



SEEK WISDOM, ELEVATE YOUR INTELLECT AND SERVE HUMANITY!



Addis Ababa University
School of Commerce
Department of Project Management

**PROSPECTS AND CHALLENGES OF IFRS ADOPTION
PROJECT IN NIB INTERNATIONAL BANK**

**A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR
THE DEGREE OF MASTER OF ARTS IN PROJECT
MANAGEMENT**

By

Nahom Daniel

JUNE 2018

Addis Ababa, Ethiopia

**PROSPECTS AND CHALLENGES OF IFRS ADOPTION PROJECT IN
NIB INTERNATIONAL BANK**

BY

Nahom Daniel Genet

GSE/0087/08

**A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY SCHOOL
OF COMMERCE DEPARTMENT OF PROJECT MANAGEMENT IN
PARTIAL FULFILMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF ARTS**

**JUNE 2018
ADDIS ABABA
ETHIOPIA**

Addis Ababa University
School of Commerce
Department of Project Management
Prospects and Challenges of IFRS Adoption Project in Nib International Bank

BY
Nahom Daniel Genet

APPROVED BY BOARD OF EXAMINERS

_____	_____	_____
Research Advisor	Signature	Date
_____	_____	_____
External Examiner	Signature	Date
_____	_____	_____
Internal Examiner	Signature	Date

DECLARATION

I, the under signed, declare that this thesis is my original work, prepared under the guidance of Dr. Dereje Teklemariam (Associate Professor). All sources of material used while working on this thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any type of degree.

Name

Signature and Date

CERTIFICATE

This is to certify that this project work, **“Prospects and Challenges of IFRS Adoption Project in Nib International Bank”** undertaken by Nahom Daniel in partial fulfillment of the award of Master’s Degree in Project Management at Addis Ababa University School of Commerce, is an original work and not submitted earlier for any degree either at this University or any other University.

Dereje Teklemariam (PhD)

Research Project Advisor

TABLE OF CONTENTS

DECLARATION	ii
CERTIFICATE	iii
TABLE OF CONTENTS	iv
ACKNOWLEDGMENT	vii
LIST OF ACRONYMS	viii
LIST OF TABLES	ix
LIST OF FIGURES	x
ABSTRACT.....	xi
CHAPTER ONE	1
INTRODUCTION	1
1.1. Background of the Study.....	1
1.2. Statement of the Problem	2
1.3. Research Questions	4
1.4. Research Objectives	4
1.4.1. General objective	4
1.4.2. Specific Objectives	4
1.5. Significance of the Study	5
1.6. Scope of the Study.....	5
1.7. Limitations of the Study.....	5
1.8. Ethical Considerations.....	6
1.9. Organization of the Paper.....	6
CHAPTER TWO	7
REVIEW OF RELATED LITERATURE	7
2.1. Theoretical Review	7
2.1.1 Accounting Standards	7
2.1.2 What is International Financial Reporting Standard (IFRS).....	8
2.1.3 Historical background of IFRS	8
2.1.4 The need for and benefits of Adopting/Convergence to IFRS	9
2.1.5 Approaches to IFRS Adoption/Convergence.....	10
2.1.6 Prospects of IFRS implementation	11
2.1.7 Challenges of IFRS implementation	13
2.1.8 Country experiences and Lessons Learned.....	15
2.2. Empirical Review	17

CHAPTER THREE	22
RESEARCH METHODOLOGY.....	22
3.1. Introduction	22
3.2. Research Approach and Design	22
3.3. Data Type and Source	22
3.3.1. Data Type.....	22
3.3.2. Data Sources	22
3.4. Target population and sample	23
3.5. Data Collection Methods and Tools.....	25
3.6. Data Analysis and Presentation.....	25
3.6.1. Data Analysis	25
3.6.2. Data Presentation	26
3.7. Validity and Reliability	26
CHAPTER FOUR.....	27
RESULTS AND DISCUSSIONS.....	27
4.1. Current status of IFRS project in the Bank	27
4.2. Prospects (Potential Benefits) of IFRS project in the Bank	29
4.3. Challenges of IFRS project in the Bank.....	32
4.3.1. IFRS knowledge gap and lack of benchmarking	32
4.3.2. Shortage of qualified professionals.....	34
4.3.3. High cost of implementation.....	35
4.3.4. Absence of mandatory infrastructures	36
4.3.5. Disparity between existing laws and IFRS requirement.....	38
4.3.6. Absence of a holistic approach to project management.....	38
4.3.7. Loss of commitment to the project	39
4.3.8. Resistance to change	40
4.4. The Readiness Process	40
4.4.1. People Readiness	41
4.4.2. Process Readiness	43
4.4.3. System Readiness.....	44
CHAPTER FIVE	45
CONCLUSIONS AND RECOMMENDATIONS	45
5.1. Conclusions	45
5.2. Recommendations	47
5.3. Future Research Areas	48

REFERENCES	49
Appendix I: Questionnaire Administered to Project Team.....	I
Appendix II: Questionnaire Administered to Operational Staff	V
Appendix III: Interview Questionnaire for Project Steering Committee.....	VIII
Appendix IV: Stakeholders of the project	XI

ACKNOWLEDEGMENT

My deepest and foremost gratitude goes to the Almighty God, without whom none of these were possible. I am also grateful to the project steering committee and project team members as well as sampled operational staff of Nib International Bank for their willingness and humbleness to take their time to fill my questionnaires and respond to my interview questions. I am also indebted to thank them for their open and candid responses.

