.1
	Total	53	100.0

Source: Researcher's own Survey, 2018

Regarding to professional certification only 9% are ACCA members and the other 9% have possess Diploma in IFRS (DIPIFR) whereas the rest 81% are not certified with professional accountancy qualification.

4.2.2.3. Experiences of IFRS Team Members

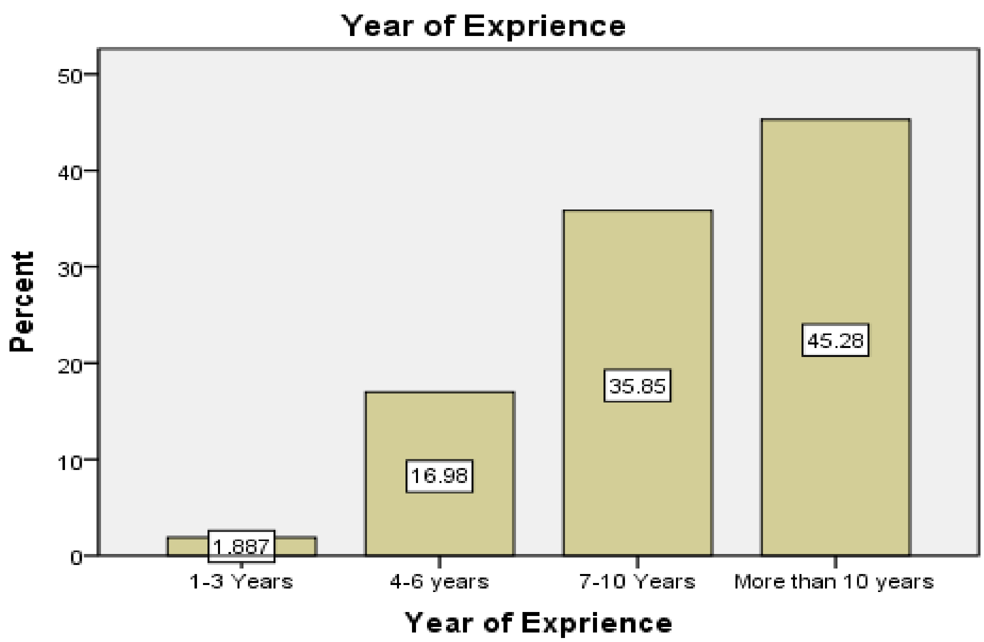


Fig.4.1 Respondents Year of Experience (*Source: Researcher's own Survey, 2018)*

As it is shown on the above figure, majority of IFRS implementation team members (45%) of banks have more than 10 years of experience, 36% have 7 to 10 years of experience, and 17% have 4 to 6 years of experience and 2% have 1 to three years of experience. Majority of the teams are experienced which would have positive contribution for the success of IFRS implementation process. IFRS requires data for a long period of time back from the implementation period, having those experienced team members enables to extract the required data well than those who have little experience.

4.2.3. Challenges of practical implementation of IFRS by private banks in Ethiopia

In this section practical challenges of IFRS adoption by private banks are discussed based on the responses of IFRS project implementation team.

4.2.3.1. Corporate governance

In this context corporate governance refers the role of the higher governing bodies (BOD) of banks. The researcher constructed three series of statements that assumed to describe and reliably measure the influence of corporate governance of the banks on its implementation of IFRS project. These are BOD follow up, Knowledge and cooperativeness. The statements consist of the scale expressing the level of agreements or disagreements of the respondents. The levels and their ordinal values are: 1=Strongly Disagree on the statement (SD) 2=Disagree on the statement (D) 3=Neutral on the statement (N), 4= agreed on the statement (A), 5=Strongly Agreed on the statement (SA). The determination of whether there is a strong corporate governance or not is decided by taking the average score (Mean) of the responses of respondents Corporate Governance. Therefore, the higher score implies the existence of weak corporate governance and being a potential challenge for the success of IFRS implementation by banks

Table 4.4. Corporate governance of Banks

	Label	N	SD Freqeuency	SD %	D Frequency	D %	N Frequency	N %	A Frequency	A %	SA Frequency	SA %	Total Frequency	Total %
1	The Bank Lacks strong BOD which undertakes regular follow up on the process of IFRS implementation	53	0	0	2	3.8	3	5.7	17	32.1	31	58.5	53	100
2	BOD knowledge about IFRS and its transitional process is poor	53	1	1.9	1	1.9	6	11.3	21	39.6	24	45.3	53	100
3	There is high resistance by different departments while asking cooperation	53	0	0	3	5.7	6	11.3	24	45.3	20	37.7	53	100
	Mean= 4.28													
	Median=4													
	Mode=5													
	Std. Deviation=0.62													

Source: Researcher's own Survey, 2018

The above table shows that out of the respondents of IFRS project implementation teams of 12 banks, 58% have strong agreed and 32 % agreed that banks lack strong BOD which regularly follows up the success of IFRS whereas the rest 4% and 6% have Disagreed and neutral respectively on this statement.

Secondly, the respondents have been asked to indicate their level of agreement or disagreement on the knowledge of BOD towards IFRS. Accordingly, 45% of the respondents are strongly agreed and 40 % agreed that that BOD knowledge about IFRS is poor while the rest 4 do not believe that BOD Knowledge is poor and 11% respond neutral.

With regard to resistance to change by different departments of banks which is expected to provide inputs to IFRS implementation project teams, 45% agreed and 38% strongly agreed that there is résistance to change by managements of different departments where as 6% disagreed and 11% give neutral response. Resistance to change is one of the symptoms of availability of weak corporate governance.

Finally, the researcher takes the average (Means) of respondents' response on the three statements so as to conclude the significance of this factor. The researcher purposely analyzed the mean, median and Modes to know whether the averaging method (methods used to measure the central tendency) has an impact on the conclusion of the findings or not. As a result, all the three methods show almost similar results.

Therefore, on average respondents strongly agreed (4.28) that there is weak corporate governance in private banks. As it can be seen from the response of the respondents, from the three important parameters designed to measure the corporate governance of banks, majority of the respondents are Agreed or strongly agreed that the BOD are weak in terms of follow up of the implementation process, knowledge of IFRS and cooperativeness with the project team to reduce resistance faced by some departments. For instance, if the implementation process of IFRS doesn't regularly follow up by the higher governing body of the banks (BOD), the implementation leads to be delayed. Because, IFRS requires timely adjustment of inconsistent internal policies and procedures (mainly the change of the accounting and HR manuals), and strengthening internal control which the responsibility mainly lies on the BOD.

Similarly, if the knowledge of BOD about IFRS is low, they wouldn't understand what kind and how much support is required to implement IFRS. The support may be in terms of allocating adequate fund, insisting to deploy enough man power etc. The impact of the last but not the least parameter on the success of the implementation, as IFRS is a complete change of the accounting process of the entities, in this case banks, it requires to reinstate the book of accounts retrospectively at least two years back to prepare the opening and comparative financial reports. In addition to this, more years of data may be required to determine for instance post-employment benefits of the employees, loan provisions, acquired date of fixed assets etc. The owner and custodians of this data are different departments such as HR, Credit, procurement and logistics etc.

Unless the board insists the departments to provide timely and reliable data upon requested by the project team, the delay of the implementation process is an inevitable.

In line with this finding, the assessment made by UK National Audit Office (2008) on readiness of IFRS adoption by UK firms shown that Board and Audit Committee engagement is crucial to ensure that they are involved in the project and aware of the areas of impact and the potential risks involved in the transition.

Weaver & Margaret (2015) in their qualitative study conducted in the case of Europe found that there is big resistance to change and the question that is asked first is 'do we have to do this'. Therefore, they recommend that, to get round this problem there should be a strong board member and board level sponsorship, otherwise it just becomes 'an accounting problem' and is hard to get people to take it seriously, devote resources etc. They also conclude that, reporting entities which involved in IFRS transition require strong corporate governance in shaping the efficiency and perceived success of their transition which is in conformity with the findings of this study. Ramanna and Sletten (2009) on their study conducted in a sample of 102 non-European Union countries found that the success of IFRS adoption is less likely among countries with poor governance institutions than those with good governance institutions where IFRS adoption may be associated with high opportunity (as cited Stain bank ,2014) which highly supported the result of this study.

4.2.3.2. Enforcement of Financial reporting regulatory Body

This refers the existence of a body which rigorously enforced; specify the financial reporting standards, minimum requirements for recognition, measurement and disclosure of financial statements which reporting entities shall comply to be IFRS adoption success full. The researcher constructed seven parameters that assumed to describe and reliably measure the enforcement level of financial reporting regulatory body (AABE) towards effectively regulating and monitoring of the proper implementations of the newly adopted reporting standard called IFRS

The parameters are emphasized on the AABE's support and review mechanisms, adequacy of works shops and seminars organized, the rationalization of the IFRS implementation road map, Level of collaboration with different governments sectors to amend contradicted laws and regulations with IFRS, provision of technical guidelines and interpretations, effectiveness of monitoring and review process, Coherences of instructions and orders given by different stake holders.

Similar with the above variable, the parameters used to describe this variable also measured by five point Likert scale comprising the level of agreements or disagreements of the respondents. The levels and their ordinal values are: 1=Strongly Disagree on the statement (SD) 2=Disagree on the statement (D) 3=Neutral on the statement (N), 4= agreed on the statement (A), 5=Strongly Agreed on the statement (SA). Each statement has been analyzed by taking the percentages of respondents choosing each response options; and the Mean of the summed score of an individual's response to all items comprising in this variable has been taken to Evaluate and conclude the influence of the AABE toward the success of IFRS implementation by private banks.

The statements are wording with unfavorable to the capacity and strengths of AABE. Therefore, the higher score implies that the inefficiency of the regulatory body (AABE) to regulate and monitor the success of IFRS implementation.

Table 4.5: Effectiveness of review mechanisms and support

There is no effective practice review mechanisms and support that ensure proper and effective implementation of the IFRS implementation roadmap			
N=53	Label	Frequency	Percent
	SD	0	0
	D	5	9.4
	N	7	13.2
	A	20	37.7
	SA	21	39.6
	Total	53	100

Source: Researcher's own Survey, 2018

The SPSS result of the respondent response indicates that 40% of the respondents are Strongly agreed and 38 % agreed that there is no effective practice review mechanisms and support that ensure proper and effective implementation of the IFRS implementation roadmap where as 9% disagreed on this statement and 13% are neutral .

Table 4.6: Adequacy of workshops, seminars, forums

Lack of adequate workshops, seminars, forums etc. is challenges for smooth transition & successful implementation of IFRS			
N=53	Label	Frequency	Percent
	SD	1	1.9
	D	1	1.9
	N	4	7.5
	A	29	54.7
	SA	18	34
	Total	53	100

Source: Researcher's own Survey, 2018

With respective to the adequacy of workshops, seminaries and forums organized by AABE to enable the reporting entities trained on IFRS implementation related issues, 34% of the respondents strongly agreed and 55% of the respondents agreed there is lack of adequate workshops, seminars, forums etc. for smooth transition & successful implementation of IFRS where as 2% are strongly disagreed and 2% disagreed on this challenge and 8% responded neutral.