I add a special note of admiration and gratitude to my families and friends, for their moral support and compassionate support in every way possible for the successful completion of this piece of work.

LIST OF ACRONYMS

AABE	Accounting and Auditing Board of Ethiopia
ACCA	Association of Chartered Certified Accountants
AISG	Accountants International Study Group
BOD	Board of Director
CFO	Chief Finance Officer
EBA	Ethiopian Bankers Association
ECOWAS	Economic Community of West African States
EMC	Executive Management Committee
G20	Group 20 Countries
GTP	Growth and Transformation Plan
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICAEW	Institute of Chartered Accountants in England and Wales
IFRS	International Financial Reporting Standard
NBE	National Bank of Ethiopia
PWC	Price Waterhouse Coopers
ROSC	Report on the Observance of Standards and Codes
SIC	Standing Interpretations Committee
SME	Small and Medium-sized Enterprise
UNCTAD	United Nations Conference on Trade and Development

LIST OF TABLES

Table 3.1: Sample size determination	24
Table 4.1: Features that make IFRS more preferable than GAAP	30
Table 4.2: People readiness to the Project	41

LIST OF FIGURES

Figure 4.1: IFRS implementation Roadmap	28
---	----

ABSTRACT

The main objective of this study was to assess the IFRS adoption project in Nib International Bank S.C. The specific objectives were to examine the present status of IFRS adoption project, to explore the prospects and challenges of IFRS adoption project, and to assess the readiness process of IFRS project in Nib International Bank. To meet the research objectives, both primary and secondary sources of data were used in the study. The study used two separate questionnaires and one key informant interview as tools to collect the primary data while documentary reviews were used to gather the secondary data required for the study. The total population of the study constituted 3 project steering committee members, 7 project team members and 280 operational staffs. From the 280 operational staff, with the use of Yamane's simplified sample formula, a total of 165 respondents were selected as sample population of the study. In general, the total population of the study aggregated to 175 which were the sum of 165 sampled operational staff, 7 project staff and 3 project steering committee members. Data collected from the above sources were analyzed using both quantitative and qualitative data analysis tools. For the most part, qualitative data analysis techniques such as in-depth discussions and expositions were used. Meanwhile, frequencies and percentages were used for analyzing the quantitative data. The major findings of the study results from both primary and secondary data sources demonstrated that the project is in implementation stage and that it is still in progress. In relation to the prospect of the project, it was indicated that the project initiates new thinking, harnesses professionalism, smoothens the Bank's correspondent relationship, helps in redefining and rejuvenating the existing work process and finally allows for fair presentation of financial condition of the Bank. There are also challenges that are associated with adopting IFRS in the Bank. Some of the major challenges identified by the respondents of the study incorporated; IFRS Knowledge Gap and lack of benchmarking, absence of mandatory infrastructures, disparity between existing laws and IFRS requirement, absence of a holistic approach to project management, loss of commitment to the project and resistance to change. The other major findings suggest that there are people, process and system readiness issue in the project. Based on the results of the study it was recommended that the Bank should focus on those issues that are internal to it so as to ensure the successful completion of the project on or before the regulatory deadline.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Financial reporting is the process of disclosure of financial information to the management and the public about a company's performance over a specific period of time (Parvathy, 2017). These reports are normally prepared following a set of rules and principles as dictated by the accounting standard. Accounting standards, on the other hand, are a set of principles companies follow when they prepare and publish their financial statements, providing a standardized way of describing the company's financial performance.

Each country has its own set of rules and principles or accounting standards for financial reporting. The existence of such myriad accounting standards globally allowed companies to follow their own accounting standards while preparing their financial statements. This, on the other hand, created difficulty in comparing and contrasting financial reports produced by different companies within the same industry and across countries.

This fact has incited a growing support for a universally accepted accounting standards that would be applied around the world. Such efforts to internationalize accounting standards dated back to the late 1960's where a number of countries from different regions came together with the aim of coming up with a single standard that could be applied by all (UNCTAD, 2008). As a result, the International Accounting Standard Board was established in 2001 to take responsibility of issuing a single accounting standard called International Financial Reporting Standards (IFRS). Following the introduction of IFRS nations were vehemently working towards converting their existing accounting standard to IFRS. According to data from Oireachtas Library and Research Service (2010) there were more than 100 countries across the globe that were fully IFRS compliant during the year 2010.

As part of this effort and with the primary intention of attracting foreign investment, the Federal Democratic Republic of Ethiopia Government promulgated the "Financial Reporting Proclamation No. 847/2014 applicable both in private and public interest entities in paving a way to IFRS adoption. The Council of Ministers also issued regulation No. 332/2014 "for the establishment and determination of the procedure of the Accounting and Auditing Board of

Ethiopia” (AABE), a regulatory government body bestowed with the responsibility of overseeing the implementation IFRs in Ethiopia by all concerned entities.

In line with the captioned proclamation and regulation, all banks in Ethiopia are expected to become IFRS compliant by the end of June 2018. Hence, this study attempted to assess the current status, prospects and challenges as well as the readiness of the IFRS implementation project in the case of Nib International Bank.

1.2. Statement of the Problem

To fuel their growth and sustain their ongoing activities, companies tirelessly strive for raising capital from all parts of the world. However, in an increasingly globalized world with no uniform accounting rules and principles, it is clear that financial statements of companies operating under different accounting regimes will not be comparable. This will ultimately leave such global capital raising efforts to end up in vain (Oireachtas Library and Research Service, 2010).

For this reason, it has become imperative to come up with an international accounting standard having a single set of high quality, understandable, enforceable and globally-acceptable Financial Reporting Standards. The introduction of International Financial Reporting Standard (IFRS) was the result of nations attempt to resolve for the ambiguities and difficulties that could result from such varying financial reporting (Apostolos et.al, 2010).

Over the recent couple of years, Ethiopia is registering commendable economic growth being guided by its national Growth and Transformational Plan (GTP), a comprehensive 15 years development strategy equally divided in to three equal phases of five years periods. The country is currently in the midst of implementing the second five year GTP which has put in place stringent national goals requiring huge capital outlay (FDRE Government Communication Affairs Office, 2016). The government plan to mobilize part of this capital from foreign sources in the form of loans. Moreover, the government has indicated that the private sector will be the main driving force of growth within the current second GTP period. It was further indicated that due emphasis will be given to the development of local private investors, with support focused on access to finance and market linkage (FDRE Government Communication Affairs Office, 2016).

To achieve the abovementioned goals and facilitate the country's access to finance from foreign sources, there is a need to standardize the nation's financial reporting environment. According to ROSC (2007), Ethiopia does not have its own national accounting standards; the accounting and auditing practices are fragmented and are inconsistent among organizations.

It is believed by Ethiopian actors that the adoption of IFRS would help Ethiopia to access foreign credit, attract Foreign Direct Investment and establish stock market in the long term as well as access to World Trade Organization membership (ROSC, 2007). In cognition of these needs, the Ethiopian government has officially adopted IFRS in 2014 by instating an independent regulatory organ named Accounting and Auditing Board of Ethiopia (AABE) that will supervise the effective implementation of this standard by all concerned entities within the country. In this regard, public interest entities more specifically banks were among those entities that were identified by the Board to becoming IFRS compliant by the end of 2017/18 budget year. To this effect, all banks in the country are presently working hard towards becoming IFRS compliant within the statutory due date (AABE, 2016).

Following this remarkable event, a number of formal researches were undertaken by various authors in relation to IFRS adoption in the country. This included Firdawok (2017) who examined implementation of International Financial Reporting Standards in Ethiopia. The study investigated the prospects and challenges faced in implementing IFRS by Ethiopian firms. The paper provided insight into the IFRS adoption process based on a questionnaire sent to Authorised Accounting and Auditing professionals in Ethiopia.

Alemgena (2016) examined the adoption of International Financial Reporting Standards, its benefits and challenges as adopted in Heineken Brewery Company. The study used document analysis and questionnaire as a data collection tools. The questionnaire used in the study were distributed to finance officers and accountants working in the studied company.

A study by Yitayew (2016), attempted to examines the IFRS adoption process in Ethiopia with a view to explaining how the state, i.e., the Ethiopian government, other national actors and the transnational forces interacted in establishing the Ethiopian financial regulatory landscape as antecedent to IFRS adoption and subsequent implementation. The researcher employed a qualitative research approach based on evidence collected through semi-structured interview and review of documentary evidences.

Eyob (2017) undertaken a study with a main objective of assessing the adoption, challenges and benefits of IFRS in case of Commercial Bank of Ethiopia. The study used both primary and secondary sources of data which it retrieved from the employees of the Bank and various documentations.

Studies indicate that the application of IFRS and the implementation processes thereof will vary from country to country and from company to company (Accounting Standards Board of Canada, 2006; Nobes, 2011; Institute of Chartered Accountants in England and Wales (ICAEW), 2012; ICAEW & Dubai Financial Services Authority, 2017). In line with this, as clearly shown by the above mentioned studies and to the best of the researchers reading, there was no research conducted to appraise the adoption of IFRS project in the organization selected for this study. Furthermore, although the AABE has set the date for adoption of IFRS by banks to July 8, 2018, there are serious challenges to becoming IFRS compliant on the prescribed time period. Hence, in due consideration of the remaining short time until the full adoption of the project, the expected variation in implementation of IFRS among different companies, and the dearth of knowledge in the context of the selected organization, this study attempted to assess the adoption of IFRS project in Nib International Bank.

1.3. Research Questions

The study attempted to give answer to the following research questions:

1. What is the current status of IFRS project in Nib International Bank?
2. What are the prospects of IFRS project in Nib International Bank?
3. What specific challenges dictate IFRS project in Nib International Bank? and
4. How ready are the people, process and system involved in the IFRS project of Nib International Bank?

1.4. Research Objectives

1.4.1. General objective

The general objective of this study was to investigate the prospects and challenges of IFRS adoption project in Nib International Bank.

1.4.2. Specific Objectives

In line with the above general objective the research also tried to address the following specific objectives: -

- To examine the present status of IFRS project in Nib International Bank;
- To explore the prospects of IFRS project in Nib International Bank;
- To identify the specific challenges of IFRS project in Nib International Bank; and
- To assess the readiness process of IFRS project in Nib International Bank.

1.5. Significance of the Study

The finding of this study identified the specific prospects and challenges of implementing IFRS project in Nib International Bank. Since the project implementation is not yet completed in the Bank, the findings of the study could serve as input for Nib International Bank Management in identifying the specific facilitating and hindering factors that can affect the successful implementation of its IFRS adoption project. This, on the other hand, will enable the Bank to take lessons from this study thereby ultimately enhancing its future decision making success.

Furthermore, the findings of this study will also contribute to the existing body of knowledge and serve as a benchmark report for those interested in advancing the knowledge pool towards the study topic.