Table 4.7: Reality of IFRS transition road map developed by AABE

The IFRS transition road map developed by AABE is not realistic and not takes into account the capacity and readiness of the nation in general the entities in particular			
N=53	Label	Frequency	Percent
	SD	0	0
	D	3	5.7
	N	13	24.5
	A	21	39.6
	SA	16	30.2
	Total	53	100

Source: Researcher's own Survey, 2018

IFRS transition is a strategic transition which requires the readiness of the country in terms of trained man power, institutionalization of relevant bodies and capacities of reporting entities for implementing IFRS. Consequently, the researcher asked the respondents to share their level of agreements or disagreements on the road map developed by AABE and the countries readiness in general and the banks in particular. Therefore, Majority of the respondents agreed that the IFRS implementation road map is unrealistic and not take in to account of the nations as well as the banks readiness.

Table 4.8: Collaborate with relevant government Sectors

AABE lacks to collaborate with relevant government agencies such as NBE, MOFEC & ERCA to identify and ensure timely amendments of contradicted laws and regulations with IFRS			
N=53	Label	Frequency	Percent
	D	4	7.5
	N	8	15.1
	A	21	39.6
	SA	20	37.7
	Total	53	100

Source: Researcher's own Survey, 2018

The result of the above table shows that there is a problem of Collaboration and amendments of Contradicted laws. 38% of the respondents strongly agreed and 40% agreed that banks are affected by contradicted laws with IFRS where as 8% of the respondents' disagreed and 15 neutral.

As per the interview feedback got from Finance directors "there is contradiction between NBE and ERCA laws against with IFRS requirements. For instance NBE required banks to calculate the loan provision based Basel II where as IFRS required to use the Basel III system". *Besides, ERCA requires entities to use pooling depreciation method for fixed assets procured before IFRS implementation where as banks were choose to use straight line method of depreciation as they believed that this method reflects best the economic life and usage of their assets which the major the criteria recommended by IAS 16 while selecting depreciation methods.*

Table 4.9: Provision of technical guidelines, interpretations and tools

There is lack of technical guidelines, interpretations and tools and other supporting materials that takes into consideration national context and sartorial issues			
N=53	Label	Frequency	Percent
	D	1	1.9
	N	4	7.5
	A	28	52.8
	SA	20	37.7
	Total	53	100

Source: Researcher's own Survey, 2018

International financial reporting standards are highly complex standards which require technical guidelines, interpretations and tools. The implementations of the standards are difficult while contextualizing in to the national contexts and realities. Therefore, the researcher found this point very relevant and needs to be measured. The result shows about 91% of the respondents agreed that it's a challenge for the proper implementation of IFRS and 2% are disagreed and the rest one responded neutral.

Table 4.10: Effectiveness of monitoring and process review of IFRS implementation

There is no effective monitoring and process review of IFRS implementation process by AABE.			
	Label	Frequency	Percent
	SD	1	1.9
	D	3	5.7
N=53	N	11	20.8
	A	23	43.4
	SA	15	28.3
	Total	53	100

Source: Researcher's own Survey, 2018

SPSS result shows that 43% & 28 % of the respondents answered strongly agreed and agreed respectively whereas 2%, 6%, and 21% responded strongly disagree, disagree and neutral respectively.

Table 4.11. Coherence of the regulatory system and implementation of IFRS

Lack of coherence in the regulatory system becomes cause for serious misunderstandings and inefficiency in the implementation of IFRS			
N=53	Label	Frequency	Percent
	D	5	9.4
	N	5	9.4
	A	27	50.9
	SA	16	30.2
	Total	53	100

Source: Researcher's own Survey, 2018

IFRS is developed to the consistency the reports. Therefore, there should be clear instructions and coherence on regulatory systems at a national level. In the banking industry, there are different government stake holders such as NBE, ERCA and AABE which affects their reporting requirement. For instance, national bank's loan loss provision directive is not consistent with the one required by IFRS and there are many ERCA regulation which affected the implementation negatively. Hence, the researcher asked the IFRS implementation project team members to identify whether this problem affected their implementation or not. Accordingly, 81% of the respondents agreed that this factor is a challenge for the implementation process while 9% responded disagree and the rest neutral.

Table 4.12.Mean Median And Mode Capacity and Strengths of the Financial reporting regulatory Body (AABE)		
N	Valid	53.00
	Missing	-
Mean		4.06
Median		4.00
Mode		4.00

Source: SPSS output on participant's response

The mean result of this variable shows that, on average respondents are agreed (4.06) that lack of capacity and strengths of the regulatory body is a potential challenge for the success of IFRS implementation in the banking sector. Majority of the respondents do agreed that AABE didn't enforce and assist the banks to facilitate the implementation process as per the road map laid down. As a first time adopters, Banks required to have capacity building workshops, trainings on specific complex standards, sharing of others experience and feed backs on their status and implementation quality from AABE. In addition, AABE is required to enforce other government institutions such NBE and ERCA to amend their contradicted laws consistent with IFRS requirements so as the reporting entities can facilitate the transition process smoothly. Therefore, unless there is adequate enforcement and reporting incentive mechanism, banks may fail to meet the dead line as well as the report produced may lack the required quality and become irrelevant for decision makers.

In line with this finding, Kassa etal (2015), Simegn (2015), Deyuu and Pasricha (2016) shown that lack of proper instruction and guidance from the regulatory body, and inadequate laws and poor enforcement mechanisms was a challenge for IFRS adoption. This also found consistent with (Aljifri, 2013) revealed that Weak regulatory frame work and enforcement mechanisms are challenges of IFRS adoption in GCC countries which affected the quality of their financial reports. In the same vein, the result of an assessment made in the case Kenya and south Africa shown that Rigorous enforcement of IFRS at the national level poses practical challenges due to absence of adequately resourced enforcement institutions and lack of adequate coordination mechanisms among relevant institutions (UNACTED, 2008). This assessment also added that lack of coherence in the regulatory system becomes cause for serious misunderstandings and inefficiency in the implementation of IFRS. This result is also supported by findings of many researchers which documented that the existence of strong and power full regulatory body leads companies to comply IFRS requirements while weakly monitored or subjected to little enforcement leads non-compliance of IFRS requirements. (Daske et al., 2008, Nobes, 2013, Masoud, 2014, Nobes, 2013)

As per the interview with private banks IFRS project implementation team leaders, supervisors from AABE have been visited them and interviewing about the challenges and the process. However, the supervisory team didn't provide any support or directions on the issues raised by banks .As per the information got from one respondent, the supervisors of AABE has been visited their bank three times in the year 2017/2018.This implies that there exists monitoring mechanisms *though the purpose of conducting the monitoring is not clear as their banks didn't get back outputs after monitoring.*

4.2.3.3. Professional Accountancy (Associations) Bodies

This constraint is concerned the availability of strong accountancy professional bodies and association. In Ethiopia there are two professional accountancy associations and one auditing association namely Ethiopian Professional Association of Accountants and Auditors (EPAAA) and Accounting Society of Ethiopia (ASE), and Internal Auditors (IIA). Accountancy professional associations play a key for the successful Convergence and integration of IFRS all over the world. The concept of IFRS was initially developed by those professional associations organized in different countries. Therefore, this variable is measured by the seven Parameters constructed in detail in a way to describe and evaluate the roles of professional bodies on the smooth transition and successful implementation of IFRS in Ethiopia.

The parameters comprise the scale expressing the level of agreements or disagreements of the respondents as the researcher do for the above variables. The levels and their ordinal values are: 1=Strongly Disagree on the statement (SD) 2=Disagree on the statement (D) 3=Neutral on the statement (N), 4= Agreed on the statement (A), 5=Strongly Agreed on the statement (SA). Each statement has been analyzed by taking the percentages of respondents choosing each response options; and Mean of the summing score of an individual's response to all items comprised in this variable has been taken to Evaluate and conclude the role of the accountancy bodies for the successful implementation of IFRS generally in Ethiopia and particularly by private banks.

The statements are wording with unfavorable to the contribution and roles of professional accountancy bodies. Therefore, the higher score implies that the existence of lack of strong professional accountancy body.

Table 4.13: Extent of the support of professional accountancy associations

Lack of an extensive and ongoing support from professional accountancy associations are a challenge for successful implementation of IFRS			
		Frequency	Percent
	D	1	1.9
	N	4	7.5
	A	18	34
	SA	30	56.6
N=53	Total	53	100

Source: Researcher's own Survey, 2018

Majority of the respondents of IFRS implementation project teams (91%) agreed or strongly agreed that there is lack of an extensive and ongoing support from professional accountancy associations and only 2 % are disagree and the rest 7% answered neutral.

Table 4.14: Ability of giving clarification

Lack of strong Professional accountancy bodies limits the chance of bringing the challenges of the implementation to the attention of the regulators for clarification			
		Frequency	Percent
	D	4	7.5
	N	2	3.8
	A	23	43.4
	SA	24	45.3
N=53	Total	53	100

Source: Researcher's own Survey, 2018

Professionals associations with memberships of IFAC are playing a role of intermediary by raising any challenges faced during implementation to the higher regulatory body of the country as well as to IASB for further clarity. However, there is no professional association with member of IFAC in Ethiopia which can take this role.

As it can be seen from the above table, majority of the respondents (89%) agreed or strongly agreed that lack of strong Professional accountancy bodies limit the chance of bringing their challenges faced during implementation to the attention of the regulators for clarification and 7% responded disagree and 4 % neutral

Table 4.15: Enhancing capacity building

Lack of strong accountancy body limits the banks option of getting technical capacity building trainings regarding IFRS Implementation			
N=53		Frequency	Percent
	D	1	1.9
	N	3	5.7
	A	26	49.1
	SA	23	43.4
	Total	53	100

Source: Researcher's own Survey, 2018

Frequent training is required on the areas of more complex IFRS standards through professional accountancy bodies. Of the respondents about 92% believed that Lack of strong accountancy body limits the banks option of getting technical capacity building trainings regarding IFRS Implementation while the 2 % of the respondent don't agreed on this statement and the rest 6 % responded neutral.

Table 4.16: The support of Professional Association and Banks IFRS implementation

Ethiopian private banks didn't get professional supports from The Ethiopian Professional Association of Accountants and Auditors (EPAAA) & IIA			
		Frequency	Percent
	D	5	9.4
	N	10	18.9
	A	18	34
	SA	20	37.7
N=53	Total	53	100

Source: Researcher's own Survey, 2018

The purpose of this statement is to evaluate how these two key professional associations played a role of supporting this big national transition activity. Accordingly72% of the respondents responded that EPAAA& IIA didn't provide professional supports to banks whereas 9% of the respondents disagreed and 19% choose neutral.

Table 4.17: Success of IFRS implementation

The accountancy professional bodies fail to contribute for the successful implementation of IFRS in Ethiopia			
		Frequency	Percent
	D	3	5.7
	N	15	28.3
	A	23	43.4
	SA	12	22.6
N=53	Total	53	100

Source: Researcher's own Survey, 2018

Majority of the respondents (66%) agreed or strongly agreed that the associations of accountancy profession failed to contribute for the successful implementation of IFRS in Ethiopia whereas 6% are disagreed with this statement and 28% answered neutral.