1.6. Scope of the Study

Even though all public interest entities such as banks are expected to adopt IFRS as at July 8, 2018, this study has specifically attempted to assess IFRS adoption project in the context of Nib International Bank. Furthermore, the study has attempted to focus on assessing the prospects and challenges of the project as occurring in the Bank. The study covers the period and events that unfolded before the dead line adoption date of July 8, 2018.

1.7. Limitations of the Study

To identify the prospects and challenges of IFRS adoption project on the Bank, the study solely focused on the project owner (i.e. Nib International Bank). As there are numerous stakeholders to the project this may affect the study's final outcome. However, the researcher endeavoured to fill this short coming by collecting data from secondary sources.

1.8. Ethical Considerations

Confidentiality is one of the ethical issues in research which is an extension of privacy but relates specifically to the agreement made between the researcher and participants about what can and cannot be done with information collected over a course of a project.

With this premise, an extra care was taken in the manner by which data was secured from the respondents. The respondents in advance were assured that the information they provide while participating in this study will be used for the stated research purpose only and none else. Furthermore, their anonymity as well as the confidentiality of any information they provided is kept strictly confidential.

1.9. Organization of the Paper

This paper has five chapters. The first chapter discussed the introductory issues like background of the study, statement of the problem, objective of the study, significance of the study, scope and limitations of the study as well as the ethical considerations. The second chapter dealt with review of literature. The third chapter focused on the methodology part while the fourth chapter incorporated the data presentation, analysis and findings. Finally, the last chapter presented summary of major findings as well as the conclusions and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

The focus of this chapter is to give theoretical foundation of the study. Accordingly, the first subsection deals with the theoretical review while the second subsection dealt with the empirical review relating to the study topic.

2.1. Theoretical Review

Here before discussing what International Financial Reporting Standard (IFRS) is, we should first see the basic foundation of IFRS, that is, accounting standard. From that we look into the definition, historical background and other points relating to IFRS.

2.1.1 Accounting Standards

In the wake of the global financial crisis accounting and auditing standards have been the focus of much negative media comment. Accounting standards have been cited in the financial crisis, accused of misleading investors and hiding financial problems. In line with this, financial reporting is the process of disclosure of financial information to the management and the public about a company's performance over a specific period of time. There are well defined principles for accounting known as Accounting Standards.

Accounting is the means by which information about an enterprise is communicated. On the other hand, accounting standard refers to the basic framework for high quality financial reporting. Properly developed and implemented accounting standards can encourage business expansion and help regulate the economic system. High-quality accounting standards can facilitate the flow of information from businesses to a range of different users. These include investors, banks, creditors, the revenue commissioners, regulators, employees and the general public. The availability of accounts prepared in accordance with recognized accounting standards encourages trade by promoting confidence in businesses (Oireachtas Library and Research Service, 2010).

The increased globalization of capital markets has resulted in a need for international accounting standards. In an increasingly globalized world, it is clear that financial statements of companies operating under different accounting regimes are not comparable. This was the factor that was leading up to the development of a uniformly applicable international accounting standard whose stated objective is the development of a single set of high quality,

understandable, enforceable and globally-acceptable International Financial Reporting (Apostolos et.al, 2010).

2.1.2 What is International Financial Reporting Standard (IFRS)

International Financial Reporting Standard is a framework that was developed by International Accounting Standard Board (IASB) in the year 2001 to establish recognition, measurement, presentation and disclosure requirements relating to transactions and events that are reflected in the financial statements.

According to Parvathy (2017), IFRS are high quality, understandable, enforceable and globally acceptable accounting standards issued by IASB. Meanwhile Kumar (2014) defines IFRS as a set of standards, interpretations and the framework for the preparation and presentation of financial statements set and adopted by the International Accounting Standards Board.

Thus, this is, a set of international accounting standards stating how a particular type of transaction and other events should be reported in the financial statements. The ultimate goal of issuing these standards is to achieve a single set of high quality, common accounting standards that is practiced all around the world so as to facilitate transparency of financial information.

2.1.3 Historical background of IFRS

The first move towards accounting standards convergence can be traced back to 1966 when the Accountants International Study Group (AISG) was proposed to be formed by the professional accountancy bodies in Canada, the United Kingdom and the United States in order to develop comparative studies of accounting and auditing practices.

Subsequently, the AISG was founded in 1967. After discussions and approval by the three AISG countries and representatives of professional accountancy bodies in Australia, France, Germany, Japan, Mexico and the Netherlands, the International Accounting Standards Committee (IASC) was established in 1973 with the aim of issuing a single set of high quality and globally accepted International Accounting Standards (IASs). Between the years 1973-2000, the IASC issued 41 International Accounting Standards (IASs). In 1997, Standing Interpretations Committee (SIC) was established to consider continuous accounting issues. In 2001, the International Accounting Standards Board (IASB) was established to replace IASC

and subsequently to take responsibility of issuing International Financial Reporting Standards.

International Financial Reporting Standards are the key elements of economic reporting infrastructures that provide standardized format for reporting economic gains and losses. Since January 1, 2005, the European Union has mandated all listed companies in the European Union to produce their financial statements in accordance with International Financial Reporting Standards (IFRS). Subsequent to European Union regulation of the adoption of IFRS in the listed companies of the EU member countries, the global financial reporting system has been transformed significantly with unprecedented number of countries and enterprises around the world adopting international financial reporting standards as a basis for the preparation of financial statements (UNCTAD, 2008).

2.1.4 The need for and benefits of Adopting/Convergence to IFRS

The goal of financial reporting is to make information available for decision-making. Diversity in financial reporting in different countries arises because of the differences in legal systems, tax systems and business structures. The IFRS is intended to harmonize this diversity by making information more comparable and easier for analysis, promoting efficient collaboration of resource and reduction in capital cost (Demaki, 2013).