Table 4.18: Interaction of practitioners and academicians

lack of an authoritative professional association also limits the possibility of interactions between practitioners and academics			
		Frequency	Percent
	D	4	7.5
	N	4	7.5
	A	30	56.6
	SA	15	28.3
N=53	Total	53	100

Source: Researcher's own Survey, 2018

If there is no interaction between practitioners and academicians, there will be a challenge for succeeding in this kind of new and nationwide project. Of the respondents 85% agreed or strongly agreed that they didn't get a chance of interactions with academicians due to lack of a body which facilities this initiative where as 7.5% of the respondents are disagreed and 7.5% neutral.

Table 4.19: The role of professional association and Experience sharing programs

Banks don't have a chance of experience sharing with other adopters other than banking sectors due to lack of a body to organize experience sharing sessions			
		Frequency	Percent
	D	8	15.1
	N	7	13.2
	A	15	28.3
	SA	23	43.4
N=53	Total	53	100

Source: Researcher's own Survey, 2018

Accounting professional bodies plays the role of organizing in experience sharing programs among adopters. This may help the banks to take important lessons how IFRS implementation is going on other industries. From the respondents 68% responded that there is no chance of experience sharing IFRS adopters other than the banking industries and 15% believed that there is a chance of experience sharing and 13 % didn't know.

Table 20 : Mean, Median, Mode and SD of Professional Accountancy (Associations) Bodies		
N	Valid	53
	Missing	0
Mean		4.13
Median		4.00
Mode		4.00
Std. Deviation		0.56

Source: SPPS output on participants' response

As shown on the mean result of the above table, on average respondents agreed (4.13) that lack of Strong accountancy professional association poses a challenge for IFRS implementation by private banks. Transitioning from national financial reporting standards to IFRS has the potential to create a need for clarification or interpretation of the provisions of certain IFRS in relation to certain

country-specific circumstances. The case study of South Africa provides a good example of how the South African Accounting Practices Committee promotes participation of the stakeholders in the country in providing input into the IASB standard-setting process (UNACTED, 2008).
Professional Accountancy bodies available in Ethiopia such as institute of Internal Auditors (IIA), Ethiopian Professional Association of Accountants and Auditors (EPAAA) and Accounting Society of Ethiopia (ASE) are existed weak and didn't provide significant contributions for the success of IFRS implementation. None of these organizations have member ship status of International federation of Accountants which is a global association of accountancy professional bodies and Authorized to accredit the members to provide certification for accounting professionals. IFAC has the power to influence IASB during standard settings and interpretations of complex standards.

A Strong Professional accountancy body contributes to the development of accounting profession starting from giving theoretical knowledge to implementing it to the ground. Their contribution is especially highly significant at the time of implementation international accounting standard like IFRS, they provide capacity building trainings, conduct gap assessments showing red flag when reporting identities are practiced the standards and they even certified accountants with relevant accounting profession etc. In addition, they contribute in promoting regulatory coherence on IFRS implementation by working closely with various national regulators and resolving practical implementation issues that arise during IFRS implementation. However, due to lack of strong accountancy body the reporting entities in Ethiopia in general and banking industries in particular are losing the contributions of these associations which directly affected the banks IFRS implementation process. Besides, the banks are obliged to send IFRS implementation team members abroad for trainings with incurring high cost, most of IFRS team members are losing the chance of getting capacity building trainings. The data collected on this study shows that only 20% of IFRS implementation project team members have got adequate training while the rest didn't get.
Therefore, Lack of strong and independent professional accountancy body is a problem for the success of IFRS implementation by private banks. This result is in conformity with (Mihiret, 2016). It was also identified by the study conducted by World Bank and IMF initiative (ROSC,

2007) that lack of a strong professional body leaves no domestic mechanisms for monitoring and enforcing continuous professional development in Ethiopia which is consistent with this study. This shows that there is no any improvement in this regard even after ten years of physical period.

4.2.3.4. Education and Training

This refers to the accountancy education and training available in the country and its relevance for IFRS implementation. In addition to this, this variable emphasized that the education level and training taken by the respondents. Eight important parameters were employed to measure this constraint. Education and Training variable is measured using eight important parameters. Capacity building schemes, level of Education and competency, Number of qualified professional, relevance of educations thought at Ethiopians higher institutions for IFRS implementation, practical experience of Professionals, training institutions and facilities, pre-implementation trainings, availability of training materials.

The parameters comprise the scale expressing the level of agreements or disagreements of the respondents. The levels and their ordinal values are: 1=Strongly Disagree on the statement (SD) 2=Disagree on the statement (D) 3=Neutral on the statement (N), 4= agreed on the statement (A), 5=Strongly Agreed on the statement (SA).

Each statement has been analyzed by taking the percentages of respondents choosing each response options and the Mean of the summing score of an individual's response to all items comprising in this variable has been taken to Evaluate and conclude the influence of the Education and Training towards the success of IFRS implementation by private banks.

The statements are wording with unfavorable to training and Education variable. Therefore, the higher score implies that lack of adequate training and education is a challenge for the success of IFRS implementation.

Table 4.21: Education and Training

	Label	N	SD Frequency	SD %	D Frequency	D %	N Frequency	N %	A Frequency	A %	SA Frequency	SA %	Total Frequency	Total %
1	Lack of adequate technical capacity building schemes is a challenge for IFRS implementation	53	2	3.8			2	3.8	13	24.5	36	67.9	53	100
2	IFRS Implementation requires a high level of education & highly skilled and competent accounting professionals.	53			1	1,9	5	9.4	17	32.1	30	56.6	53	100
3	The numbers of qualified professional accounts are inadequate to meet the needs of private banks	53	1	1.9	1	1.9	11	20.8	17	32.1	23	43.4	53	100
4	Gap between the accounting education thought in Ethiopian Higher education and IFRS requirement is a challenge to get competent accountants	53	1	1.9	1	1.9	3	3.5	24	45.3	24	45.3	53	100
5	In adequacy OF training institutions and facilities with an affordable cost is a challenge to fill skill gaps of IFRS implementing teams	53	1	1.9		4	7.5		22	41.5	26	49.1	53	100
6	There was limited training on IFRS prior to its implementation	53					3	5.7	17	32.1	33	62.3	53	100
7	Limited availability of training materials at an affordable cost is a challenge for the transition process	53	1	1.9	3	5.7	10	18.9	26	49.1	13	24.5	53	100
8		53											53	100
9		53											53	100
10	MEAN=4.34													
11	MEADIAN=5													
12	MODE=5													
13	S.D=0.49													

Source: Researcher's own Survey, 2018

IFRS is a complex standard which preparers of the financial reports require to possess ample technical skills. Therefore, 93% of the respondent agreed that Lack of adequate technical capacity building schemes is a challenge for IFRS implementation while only 3.8%% have expressed their disagreement and 3.8 % neutral.

Respondents have been asked to express their level of agreement or disagreement on the education and competency that IFRS implementation demanded. Hence, from the total respondents 89% agreed or strongly agreed that IFRS implementation requires a high level of education & highly skilled and competent accounting professionals. Only 2% are disagreed with this statement. The researcher supported the findings of this item with the IFRS implementation project teams' education level collected under demographic data section of the respondents.

As it can be seen from table 4.2 above, 60% of the respondents possessed their first degree and 38% masters and the rest 2% have diploma. In terms of their Educational level IFRS adoption project team members have good educational level however; the relevance of this degree towards the implementation of the IFRS is questionable; because, the curriculum of the education system failed to alien with IFRS.

From the respondent 75% believed that there is inadequacy of qualified accountants in the market and 21% the responds neutral and the rest 4% believed that there is adequate number of qualified professional accountants. The researcher again wanted to relate this statement with the respondent's demographic data question asked to state if they have professional accountancy certification such as ACCA, CIA, CPA, and IFRS etc.

As shown on Table 4.3 above., only 18% are certified and rest 82 % are not or in number out of 53 respondents of IFRS implementation team members only 10 members are certified the rest 43 are not certified.

As per the study conducted by the word bank and IMF experts (ROSC, 2007), there is a major gap between what is thought in the university and IFRS requirement. Therefore, the result of this study confirmed that 91% of the respondents supported a Gap between the accounting education thought in Ethiopian Higher education and IFRS requirement is a challenge to get competent accountants. Only 7% are disagreed and neutral responses.

There are no adequate local institutions which can provide trainings to fill the skill gaps of practitioners. Those available institutions lack practical experience in the areas of IFRS and trained only the theoretical aspects. Consequently, respondents were asked to provide their level of agreement or disagreement. Hence, 90% of the respondents are agreed or strongly agreed that there is no adequate institutions with affordable cost and 2% disagreed on this statement and 7% responded neutral.

Almost all of the respondents (94%) agreed that there was limitation of training prior to starting the implementations. Similarly, the researcher has collected a data of the respondent to evaluate the frequency and adequacy of the training they have got yet.

Frequency and Adequacy of Trainings

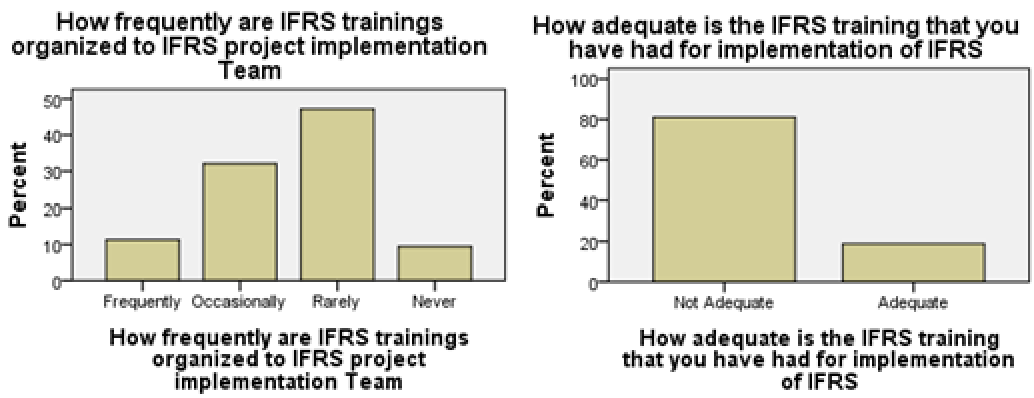


Fig.4.2.Frequency and Adequacy of Trainings

As it in shown on the above figure, 50% of the respondents got IFRS related trainings rarely,30% took the training occasionally,10% frequently and the rest ten never took IFRS related training. With regard to the adequacy of the trainings 80% of the respondents didn't get adequate training only 20% of the respondents got adequate training.

As IFRS is an international standard originally based in London, there is shortage of training materials in the country. Of the respondents 71% have a challenge of getting training materials with affordable cost and 7% have disagreed and 19% responded neutral.

The Mean of responses of respondents on education and training shows that, on Average respondents are strongly agreed (4.34) that inefficiency of the education and training system of the country is a potential challenge for IFRS implementation; Because, the educations and trainings available locally are not adequate enough to implement IFRS.