According to Parvathy (2017), following are some of the factors that necessitate adopting or converging to IFRS:

- to make a common platform for better understanding of accounting;
- to create comparable, reliable and transparent financial statements;
- to synchronize the accounting standards across the globe;
- to increase and improve foreign investments;
- to increase the industrial growth; and
- to remove information flow barriers.

Convergence to IFRS is driven by several factors, including the belief that having a single set of accounting requirements would increase the comparability of different entities' accounting numbers, which will contribute to the flow of international investment and benefit a variety of stakeholders (PricewaterhouseCoopers, 2007).

KPMG (2008), indicated some of the benefits that are attached to adopting/converging to IFRS as ensued:

- Improved management information for decision making;
- Better access to capital, including from foreign source;
- Reduced cost of capital;
- Ease of using one consistent reporting standard in subsidiaries from different countries;
- comparison of similar enterprises across countries;
- Facilitated mergers and acquisitions; and
- Enhanced competitiveness.

2.1.5 Approaches to IFRS Adoption/Convergence

According to Hibbard II (2012), there are two approaches to adopting IFRS: the staggered approach and the big bang approach. The staggered approach, as its name suggests, implements accounting standards over a number of years. On the other hand, the big bang approach supports an instant implementation of the new standards on a predetermined date. While both methods have many benefits and detriments, they should be closely examined to determine the most effective method of adopting the IFRS while minimizing costs and reducing risks.

The staggered approach to IFRS adoption supports implementing the new standards over a period of time, leading to less misstatements of financial information and allowing companies more time to adopt the changes as they come. This should leave companies more prepared to report financial information accurately and let them allocate costs more efficiently over a number of years. However, this method could also lead to confusion among investors. With a mix of GAAP and IFRS standards on financial statements, investors will have difficulty comparing financial statements from year to year, as well as understanding what methods are currently being used. This method could potentially hurt companies trying to raise capital because investors will lose confidence in the financial reporting for the current period. Moreover, this method could prove to be more costly than the big bang approach. While the big bang approach forces companies to incur a large, one-time adoption expense, the staggered approach lets companies allocate their costs over future periods. While this seems conceptually ideal, a long adoption period with many unforeseen risks could leave companies spending money on training employees and updating supporting systems for years to come.

In the long run, these expenses could add up to be more than the one-time expense incurred under the big bang approach.

The big bang approach supports a “light-switch” method of adopting IFRS. Companies will be required to start reporting in IFRS on a set date, and expenses will be incurred in a shorter amount of time. While instant adoption seems more risky, in practice it would most likely cause fewer problems than the staggered approach. For example, the European Union used the big bang approach during its mandatory adoption in 2005. Because individual countries in the European Union were allowed to adopt the standards differently, many problems occurred during the transition. These problems can easily be avoided with a proper lead time for companies to prepare for the adoption. During this long lead time, companies will have the opportunity to start allocating the expenses association with adoption earlier than with the staggered approach.

Moreover, countries could offer an early adoption option, allowing companies to start reporting in IFRS before the mandatory date. Early adoption can allow companies to allocate expenses over an even longer period of time, and it also gives companies an opportunity to catch mistakes before financial statements are released publically. By implementing the standards using a big bang approach with a long lead time and option to early adopt, a country can minimize risks during the adoption and avoid a drawn-out, expense transition.

2.1.6 Prospects of IFRS implementation

It is sensible to make a careful preliminary assessment and a cost/benefit analysis of whether or not under the particular circumstances, an adoption of IFRS would be desirable and also examine different scenarios concerning timing of adopting IFRS. The number of companies which elect to adopt IFRS is growing and this is because IFRS reporting offers a wide scope of benefits (Kumar, 2014). The author specified some examples of these benefits in the following manner:

- IFRS significantly improves the comparability of entities and provide more consistent financial information;
- IFRS are accepted as a financial reporting framework for companies seeking admission to almost all of the world’s stock exchanges;
- The enhanced comparability of the companies’ financial information and the improved quality of communication to their stockholders, decrease investor

uncertainty, reduce risk, increases market efficiency and eventually minimizes the cost of capital;

- IFRS eliminates barriers to cross border trading in securities, by ensuring that financial statements are more transparent;
- Management reporting for internal purposes under IFRS, can improve the quality and consistency of information that management needs in order to make effective, efficient and timely decisions for the business;
- IFRS adoption may be used as a chance to make some strategic improvements to the finance systems and processes as well as to reduce costs in the longer term;
- IFRS financial statements that are universally understood and comparable can both improve and initiate new relationships with customers and suppliers across national borders;
- Because of the positive effect IFRS financial information has on credit ratings, a company's position strengthens in negotiations with credit institutions and cost of borrowings are reduced;
- IFRS can also result in more accurate risk evaluations by lenders and to a lower risk premium. It also helps companies to take advantage of alternative forms of finance; and
- In the case of groups, it removes the need for individual companies to prepare two set of financial statements, if all individual companies in the group apply IFRS. It also allows multinational groups to have a common accounting language, thereby improving management reporting and decision making.

Parvathy (2017) further indicated some of the prospects of implementing IFRS to a country as ensued:

- **Better access to global capital markets.**

As a result of global expansion, or so-called globalization, along with the growth and expansion, of course, countries need funds from cheaper sources. Convergence to IFRS helps a country firms to procure capital from abroad.

- **Better cross border listing.**

As firms acquire funds for their major expansion plans from outside the boundaries of their origin, it is imperative for them to follow IFRS. Thus, by following IFRS it becomes easier for the companies to be listed abroad.