Even though the curriculum of accounting education in the universities framed based on IFRS, Universities are still providing based on the old curriculum which is dominated by US-Based (GAAP) books and references. Consequently, those who have possess accounting first and second degree lack knowledge of IFRS. As accounting standards and practices become more complex, the ability to apply and interpret those standards and practices will depend on the educational level of the population (Choi and Meek, 2008) (cited in Shima and Yang, 2012).There is no local recognized professional accountancy qualification as well as training. However, in recent times some local consultancy firms and Addis Ababa university have provided IFRS trainings .In addition to the trainings Addis Ababa University have included IFRS in its accounting education curriculum. However, it is not approved by ministries of Education till now. It is a good lesson and should be expanded to all universities operated in Ethiopia. ACCA Ethiopia is the only institution which awarded professional accountancy qualification in our country.

As per the information got from ACCA Ethiopia delegate Yodit Kassa on November 29, 2017, there are only 250 ACCA members in Ethiopia while thousands of reporting entities are in need of professionals. As depicted above there are only 10 certified IFRS implementation project team members from the total of 53 respondents. The active students enrolling their studies in ACCA Ethiopia are 2000 whereas 8000 students are becoming inactive. The expensiveness of fees paid for ACCA may be a possible cause for the increment of the dropout rates.

Therefore, it is concluded that inefficiency of training and education is a challenge for the practical implementations of IFRS in private banks of Ethiopia. In line with this finding, important papers shown that lack of adequate education, knowledge, training and skills giving rise to improper application of the IFRS standards and are significant challenges for effectiveness of IFRS implementation (Jermakowicz and samaha, 2006, Stapleton, 2008 and Tesfu, 2012, kassa, 2015). Similarly, Al-Akra *et al*. (2009) contend that the accounting and auditing education in Jordan acts as a deterrent to the successful implementation of IFRSs, Zeghal and Mhedhbi (2006) conclude that he need to create an active education system is one of the significant factors that affect the accounting standards. This study is also in conformity with the findings of Madawaki, (2012) reveled that one of the principal challenges Nigeria may encounter in the practical implementation process, shall be the shortage of accountants and auditors who are technically competent in implementing IFRS / IAS.

4.2.3.5. Transition Period

This stands for the length of preparation and transition schedule set by the regulatory body. This is measured by five series of parameters which the researcher believed that can describe the transition period impact on the implementation of IFRS. The parameters are the extent of the preparation time, the implementation road map and banks readiness, adequacy of the 22 month period given by AABE to first time adopters, a need of additional transition period, and the relationship between the length of the transition period and quality of financial reports. The parameters were measured by five point Likert scale expressing the level of agreements or disagreements of the respondents. The levels and their ordinal values are: 1=Strongly Disagree on the statement (SD) 2=Disagree on the statement (D) 3=Neutral on the statement (N), 4= agreed on the statement (A), 5=Strongly Agreed on the statement (SA). Each statement has analyzed by taking the percentages of respondents choosing each response options; and the Mean of the summing score of an individual's response to all items comprising in this variable has been taken to Evaluate and conclude the effect of adequacy of transition period towards IFRS implementation. The statements are wording with against to the adequacy of the transition period. Therefore, the higher score implies that the transition period given by AABE is not adequate and a factor for the inefficiency of the IFRS implementation.

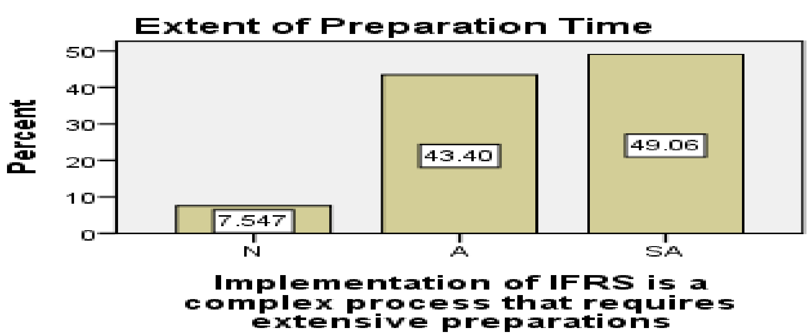


Fig. 4.3: Extent of preparation Time

As depicted from the above figure, 93% of the respondents agreed or strongly agreed that implementation of IFRS is a complex process that requires extensive preparations time whereas the rest 7% responded neutral and none of the respondent disagreed with this statement.

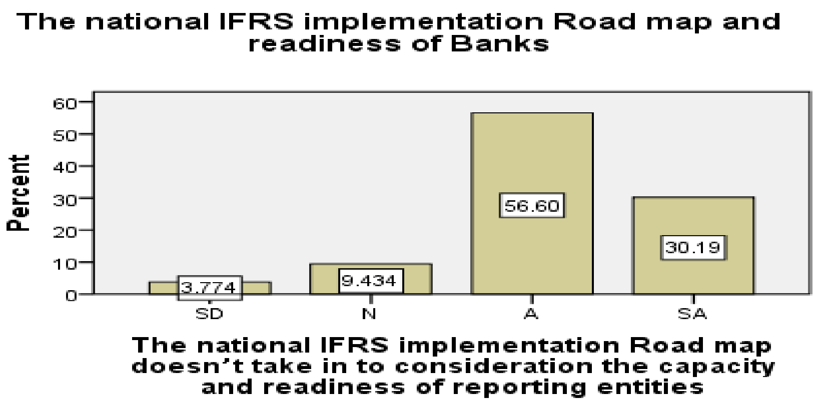


Fig.4.4. IFRS implementation road map

The respondents were asked to express their level of agreement or disagreement whether the nationally designed IFRS implementation road map taking in to account of the capacity of reporting entities in general and banks in particular. Accordingly, 87% of the respondents believed that the national IFRS implementation Road map doesn't take in to consideration the capacity and readiness of banks whereas 4% disagreed with this statement and the rest 9% responded neutral.

Fig.4.5: Adequacy of preparation period

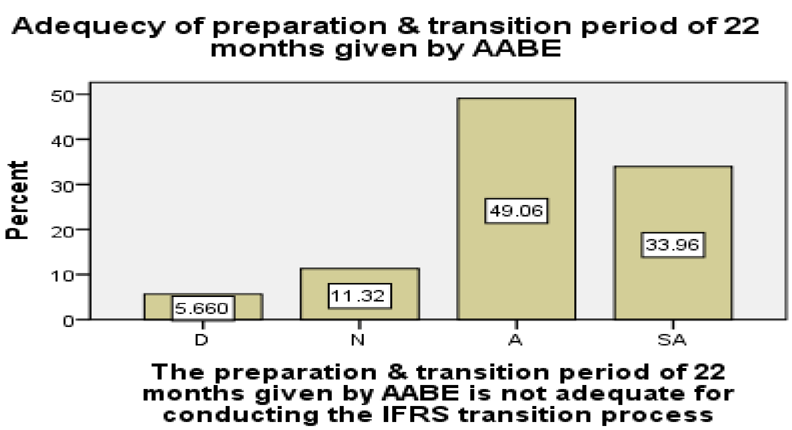


Fig.4.5: Adequacy of preparation period

The adequacy of transition periods given by AABE has been measured by the response of IFRS implementation project teams'. Consequently, 83% of the respondents claimed that the transition period is inadequate while 6% adequate and 11% responded neutral.

Fig.4.5: Needs of Additional Preparation time

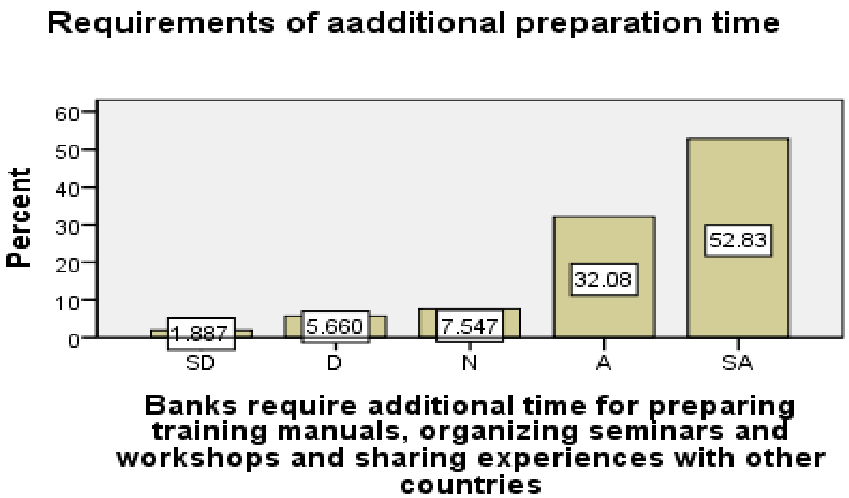


Fig.4.6: Requirements of Additional Preparation time

As per the response of the majority of the respondents banks are still in need of additional time for preparing trainings, organizing Seminars and workshops and getting experience sharing with other countries which already adopted IFRS.

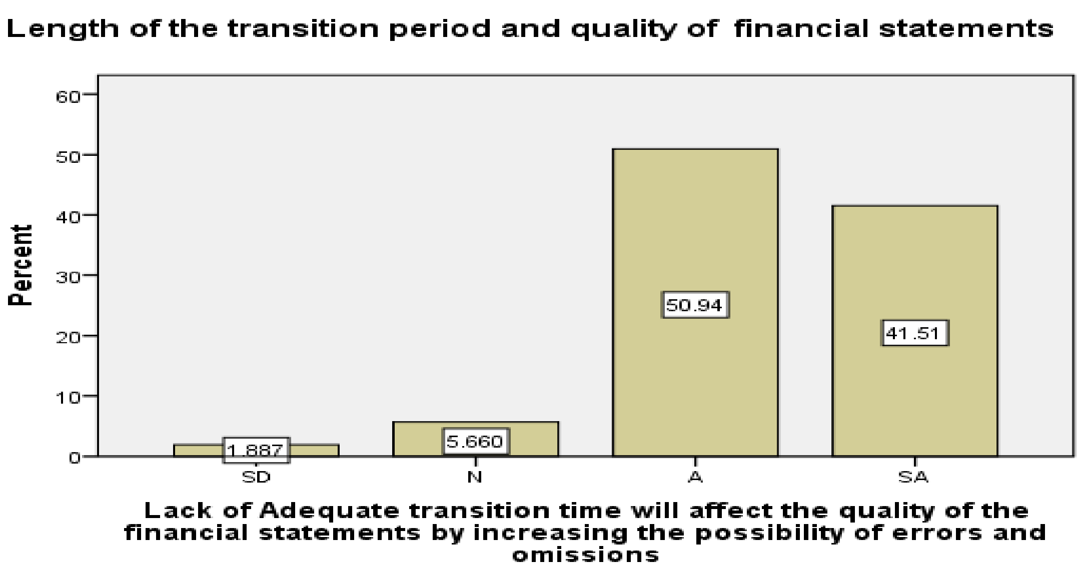


Fig 4.7: Length of Transition period and Quality

The researcher measured the impacts of the inadequacy of the transition period on the quality of financial reports. The reporting entities may focus on the completion of the project rather than taking care of the quality of the report. Accordingly, 92% of the respondents strongly agreed or agreed that inadequacy of the transition period will affect the quality of financial reports while only 2% didn't agree and 6% responded neutral.