- **Elimination of multiple reporting.**

Convergence to IFRS ensures elimination of multiple financial reporting by firms by following a single set of International Financial Reporting Standards.

- **Better quality of financial reporting.**

IFRS are high quality, understandable, enforceable and globally acceptable accounting standards. Adoption to IFRS will result in better quality of financial reporting due to the consistent application of Accounting Principles and thus improves the reliability of the financial statements.

- **Easier global comparability.**

As we know IFRS are becoming the global language for financial reporting. With the adoption of IFRS by firms the comparison becomes easier. Investors, bankers, lenders and other stakeholders also find it easier to compare the financial statements following the same reporting procedures.

- **Improved cross border investments.**

The adoption to IFRS improves the cross-border investments by enhancing the comparability of financial statements prepared anywhere in the world.

2.1.7 Challenges of IFRS implementation

As in the case of two sides of a coin, along with prospects implementing IFRS will also bring challenges for implementers (Parvathy, 2017; Kumar, 2014). These include:

- **Training.**

Lack of training and academic knowledge in IFRS is one of the challenges of implementing IFRS. Thus, adequate training should be given to the stakeholders such as Chief Financial

Officers (CFO), auditors, tax authorities. Then only it can be uniformly understood and consistently applied.

- **Awareness.**

The adequate knowledge about IFRS is still limited to few numbers of people. Most of the stakeholders like firms, shareholders, exchanges etc. are not aware about the same. Such lack of awareness about these standards is one of the major challenges faced by an implementing country.

- **Amendments in Regulations.**

In order to adapt to IFRS, we need to amend our existing rules and regulations which are different from IFRS, adequate changes must be made in order to follow IFRS. Thus, legal constraints are the major challenges that would be faced.

- **Use of fair value measurement base.**

IFRS uses fair value base to measure majority of items in the financial statements. The use of fair value accounting can bring a lot of volatility and subjectivity in financial statements, e.g.: it would increase volatility in reported earnings and related performance measures such as Earnings per Share, Price Earnings Ratio etc. Thus, fair value (reflecting the true worth of assets) results in gains or losses which are reflected in Profit and Loss accounts.

- **Financial reporting system.**

Every country has its own system of financial reporting. However, we need to amend the same to suit the requirements of IFRS. The information systems should be designed to capture new requirements related to fixed assets, segment disclosures, related party transactions etc.

- **SME concerns.**

Scarcity of resources and lack of expertise with Small and Medium-sized Enterprises (SME) act as a barrier for the process of convergence to IFRS. As far as SME are concerned, cost would surpass its benefits as a result of convergence with the IFRS. Hence, it acts as a challenge.

- **Change in IT Systems.**

Financial accounting and reporting systems must be able to produce robust and consistent data for reporting. The system must be capable of capturing new information required for disclosure such as fair values of financial instruments, related party transactions, segment information etc.

2.1.8 Country Experiences and Lessons Learned

United Nations Conference on Trade and Development (2008) has made a case study on eight countries that included Brazil, German, India, Jamaica, Kenya, Pakistan, South Africa and Turkey. The study was conducted with the intention of assessing the practical implementation of International Financial Reporting Standards in the respective country and draw lessons accordingly.

In general, a review of the case studies shows that 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. However, results indicated that there are various lessons that countries need to learn in order to benefit fully from the introduction of IFRS in their jurisdictions. These included:

a. Effective coordination and communication of IFRS transition plan

The transition plan to IFRS and its implications for preparers, users, educators and other stakeholders has to be effectively coordinated and communicated. Preparers, users, regulators, professional accountancy bodies and educators need to be engaged in the planning of IFRS, as well as the implementation. 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.

b. Level of Preparedness to Adopt IFRS

The implementation of IFRS requires considerable preparation both at the country and entity levels. Undertaking the necessary tasks to ensure coherence and clarity will require considerable resources and time. The cost of staff training, updating information technology systems and arranging for external advice in preparation for the implementation of IFRS could be significant and needs adequate consideration.

c. Defining the Scope of Application of IFRS

The transition plan needs to define the scope of application of IFRS clearly with respect to the size and type of entities, as well as defining clearly whether IFRS will apply for the

preparation of consolidated and separate financial statements. The case studies show that SMEs encounter serious difficulties when they are required to apply IFRS to prepare their general-purpose financial statements. Therefore, prior to the transition to IFRS, a reporting regime for SMEs needs to be in place. It should also be clearly communicated to preparers and users.

d. Professional Accountancy Organizations readiness to IFRS

An IFRS implementation programme needs to adequately assess the state of readiness of relevant professional accountancy organizations so that the necessary resources are available to ensure competent and continuous support from such organizations. Successful implementation of IFRS needs extensive and ongoing support from professional accountancy associations.

e. Use of peer review to identify implementation difficulties

Peer review programmes among auditors are a useful oversight mechanism and provide information on difficulties encountered in the financial reporting and/or audit process. Implementation difficulties that frequently arise in the findings of peer reviews provide useful feedback on where further education programmes need to focus. In those cases where challenges are sector-specific, more focused training programmes and additional resources (such as sample audit files) could be prepared by the relevant professional association or responsible regulatory body.

f. Importance of accountancy firms for IFRS application

National accountancy firms could contribute to consistent application of IFRS, not only at the national level but also globally. Moreover, Professional accountancy bodies, preparers and users, including regulators, could provide the IASB with useful feedback, not only after standards are finalized and ready for implementation, but early in the drafting process.

g. Incorporating IFRS knowledge into university accountancy education curricula

Integrating IFRS and ISA modules into university accountancy education curricula and coordinating university accountancy education programmes with professional qualification and regulation could contribute positively to the smooth implementation of IFRS in an economy. Lack of coordination in this area could lead to inefficient management of financial and human resources, especially in situations where university programmes are supported by local or national governments as part of national human-resources-development programmes.

h. Shortage of IFRS experts and professionals

The shortage of expertise in the field of IFRS affects not only the private sector, but also regulators and other government agencies. Therefore, to discharge their oversight

responsibilities effectively, such agencies need to assess their needs for expertise in IFRS early enough in the implementation process and accordingly establish a human-resources-development programme. As IFRS change as a result amendments to existing standards or new standards being issued, regulatory agencies need to have a plan in place to keep up with the changes.

i. The need for clarification on some of the provisions of IFRS

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.

j. Avoiding disparity between local and international IFRS requirements

Discrepancies between IFRS that are in effect at the international level and those adopted at the national level should be avoided. The case studies illustrate the different approaches that countries have taken towards implementation of IFRS. However, interpretation or guidance that diverges from the general thrust of IFRS might defeat the purpose of adapting IFRS in the first place, particularly if the objective is to ultimately comply with IFRS as issued by the IASB.

k. Authorities role in enforcing consistent implementation of IFRS

Enforcement authorities play a positive role in consistent implementation of IFRS by facilitating sharing of enforcement decisions. The case studies provide good examples of how enforcement authorities, such as securities and exchange commission and financial reporting monitoring panels, could contribute to more consistent application of IFRS by sharing their findings and enforcement decisions, with a view to helping preparers to avoid incorrect application of IFRS by allowing them to learn from the experience of other preparers.

The above results were also shared by Parvathy (2017), Zakari (2014), and Demaki (2013) who undertook their study on India, Libya and Nigeria respectively. Similarly, Nobes (2011) by focusing its study on five countries including Australia, France, Germany, Spain and the UK also shared the above results of UNCITAD.

2.2. Empirical Review

Firdawok (2017) examined implementation of International Financial Reporting Standards in Ethiopia in accordance with financial reporting proclamation # 847/2014. The study investigated the prospects and challenges faced in implementing International Financial Reporting Standards by Ethiopian firms.

The paper provided insight into the IFRS adoption process based on a questionnaire sent to Authorised Accounting and Auditing professionals in Ethiopia. Findings from the survey showed that: (1) majority of respondents have indicated IFRS Enforcement capacity will be a key challenge for transition; (2) the process is costly, complex, and burdensome; (3) Institutional readiness require more attention for transition to IFRS; (4) the more comprehensive the approach to conversion, the more respondents tend to agree with the factors influencing the transition; (5) the complexity of IFRS as well as the lack of implementation guidance and uniform interpretation are also key challenges in technical capacity area; the results of the questionnaire and interviews confirmed that, the transition to IFRS in Ethiopia will be challenging. The study also discusses the prospect of IFRS implementation in Ethiopia and the result showed that the transition plan to IFRS and its implications for preparers, users, educators and other stakeholders has to be effectively coordinated and communicated.

Alemgena (2016) examined the adoption of International Financial Reporting Standards, its benefits and challenges as adopted in Heineken Brewery Company. Three research questions were developed and tested in this study. The first question was to understand the practical benefits of adopting IFRS for a company. The second question was to understand the challenges on the process of adopting IFRS and the third question was to identify the importance of adopting IFRS. The study used document analysis and questionnaire as a data collection tools. The questionnaire was distributed to finance officers and accountants working in the studied company. The response from the questionnaire data were analysed using descriptive statistics.

The results of the survey revealed that IFRS should have been implemented earlier in Ethiopia due to the greater benefits it has compared to the associated problems. On the other hand, it was also found out that companies which were using IFRS in preparing their financial reports were not applying all the standards. In other words, there is a serious compliance problem with IFRS implementation in Ethiopia.

It was also learnt from the study that adoption of IFRS has also the benefit of delivering a more transparent financial statements for a company which in turn reduce the agency problem between management and shareholders as increased transparency causes managers to act more in the interests of the shareholders. Adoption of IFRS would also significantly

reduce cost of capital of firms through lower cost of information, reduction in bad earnings management, greater marketability of shares, and reduced information asymmetry.

The main challenges in the process of adopting IFRS included significant cost of adoption of IFRS, need for training, the complex nature of some of the IASB's standards and the lack of adequate implementation guidance. This lack of guidance creates risks for different local or national interpretations of IFRS and increases the risk for manipulation in interpretation of financial statements.

Other key challenges included increased volatility of earnings, tax driven nature of previous standards and problem with IFRS use of fair value accounting. IFRS use of fair value accounting instead of historical cost is considered as a challenge because some conditions in developing countries like Ethiopia are not favourable for implementing fair value accounting such as achieving observable market prices and accurate estimates of liquid market prices due to less perfect market liquidity.

A study by Yitayew (2016), attempted to examine the IFRS adoption process in Ethiopia with a view to explaining how the state, i.e., the Ethiopian government, other national actors and the transnational forces interacted in establishing the Ethiopian financial regulatory landscape as antecedent to IFRS adoption and subsequent implementation.