Finally the researcher calculated the mean to conclude the agreement or disagreement level of respondents based their average response.

Table 22: Mean, Median and Mod and SD of variable of Transition period

N	Valid	53.00
	Missing	-
Mean		4.19
Median		4.00
Mode		4.00
Std. Deviation		0.55

Source: SPSS output on participants' response

On Average respondents agreed (4.19) that the IFRS transition period is inadequate. Conversion of the existing reporting system with the new method of reporting is a strategic decision which affects the overall accounting infrastructures of the organizations. Therefore, initially the organizations are required to establish IFRS implementation project teams, to conduct GAP assessments between the existing reporting standard and IFRS, changing accounting policies, Modifying their IT systems, training staffs, recruiting consultants and conducting recognition, de-recognition, measurement and classification of the assets and liabilities of an organization based on IFRS requirement are some of the tasks required to conduct by the adopters. Each of the activities are required significant period of time.

Especially in Ethiopia, there is limited availability of accounting infrastructures to switch from existing reporting system to a new one. There is no trained manpower in the market and experienced consultants are not available in the local market. In the case of Banks, they are obliged to recruit international consultants (PWC) to smoothen the transition process. These all processes are demanding a significant time and cause the delay of banks reporting deadline. As per the dead line set by AABE the first time adopters in general banks in particular required to produce the first

IFRS based financial reports by June 30, 2018. In line with this, banks were cascaded the road map and set deadlines for each of the deliveries in collaboration with their consultant. As per this schedule, preparation of opening statement should have been completed by Jan 31, 2018, completion preparation of comparative statement by February 15, 2018, and preparation if the first IFRS based interim statements by Mach 15, 2018. Until the final data collection of this project April, 2018 none of the activities has been delivered. This shows that banks may fail to meet the AABE's deadline as it nearly approaching.

To estimate the likelihoods of meeting the deadline the researcher asked the IFRS implementation project teams of the banks and summarized their response as follows

Table 4.23: Likelihood of banks meeting the first IFRS reporting dead line

How likely are the banks able to meet the dead lines set by AABE			
N=53	Label	Frequency	Percent
	Very Likely	4	7.5
	Somewhat Likely	38	71.7
	Not Likely	11	20.8
	Total	53	100.0

Source: Researcher's own Survey, 2018

According to the majorities' response the chance of banks meeting the regulator's dead line is somewhat likely. This shows that they are unsure on its delivery within the dead line.

The findings this study is in line with, Weaver & Woods, (2015) shown that insufficient time and resources to adequately plan for the transition was a challenge for IFRS transition in Europe. Similarly, Madawaki, (2012) argued that, the time lag between decision date and the actual implementation date is not sufficiently long to be ready for IFRS implementation in Nigeria. In addition, the case study of Malaysia revealed that significant length of time was required to issue the first IFRS reports due to complexity of the standards (Yaacob & Che-Ahmad, 2011) and in UK most organizations the impact assessment and understanding of the new standards took considerably longer than was expected (NAO,2008)

4.2.3.6. Proper Planning

This is the process of conducting the change management considerations before the implementations of the project. The researcher tried to measure this factor, how participatory was the policy of the adoption ,does the targets and deadlines of the adoption set after identifying the possible obstacles , does the resources of the country in general and reporting entity in particular enough to implement IFRS, did the preparers, users ,auditors and professional accountancy bodies participated in IFRS adoption planning process, does the implementation logistically framed work, did the implementation program taking in to account of the state of readiness of the country in general and reporting entities in particular. The results of the respondents' response are analyzed in the following section.

The parameters were measured by five point Likert scale expressing the level of agreements or disagreements of the respondents. The levels and their ordinal values are: 1=Strongly Disagree on the statement (SD) 2=Disagree on the statement (D) 3=Neutral on the statement (N), 4= agreed on the statement (A), 5=Strongly Agreed on the statement (SA).

Table 4.24: Proper Planning

	Label		SD		D		N		A		SA		Total	
		N	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
1	A policy decision of IFRS adoption has been made without building consensus among concerned stake holders	53	2	3.8	3	5.7	14	26.4	15	28.3	19	35.8	53	100
2	The targets and deadlines of IFRS implementation has been made before identify the obstacles	53	1	1.9	1	1.9	10	18.9	26	49.1	15	28.3	53	100
3	Decisions of IFRS implementation disregards identifying the resources that we have on hand and what we need to implement the new standard	53	1	1.9	3	5.7	13	24.5	21	39.6	15	28.3	53	100
4	Preparers, users, regulators, professional accountancy bodies and educators need to be engaged in the planning of IFRS, as well as the implementation	53			1	1.9	8	15.1	24	45.3	20	37.7	53	100
5	A country's transition action plan to IFRS needs to have a logistical framework of targeted activities to be completed within a specified period of time	53	1	1.9			4	7.5	33	62.3	15	28.3	53	100
6	An IFRS implementation programme needs to adequately assess the state of readiness of relevant professional accountancy organizations	53					4	7.5	22	41.5	27	50.9	53	100
7	MEAN=4.08													
8	MEADIAN=4													
9	MODE=4													
10	S.D=0.58													

Source: Researcher's own Survey, 2018

More than half percent (64%) of the respondents agreed or strongly agreed that the decision of IFRS implementation has been made without building consensus among stake holders. On the other hand 9% of the respondents disagreed or strongly disagreed that on this statement while the rest 26% are neutral.

Out of the respondents 75% argued that the targets and reporting deadlines has been made before identifying the obstacles of realizing IFRS on the ground and only 4% are expressed their disagreements and rest 19% provided neutral response.

The decision of IFRS adoption requires adequate human, material and financial resources. With regard to this IFRS implementation project teams have been asked to forward their level of agreement or disagreement based on the facts available on the ground. As a result 68% strongly agreed or agreed that the reporting entities (banks) forced to implement before having the required resources where as 8% expressed their disagreement and 24% responded neutral.

Majority of the respondents (83%) claimed that the national planning process of IFRS adoption failed to participate the preparers, users, auditors and relevant professional bodies and 2% the respondents' are disagreed.

In terms of logistics of IFRS adoption, 91% of the respondents argued that a countries IFRS transition plan should be logistically frame worked the tasks to be completed within a specified period of time.2% answered strongly disagreed and 7% choose neutral.

Considering the role of professional associations towards the adoption of IFRS adoption, the researcher asked the level of agreements of respondents on this issue. Therefore, all most all of the respondent (92%) strongly agreed or agreed that the implementation program should take in to account of the readiness of professional accountancy organizations to take over their role.

The mean of this variable shows that, on average most respondents agreed (4.08) that there was problem of proper planning in connection with IFRS implementation. This shows that the planning of the adoption has not been well discussed with stake holders, no effort has been made by AABE to improve the accounting infrastructure of the country before launching the mandatory adoption road map, the resources such as human, material and financial resources in the country as a whole as well as the levels of reporting entities were not match with IFRS needs. Therefore, the mandatory implementation has been launching without taking in to account the countries readiness in broad. The pre-requisites of the adoption like strengthening of professional associations, alignment of the accounting education given by higher education with IFRS based, organizing training institutions and professional qualifications, amendment of contradicted laws and awareness creation activities should have been made.

Due to this, most the first time adopters are struggling to smoothen the transition by them self. Though the scope of this study is limited in the banking industries, the researcher observed that most of government development organizations like Ethio-telecom, Ethiopian Electric power corporation and regional governments needed extra time to complete the implementation.In the meantime Commercial bank of Ethiopia, Ethiopian Airline and Berhan and selam printing enterprises are among the public enterprises which successfully integrated their reporting system with IFRS.

As mentioned above private banks are one of the major institutions negatively affected by poor planning of IFRS implementations.

The results of this study is consistent with Weaver & Woods (2015) shown that successful IFRS implementations are those that start early, are planned using project management techniques. In the same way, Madawaki (2012) documented that the transition plan to IFRS / IAS and its implications for preparers and users of financial statements, regulators, educators and all other stakeholders have to be effectively coordinated and communicated. He also argued that the adoption of IFRS / IAS requires substantial preparation both at the country and entity levels to ensure coherence and provide clarity on the authority that IFRS / IAS will have in relation to other existing national laws.

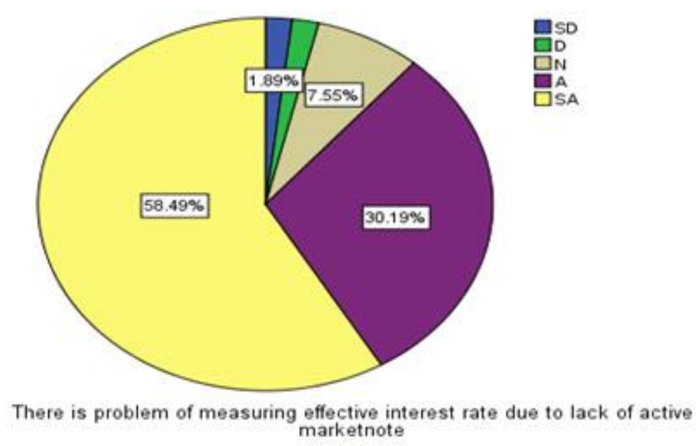
The researcher is unable to found previous studies which confirm this result due to those available doesn't include his variable their case study.

4.2.3.7. Availability and Transparency of Market Information

This variable concerned with the fairness and accessibility of the values of assets of an organization. IFRS requires having defined market rate and fair market value to measure (determine) the value of the assets and liabilities of an organization. Some IFRS standards (IAS 39 & IFRS 7) require reporting of the value of assets base on their fair market value. For instance, effective interest rate to measure the amortized cost rate, measurement of financial instruments and impairment testing requires the market value of the assets. Therefore, the researcher found this factor the most researchable and measures by using six parameters such as availability of the market, the impact of the market on reliability, relevance and objectivity of the accounting data, availability of property Valuers and Actuaries, existence of secondary stock market for financial instrument measurement.

The parameters were measured by five point Likert scale consisting of the level of agreements or disagreements of the respondents. The levels and their ordinal values are: 1=Strongly Disagree on the statement (SD) 2=Disagree on the statement (D) 3=Neutral on the statement (N), 4= agreed on the statement (A), 5=Strongly Agreed on the statement (SA). The results of the respondents' response are summarized as follows.

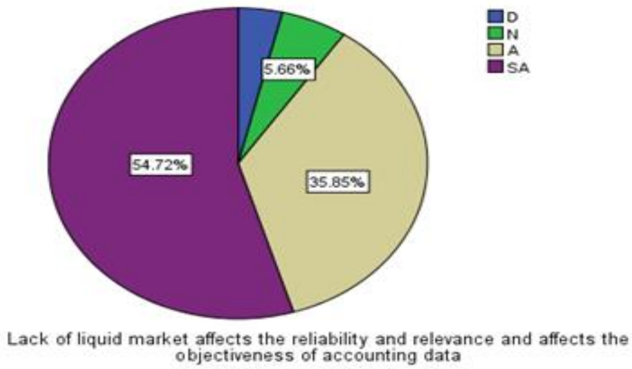
Fig 4.8: Measurement of effective Interest rate



Source: Researcher's own Survey, 2018

As indicated on the above figure, majority of the respondents (89%) agreed or strongly agreed that measuring effective interest rate of banks outstanding loans are very difficult due to all banks have their own interest rate and there is no market rate set for bank loans 4% of the respondents are disagreed and 7% neutral.

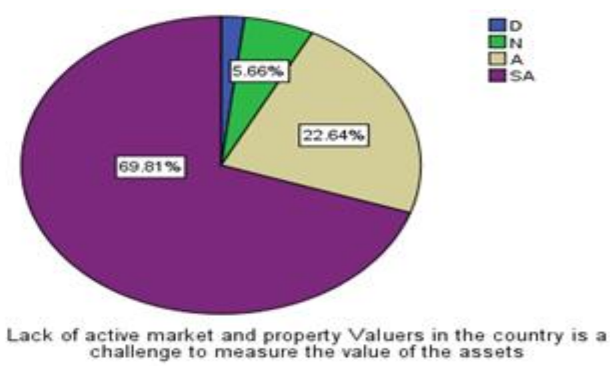
Fig 4.9: Reliability, relevance and objectivity of accounting data



Source: Researcher's own Survey, 2018

As IFRS is a principle based accounting standard, there is high involvement of personal judgments. It is an inevitable to judge the fair market value of the assets if there is no active market. Figure 4.9 showed that 91% of the respondent's expressed that lack of liquid market will affect the reliability and objectiveness of the data stated in the financial statements where as 6% neutral and 3% disagreed.

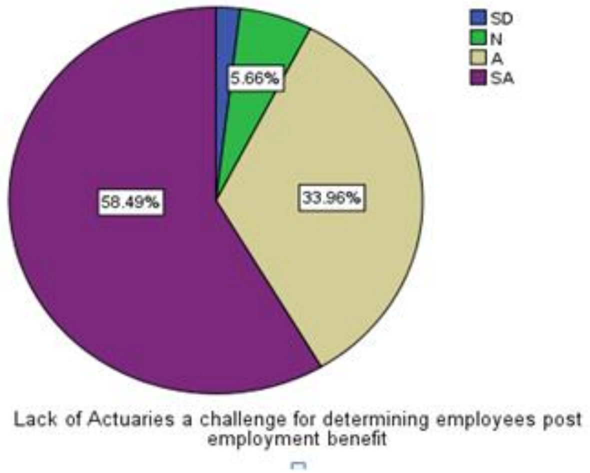
Fig 4.10: Availability of Property Valuers



Source: Researcher's own Survey, 2018

In Ethiopia, there are only two professional property Valuers while there is thousands of reporting entities. 92% of respondents of IFRS project implementation team members argued that lack of active market and property Valuers are a challenge for IFRS implementation while 2% are disagreed and 6% neutral.

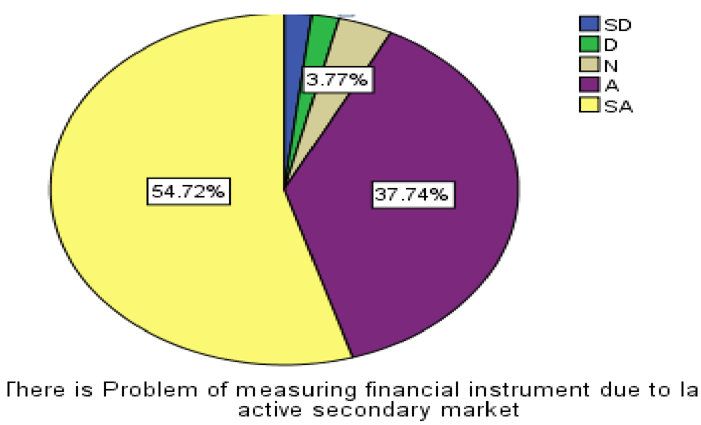
Fig 4.11: Availability of Actuaries



Source: Researcher's own Survey, 2018

There are no licensed professionals actuaries in Ethiopia. Informal Sources told that there is one Ethiopian working in insurance companies who have taken actuary science but he didn't conduct the activities of actuaries yet. Organizations determine post-employment benefits of their employees by sending their employees data abroad mostly in Kenya and South Africa. As depicted on the above figure, 93% of the respondents agreed that determination of post-employment benefit is a potential challenge for IFRS implementation. On the other hand 2% are expressed their disagreement and the rest are neutral.

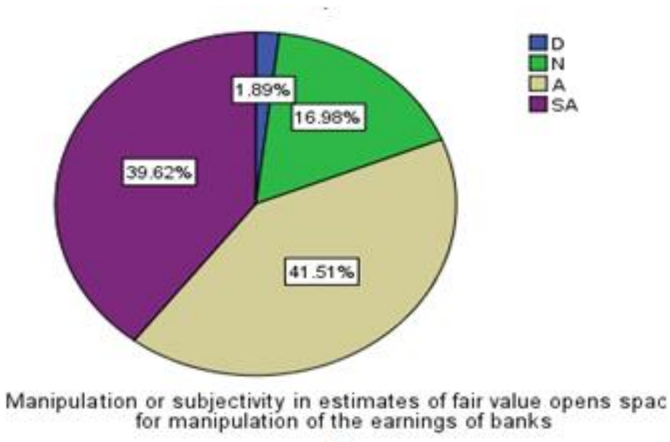
Fig 4.12: Measurement of Financial Instruments



Source: Researcher's own Survey, 2018

Financial assets are among the assets that required to be measured by the fair market value at the date of reporting. In Ethiopia there is no active secondary market which enables banks to measure their financial instruments. The above figure showed that, 92% of the respondents argued that lack of secondary stock market is a challenge for implementation of IFRS in the banks whereas 4% are disagreed.

Fig 4.13: Fair value measurement and Earning Manipulation



Source: Researcher's own Survey, 2018

With this statement the researcher analyzed whether the above challenges mentioned with regards to availability and transparency of fair market value exposed the manipulation of earnings or not. Consequently, 81% of the respondents strongly agreed or agreed that lack of active and transparent market will lead the manipulation of earnings due to involvement of personal decisions where as 2% are disagreed and 17% neutral.

Table 4.25. Mean ,Median, Mode, and SD for Availability and Transparency of Market Information		
N	Valid	53.00
	Missing	-
Mean		4.42
Median		5.00
Mode		5.00
Std. Deviation		0.60

Source: SPSS output on participants' response

As shown on table 4.25, on average respondents strongly agreed (4.42) that Non-availability and lack of transparent market information is a challenge for the implementation of IFRS by private banks. To minimize the effect of market information banks used cost model for valuing their fixed assets as it is possible to choose the measurement model between cost and revaluation model. The problem is there are mandatory standards which force the banks to use market value. For instance, loan loss provision, amortized cost, measurement of financial assets and impairment testing are the major once. It is an inevitable that banks used management judgments in determining the fair value of those assets which results the manipulation of the earnings and minimize the reliability of financial reports. For, instance that banks tested impairment by using internal staffs. Therefore, lack of availability and transparent market information is a challenge which affects the success of IFRS implementation by banks.

This result finding is consistent with Tesfu (2012) and Gulin & Hladika (2016) shown that fair value determination is very difficult in the absence of readily available market and doesn't reflect the future earning potential of the assets. This study also supported the results revealed that the absence of liquid market leads the involvement personal judgment which would cause the incomparableness and misguiding of accounting information (Xuexin &Slayi,2013).They also conclude that in the absence of liquid market fair value measurement and loss reliability of financial statements causes for profit manipulation and accounting information distortion.

The case study of Kenya, Pakistan, South Africa and India shown similar result that, there were facing problem of obtaining market information due to low trading volume and capital markets are not sufficiently liquid (UNACTED,2008).

4.2.3.8. Cost of IFRS Implementation

This refers the amount of investment required by banks to converge the existing accounting frame work in to IFRS. Therefore measuring the magnitude of the costs and its impact on IFRS implementation would be essential. In this study Cost of IFRS implementation is measured by seven important cost parameters. These are cost of staff training, consultants, Auditing and compliance, IT and Accounting system adjustment, IFRS implementation guideline and cost of additional staffs. The parameters comprises Likert type item which ranked from very low to very cost

Table 4.26: Cost of IFRS Implementation

	Label	N	Very Low (1) Frequency	Very Low (1) %	Low(2) Frequency	Low(2) %	Neutral(3) Frequency	Neutral(3) %	High(4) Frequency	High(4) %	Very High(5) Frequency	Very High(5) %	Total Frequency	Total %
1	Cost of Staff training	53	0	0	2	3.8	12	22.6	20	37.7	19	35.8	53	100
2	Cost of External consultants	53	0	0	1	1.9	3	5.7	22	41.5	27	50.9	53	100
3	Cost of auditing and compliance standards	53	1	1.9	3	5.7	15	28.3	26	49.1	8	15.1	53	100
4	Cost of Adjustment of information systems	53	0	0	1	1.9	10	18.9	20	37.7	22	41.5	53	100
5	Cost of Updating accounting system	53	0	0	1	1.9	4	7.5	28	52.8	20	37.7	53	100
6	Cost of Purchasing IFRS Guiding Materials is expensive	53	0	0	4	7.5	14	26.4	25	47.2	10	18.9	53	100
7	Cost of recruiting additional cost	53	2	3.8	7	13.2	14	26.4	23	43.4	7	13.2	53	100
8	MEAN=3.98													
9	MEADIAN=4													
10	MODE=4													
11	S.D=0.50													

Source: Researcher's own Survey, 2018

Regarding with the cost of staff training 36% of the respondents rated very high, 38% high, and 23 % didn't know the magnitude (neutral), 35% of the respondents rated low.

In terms of consultant cost almost all of the respondents (92%) rated high or very high. The percentage of their ratings are 51% very high, 42% high, 6% of the respondents didn't know and 2% rated low. Currently, all private banks have paid around $1 million to their external consultant (PWC).

Cost of Audit and Compliance: 15% of the participants responded that cost of Audit and Compliance is very high, 49% rated high, 28% neutral .6% rated low and 2% very low.

IFRS requires adjustment of chart of accounts and reporting formats on the system. Therefore, respondents were asked to rate the cost of Adjusting IT system. Accordingly, 42% rated very high, 38% high, 19% didn't know and 2% rated cost of adjusting IT system low.

Majority of the respondents (90%) rated cost of updating accounting system very high or high and 7% didn't know and 2% rated low.

In respect to Cost of IFRS guidelines and materials, 19% rated very high, 47% high, 26% didn't know and 8% rated low. There are no IFRS implementation books and guidelines available in the local market. Therefore, the reporting entities are required to purchase the books and guidelines online shopping.

As IFRS requires a formation of separate project teams, it is expected to increase the cost of recruiting additional staff.

Table 4.27: Ranking costs

Ranking of costs from high to low based on the sum of the percentage of respondent's response who rated high or very high					
Label		N	Frequency	%	Rank (high cost to low cost)
1	Cost of Staff training	53	39	73.6	4
2	Cost of External consultants	53	49	92.5	1
3	Cost of auditing and compliance standards	53	34	64.2	6
4	Cost of Adjustment of information systems	53	42	79.2	3
5	Cost of Updating accounting system	53	48	90.6	2
6	Cost of Purchasing IFRS Guiding Materials is expensive	53	35	66.0	5
7	cost of recruiting additional cost	53	30	56.6	7

Source: Researcher's own Survey, 2018

The cost of IFRS implementation are ranked from the highest to the lowest based on responses of IFRS implementation project Teams Rating. As a result, the higher costs of the banks are external consultants cost as banks are recruited one of well know audit firm in the world PWC. The second cost which is higher for the banks is cost of updating the accounting system then the third of the bank is cost of adjusting information technology. Cost of staff training is ranked at the fourth followed by cost of purchasing IFRS books and guidelines. On the last Cost of audit and compliance and recruiting additional staffs ranked at 6th and 7th place respectively.

The mean of the response of the respondents on this variable reveals that, on average ((3.98) IFRS implementation project teams stated that cost IFRS implementation is high. This shows that cost of IFRS adoption is one of the challenges of reporting entities as cost affects IFRS implementation negatively. Banks incurred significant cost for training their employees in the preparation of IFRS based financial statements both local and abroad based, hiring external consultant due to lack of in-house knowledge and IFRS experience, updating accounting policies, customizing IT systems, procurement of IFRS implementation guidelines which is available in the foreign market only and needed to recruit additional staff to organize dedicated IFRS implementation project teams.

Therefore, the result of this study shows that IFRS adoption requires significant cost which negatively affected the success of the implementation. For instance, banks sent the finance managers and some of IFRS implementation teams abroad for training due to lack of experienced local training institutions. Similarly, they have incurred significant costs to customize the IT system. For their External consultant (PWC) banks shared and paid nearly $ 1,000,000.00 and material costs has been paid for purchase of IFRS Guide lines. The researcher unable to weight the significance of costs with actual figure except the consultant costs. Other costs are analyzed based o the survey and interview results.

The case of Europe showed that significant preparation and transitional costs have been incurred during implementation of Mandatory IFRS adoption (ICAEW, 2007) which is in line with the result of this study. Similarly, the study of George et al (2013) and Stokdyk (2010) (cited in Dowa,2017) documented that "IFRS adoption as costly to firms because of the greater effort, knowledge, and information systems needed to implement the new standards, and the additional effort needed to manage the risk of material misstatements appearing in IFRS-compliant financial statements. This study also confirmed the results of Tesfu (2012) revealed IFRS adoption increase internal staff and costs in the case of Ethiopia.

Whereas the result of this study is inconsistent with Dwommo (2017) found that Cost could not b e a factor of IFRS adoption challenges in Ghana.

4.2.3.9. Management Support

Refers the level of support provided by senior management especially by CEO who is responsible to run the day to day operations of the banks Management support variable is measured by nine important parameters. Management understanding, Attention, Experience, Cooperation, commitment, priority, acknowledgement and acceptance, and resources allocation are the parameters. Like the cost variable the parameters of this variable are measured by likert type items which range from Very high support to Very Low. The higher support shows positive effect for IFRS implementation whereas the lower support implies the problem of management support. With regard to the value, the higher mean implies the existence of low support and reverse is true for low perceived value.

Table 4.28: Management support

	Label	N	Very High(1)		High(2)		Neutral(3)		Low(4)		Very Low(5)		Total	
			Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
1	Management's understanding of accounting and financial reporting standards	53	4	7.5	16	30.2	3	5.7	25	47.2	5	9.4	53	100
2	Management's attention to accounting and financial reporting related issues	53	4	7.5	18	34.0	4	7.5	20	37.7	7	13.2	53	100
3	Experience of managers in implementing IFRS	53	2	3.8	12	22.6	3	5.7	27	50.9	9	17.0	53	100
4	Cooperate with IFRS implementation project teams	53	3	5.7	15	28.3	10	18.9	20	37.7	5	9.4	53	100
5	Lack of Commitment and understanding of the executive on timely and successful implementation of IFRS	53	4	7.5	14	26.4	4	7.5	23	43.4	8	15.1	53	100
6	Management views IFRS as a priority than as regulatory compliance	53	3	5.7	16	30.2	3	5.7	24	45.3	7	13.2	53	100
7	Acknowledgement of Management on the importance of the IFRS transition process	53	3	5.7	17	32.1	4	7.5	25	47.2	4	7.5	53	100
8	Lack Acceptance of IFRS implementation process at the senior management level	53	3	5.7	26	49.1	6	11.3	14	26.4	4	7.5	53	100
9	Resources allocated to complete the transition in addition to their day-to-day responsibilities	53	4	7.5	23	43.4	5	9.4	14	26.4	7	13.2	53	100
10	MEAN=3.18													
11	MEADIAN=4													
12	MODE=4													
13	S.D=0.96													

Source: Researcher's own Survey, 2018

As it can be seen from the above table IFRS implementation project teams have been asked to rate management's support towards the adoption activities. The first statement is Management understands of accounting and financial reporting standards. 7% of respondents rate the managements understanding very high, 30% rate high ,6% didn't know the managements understanding level,47% rate low and the rest 9% rated very low. Therefore, majority of the respondents (56%) the respondents rated the management's understanding low. The lower the understanding of the management the lower will be their support.

The second statement is designed to evaluate how the management is attentive on accounting and financial reporting related issues.Accordingly,7% of the respondents believe that management has very high attention, 34% rate management's attention high,8% neutral, 38% rated very low and the rest 13% rated the management's attention towards accounting and financial reporting issues low. This result shows that in terms of giving attention on accounting and financial reporting related issues banks management has some gap but it is found moderate that 41% of the respondents supported the management's attention is high which leads their support better.

Thirdly the question of how experienced the management in implementing IFRS was rated by the response of the respondents. Majority of the respondents evaluated that managements experience of implementing IFRS is low (50%) and very low (17%) whereas only 4% are rated managements experience very high and 22% rated high. This implies that the lower the managements experience the lower will be their support toward the implementation.

CEO‘s cooperation with IFRS implementation project team has been measured and rated as follows. 6% of the respondent's rate CEO Very highly cooperative, 28% highly cooperative, 19% neutral, 37% low, and 9% very low cooperation. The aggregate result of this parameter is confirmed the existence of low cooperation of CEOs.

The fifth statement evaluated whether the management is concerned on the success and timely delivery of the implementation. The result of respondents shows that the top management's concern on the success and delivery of the IFRS project is low. The rates of the respondents regarding these statements are 7% very high, 26% high, 8% neutral, 43% low and 15% very low.

IFRS project implementation teams also asked to evaluate the statement that Managements view IFRS as apriority than a regulatory compliance. Accordingly, 6% of the respondents believed that management view IFRS as very high priority, 30% measured managements view IFRS as high priority and 8% neutral. On the other hand 45% of the respondents evaluated that management give low priority for IFRS implementation and 13% of respondents put the managements view on IFRS implementation very low.

The view of the respondents on the management acknowledgement on the importance of the IFRS transition also collected. The result shows that 6% of the respondents believed that the transition process is highly acknowledged, 32% believed that the acknowledgement level of management is high and 8% didn't know the managements acknowledgement level Where as 47% of the respondents measured that the transition process is poorly acknowledge and 8% of the respondents believed that management's acknowledgement on the transition process is very low.

With regard to the acceptance of IFRS implementation, Majority of the respondents believed that the implementation has got acceptance by the senior management. When we see their detail rating 6% rated the management's acceptance very high, 49% high, 11% neutral, 26% low and 8% very low. This shows that the banks senior management has well accepted the IFRS implementation and this will contribute positively to the success of the implementation.

Lastly the researcher measured the level of management support by the adequacy of resource allocated to the IFRS implementation. The result of the majority of the respondents shows that there is adequate resources allocation to the IFRS implementation. 7% and 43% of the respondents evaluated the resources allocated by the management for IFRS implementation very high and high respectively where as 26% and 13% are rated the resources allocated low and very low respectively.

The mean result (3.18) of this variable also has shown the existences of the problem of management support. Poonlar (1987) categorized mean scores ranging from 4.51-5.00 excellent or very good, 3.51- 4.50 (good), 2.51-3.50 (average or moderate), 1.51-2.50(fair) and 1.00-1.50 is (poor) (as cited in Adane, 2017).

According to his classification, the mean score (3.18) of this variable indicated that the existence of the problem and its magnitude is moderate (Average) Therefore, lack of management support is a problem of private banks hindering during their practical IFRS implementation. The researcher found this result consistent with Weaver & Margaret (2015) IFRS was not given the support it deserved by senior management in Europe. No evidence is found to support this finding with local studies.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

IFRS has become the financial reporting standard for a significant amount of countries around the world. The decision of IFRS adoption would be the right choice for Ethiopia to strengthening the country's quality of financial information that played a major role for attracting efficient capital inflows to the country and encourage domestic investments. However, number of practical implementation challenges needs to address to utilize the full benefits of adopting IFRS.

Therefore, the objective of this study was to investigate the challenges that are hindering the practical implementation of IFRS by private banks in Ethiopia.

The results of the study shown that weak corporate governance, poor quality of education and training, lack of supports from accountancy professional bodies, weak enforcements of regulatory body, inadequacy of transition period, improper planning, Non-availability of transparent market information, High cost of implementation and weak management support are the major challenges of private banks to implement IFRS successfully. Unless the challenges faced by private banks gets an immediate attention of the government, the regulators, professional bodies, higher institutes, academicians, preparers of financial statements, auditors and reporting entities itself the national transition process may take longer than expected. The current status of private banks IFRS implementation confirmed the dalliance of the transition process.

5.2. Recommendations

Based up on the findings of the study, the following recommendations are forwarded.

The adoption and implementation of IFRS in Ethiopia should not be a rushed decision. The country commenced the actual implementation without having identifying the resources it has and what is needed for implementation. The country even didn't address most of the recommendations given by ROSC (2007) as prerequisite for adoption of IFRS.

1. The regulatory body should ensure IFRS coherence with existing national laws such as NBE directives and ERCA laws. Though NBE and ERCA are among the board members of AABE, there are still inconsistent laws and regulations developed by this organization. These and related governing body laws should be revised by referring IFRS requirement so as reporting entities can implement this standard without challenging with conflicting laws. Any laws concerning financial

reporting should first be referencing IFRS instead of placing special requirement. In addition, corrective actions should be taken based on the findings of monitoring and review programs of reporting entities. For instance, AABE should support the reporting entities by organizing capacity building workshops and seminars, should provide clear and proper instructions when providing orders regarding reporting and auditing, and arrange regular meeting periods with reporting entities.

2. As IFRS is a strategic decision which affects the overall corporate reporting structures of the entities, there should be strong management support and corporate governance established by entities and ensures that the transition is managed effectively in a way that the timetable is to be achieved. Management should enhance its understanding and give due attention for IFRS implementation as one of the banks strategic issue instead of leaving it only as accounting issue. Besides, management should recognize and motivate IFRS implementation team members for any efforts and delivery made. All banks management should ensure the establishment of independent team members by recruiting additional man power. The IFRS team members of some banks are working the IFRS implementation in addition to their regular work. Similarly, BOD of the banks should regularly follow up the process of the implementation and cooperate the team by responding for any of their enquiries for instance there may be resistance faced by peer departments, may also require additional budget for implementation. Therefore, the BOD should treat the issue of IFRS implementation with exceptions.
3. Accountancy professional bodies such as EPAAA, ASE and IIA should reassess why they are established and existing for. These organizations should take actions to strengthen themselves in a way they can make significant contributions to the success of this big national accountancy project. The researcher believed that there will not be any accountancy professional related task created Ethiopia more than IFRS adoption which requires the major roles of these associations. In addition to the action taken by the association themselves the government should take priorities in strengthen them before commencing the actual implementation of the second and third phase adopters. Professional Accountancy bodies should strengthen or reorganize their organizational structure in away to take the role of leading national initiatives and monitoring and enforcing the domestic accounting profession. Moreover, ASE and EPAA should merge

and integrate as one single strong accounting professional association and tried to be a member of IFAC.

4. Human-resources-development programme and mechanisms should be established at national level. There should be accredited and qualified training institutions to alleviate the skill gaps of preparers of financial statements in a short run and change the accounting education curriculums of universities. Addis Ababa University has tried to include IFRS in its accounting education curriculum. Therefore, this lesson should be shard to other universities and forced them to integrate IFRS module in their curriculum without any delay.
5. In addition to strengthening local capacity building institutions, there should be state sponsored scholarship program to train property valuers and actuaries abroad. Besides, there should be made efforts to establish stock markets in order to determine financial instruments objectively. Other ways in the absence of liquid market and professional Valuers, the quality of financial reports would be impaired due to high subjective and may lead the country to financial crisis.
6. The preparation and transition period given to reporting entities should not be far from the realities of nation. The length of the period should take in to account of the state of readiness of the reporting entities and countries reporting infrastructure. For instance, if there no adequate number of skilled and qualified professionals who can implement IFRS, the length of the preparation time should take in to consideration of times required for getting trained staffs. Besides, there are number of activities required to be accomplished a prerequisite to produce the first IFRS based financial statement. For example, Recognition and derecognition of assets and liabilities, measurement of assets and Liabilities, classification of assets and liabilities and preparation of necessary adjustments so as a reporting entity will prepare opening balance sheet, comparative financial state and comparative statements. Therefore, the greater challenge witnessed by the first phase adopters was inadequacy of transition period.

5.3. Implications for future Research

This study was conducted on the challenges of IFRS implementation in Ethiopia the case of private banks only taking in to account of time and financial limitation. However, it would be quite imperative to extend similar researches in the case of all first phase adopters. Moreover, it is suggested to conduct a research on the impact of IFRS on the earnings of reporting entities and the qualities of financial reports.

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Appendix:

I.QUESTIONNAIRE

Addis Ababa University

College of Business and Economics

MBA Program

Questionnaire

I am a student of Addis Ababa University studying MBA Program. The purpose of this questionnaire is to collect data for the thesis being conducted on the title "**Challenges of Practical Implementations of IFRS adoption in Ethiopia Private Banks**", for the partial fulfillment of the requirements for the degree of Master of Business Administration in Finance.

No personality identifiable information is being collected from you and all information you provide will be combined with other respondents' data and analyzed in aggregate. Responses will be kept Confidential at all times and used only for academic purpose.

If you have any queries regarding this questionnaire, please contact me via email: aytenew2012@gmail.com

Thank you in Advance for taking your valuable time!

Part 1:

The following are list of factors affecting the implementation of IFRS by Ethiopian private Banks. Please provide your level of agreement or disagreements with each of the statements. Please put only one tick mark (✓) for each line in the labeled column where (**1-Strongly disagree; 2-Disagree; 3- Undecided/Neutral; 4 Agree; 5-Strongly agree.**)

No.	**Challenges of IFRS Adoption**	SD	D	N	A	SA
I	**Corporate Governance**	1	2	3	4	5
1.	The Bank Lacks strong BOD which undertakes regular follow up on the process of IFRS implementation					
2.	BOD knowledge about IFRS and its transitional process is poor.					
3.	There is high resistance by different departments while asking cooperation					
II	**Capacity and Strengths of the Financial reporting regulatory Body (AABE)**	1	2	3	4	5
4	There is no effective practice review mechanisms and support that ensure proper and effective implementation of the IFRS implementation roadmap					
5	Lack of adequate workshops, seminars, forums etc. is challenges for smooth transition & successful implementation of IFRS					
6	The IFRS transition road map developed by AABE is not realistic and not takes into account the capacity and readiness of the nation in general the entities in particular					
7	AABE lacks to collaborate with relevant government agencies such as NBE, MOFEC & ERCA to identify and ensure timely amendments of contradicted laws and regulations with IFRS					
8	There is lack of technical guidelines, interpretations and tools and other supporting materials that takes into consideration national context and sectorial issues					
9	There is no effective monitoring and process review of IFRS implementation process by AABE.					
10	Lack of coherence in the regulatory system becomes cause for serious misunderstandings and inefficiency in the implementation of IFRS					
III	**Professional Accountancy (Associations) Bodies**	1	2	3	4	5

11	Lack of an extensive and ongoing support from professional accountancy associations are a challenge for successful implementation of IFRS					
12	Lack of strong Professional accountancy bodies limits the chance of bringing the challenges of the implementation to the attention of the regulators for clarification					
13	Lack of strong accountancy body limits the banks option of getting technical capacity building trainings regarding IFRS Implementation					
14	Ethiopian private banks didn't get professional supports from The Ethiopian Professional Association of Accountants and Auditors (EPAAA) & IIA					
15	The accountancy professional bodies fail to contribute for the successful implementation of IFRS in Ethiopia					
16	lack of an authoritative professional association also limits the possibility of interactions between practitioners and academics					
17	Banks don't have a chance of experience sharing with other adopters other than banking sectors due to lack of a body to organize experience sharing sessions					
IV	**Education and Training**	1	2	3	4	5
18	Lack of adequate technical capacity building schemes is a challenge for IFRS implementation					
19	IFRS Implementation requires a high level of education & highly skilled and competent accounting professionals.					
20	The numbers of qualified professional accounts are inadequate to meet the needs of private banks					
21	Gap between the accounting education thought in Ethiopian Higher education and IFRS requirement is a challenge to get competent accountants					
22	Inadequacy of training institutions and facilities with an affordable cost is a challenge to fill skill gaps of IFRS implementing teams					
23	There was limited training on IFRS prior to its implementation					
24	Inadequate training institutions and facilities at an affordable cost is a challenge to fill skill gaps of IFRS implementing teams					
25	There was limited training on IFRS prior to its implementation					
26	Limited availability of training materials at an affordable cost is a challenge for the transition process					
V	**Adequacy of Transition Period**	1	2	3	4	5
27	Implementation of IFRS is a complex process that requires extensive preparations					
28	The national IFRS implementation Road map doesn't take in to consideration the capacity and readiness of reporting entities					

29	The preparation & transition period of 22 months given by AABE is not adequate for conducting the IFRS transition process					
30	Banks require additional time for preparing training manuals, organizing seminars and workshops and sharing experiences with other countries					
31	Lack of Adequate transition time will affect the quality of the financial statements by increasing the possibility of errors and omissions.					
VI	**Proper Planning**	1	2	3	4	5
32	A policy decision of IFRS adoption has been made without building consensus among concerned stake holders					
33	The targets and deadlines of IFRS implementation has been made before identify the obstacles					
34	Decisions of IFRS implementation disregards identifying the resources that we have on hand and what we need to implement the new standard					
35	Preparers, users, regulators, professional accountancy bodies and educators need to be engaged in the planning of IFRS, as well as the implementation					
36	A country's transition action plan to IFRS needs to have a logistical framework of targeted activities to be completed within a specified period of time					
37	An IFRS implementation programme needs to adequately assess the state of readiness of relevant professional accountancy organizations					
VII	**Availability and Transparency of Market Information**	1	2	3	4	5
38	There is problem of measuring effective interest rate due to lack of active market					
39	Lack of liquid market affects the reliability and relevance and affects the objectiveness of accounting data.					
40	Lack of active market and property Valuers in the country is a challenge to measure the value of the assets					
41	Lack of Actuaries are a challenge for determining employees post-employment benefit					
42	There is Problem of measuring financial instrument due to lack of active secondary market					
43	Manipulation or subjectivity in estimates of fair value opens space for manipulation of the earnings of banks					
VIII	**Cost of IFRS Implementation**	Extremely low	low	No impact	High	Very high
44	Cost of Staff training					
45	Cost of External consultants					
46	Cost of auditing and compliance standards					
47	Cost of Adjustment of information systems					

48	Cost of Updating accounting system					
49	Cost of Purchasing IFRS Guiding Materials is expensive					
50	Cost of recruiting additional cost					
IX	**Management Support**	Extremely low	low	No impact	High	Very high
51	Management's understanding of accounting and financial reporting standards					
52	Management's attention to accounting and financial reporting related issues					
53	Experience of managers in implementing IFRS					
54	Cooperate with IFRS implementation project teams					
55	Lack of Commitment and understanding of the executive on timely and successful implementation of IFRS					
56	Management views IFRS as a priority than as regulatory compliance					
57	Acknowledgement of Management on the importance of the IFRS transition process					
58	Lack Acceptance of IFRS implementation process at the senior management level					
59	Resources allocated to complete the transition in addition to their day-to-day responsibilities					

Part 2: **General Questions**

1. Gender: Male ☐ Female ☐
2. Age: under 20 ☐ 21-30 ☐ 30-40 ☐ Above 40 ☐
3. Your highest Academic Qualification: Diploma ☐ Degree ☐ Masters ☐ PHD ☐
4. Professional Membership/Certification: ACCA ☐ CPA ☐ ☐ Other ☐
   (Specify)_________________
5. Total Years of experience:________________
6. Current Position(Job Title):______________________
7. If your answer is yes for the above Q. No.7, how adequate is the IFRS training that you have had for implementation of IFRS: Adequate ☐ Not Adequate ☐
8. Did you get training on all IFRS standards? Yes ☐ No ☐
9. How frequently are IFRS trainings organized to IFRS project implementation Team
   Very Frequently ☐ Frequently ☐ Occasionally ☐ Rarely ☐ Never ☐
10. How likely are the banks able to meet the dead lines set by AABE (closing of their books of Accounts based in IFRS requirement for the year ended June 30, 2018)

    Very Likely ☐ Somewhat Likely ☐ Not Likely ☐

II. INTERVIEW QUESTIONS

1. How many are IFRS implementation team members of your bank?
2. How many are the recommended number of IFRS Team members?
3. Do Number of IFRS project team has an impact on the implementation?
4. Do your organization supervise by AABE? If yes How frequent it is?
5. What are inconsistent laws and regulations against with IFRS requirement?
6. What is the status of the Implementation?
7. How is the possibility of meeting the deadlines of IFRS adoption time line?