The researcher employed a qualitative research approach based on evidence collected through semi-structured interview and review of documentary evidences. The study illustrated that the IFRS adoption in Ethiopia is the result of the translation processes involving the actor-networks of the state, accounting, professionals, the private sector and international financial institutions while the state, i.e., the Ethiopian government, played a management and mediating role of the translation processes in the context of promoting macro-economic management rationales of enhanced financial reporting supported by IFRS. The study showed that while the Ethiopian IFRS adoption experience illustrates the macro-economic rationale driven nature of IFRS adoption, the rationales and the processes of translating the idea into Ethiopian context illustrates the socially constructed nature of IFRS adoption. This study suggested that more resources and stakeholders need to be coordinated by AABE to build the capacity of preparers in terms of IFRS reporting practices to achieve the IFRS implementation strategic objectives. It also proposed that self-regulated, independent and strong professional body needs to be established as soon as possible. Moreover, the study

indicated that the concerned stakeholders need to design and incorporate IFRS education in the curriculum as soon as possible to meet the IFRS implementation strategic objectives.

Eyob (2017) undertaken a study with a main objective of assessing the adoption, challenges and benefits of (IFRS) in case of Commercial Bank of Ethiopia. The study used both primary and secondary sources. The primary data was collected through predesigned questionnaires and secondary data was collected from the Bank report, scientific papers and proceedings relevant to the study using document, annual financial reports, proclamations and regulations that deal with financial reporting issues by the bank that deal with financial reporting issues in Ethiopia. The study found out that commercial bank of Ethiopia have started using IFRS voluntarily for the preparation of its financial statements without making necessary awareness but nationally; IFRS is adopted officially in December 5, 2014 through enactment of the relevant proclamation.

Another study by Solomon (2016) examined the adoption and implementation of International Financial Reporting Standard (IFRS) in Ethiopia. Using a sample of 20 firms selected from regulatory bodies, commercial banks, insurance companies and auditing and accounting firms. The researcher used both primary and secondary data collection methods. Primary data were collected using questionnaires and interview while secondary data were gathered through reviewing documents, manuals, websites and books. The study adopted statistical analysis (correlation and Chi-Square) and descriptive statistical tools to present findings. The study findings indicated that lack of implementation guidance framework, lack of training and GAAP based academic curriculum and lack of unity among all stakeholders were some of the major challenges of adopting IFRS. Meanwhile, the study indicated that adoption of IFRS will increase transparency of financial report, improve efficiency of financial report, makes external financing easier, promotes cross border investment and improves the credibility of the accounting professional in Ethiopia.

Zakari (2014) investigated the challenges that face implementation of International Financial Reporting Standards by Libyan firms. A questionnaire was used to collect data regarding the effect of some selected challenges on IFRS adoption in Libya. The results of the study indicate that IFRS adoption by Libyan companies has faced some obstacles such as weakness of professional accountancy body, lack of an independent oversight body, inconsistency of existing laws and regulatory frameworks of accounting, Lack of technical skills and

inadequate knowledge of professionals, and weak accounting education as well as training of relevant professionals.

Demaki (2013) conducted a study with the objective of assessing the prospects and challenges of International Financial Reporting Standards to Economic Development in the context of Nigeria. The study used rational utility maximization as its theoretical foundation. Results of the study indicated that IFRS will position Nigerian companies in the global market place as well as ensure transparency, accountability and integrity in financial reporting in Nigeria which is a prerequisite for the attraction of investment that will promote economic development. It will provide international investors the ability to make well-informed, useful and meaningful comparison of investment portfolio in Nigeria and other countries. Multinational companies with the aid of IFRS financial statement provide for easy consolidation of financial statements. It promotes better management control systems.

IFRS statements are easier to comply with the financial requirements of overseas stock. It also facilitates ease of cross border transactions and trading within the region through common accounting practice especially in underdeveloped regions of the world like the Economic Community of West African States (ECOWAS). It will help to facilitate compilation of meaningful data on the performance of enterprises within the ECOWAS and other regions of the world. It will assist Nigeria, the federal and state government, local governments inclusive, in attracting international investors as the adoption of IFRS financials promotes easy monitoring of overseas investments. Transparency and better accountability in government Ministries, Departments and Agencies will be promoted through the IFRS adoption in the public sector accounting and management of resources. It will also lead to increase in government revenue as a result of transparency and integrity in reporting. Easier access to capital is also facilitated through IFRS.

Despite the aforementioned envisaged benefits, the study pointed some challenges that are attached to implementing IFRS in Nigeria. These included the urgent need to improve the level of public awareness especially among investors and regulatory authorities in Nigeria. There is also the challenge of chronic shortage of professionals that are competent to implement the IFRS within the given time frame as contained in the Nigerian roadmap for its adoption.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

In this section the researcher demonstrated the methodology which it used for this paper. The section presented the research design, the type of data and its source, the target population and the sample, data collection and analysis methods that were employed by the researcher in the study. To begin with, this chapter started with a brief overview and description of the study area and organization.

3.2. Research Approach and Design

The general objective of this study is to investigate the prospects and challenges of IFRS project in Nib International Bank. To conduct the research, a mixed research design was employed, the use of such mixed approach would substantiate and validate the finding from different data sources. The researcher used both primary and secondary sources of data. Primary data were collected with the use of questionnaires that were deployed to operational and project staff as well as interview administered to the project steering committee members. Depending on their nature, the data were analyzed using both quantitative and qualitative analysis tools. In line with this, secondary data was gathered from the Bank's concept note, AABE's adoption roadmap and other relevant proclamations. Data collected from these sources were analyzed using qualitative techniques.

3.3. Data Type and Source

3.3.1. Data Type

The study used both primary and secondary source of data. Primary sources of data were used to address all the study objectives while secondary sources of data were used to meet the specific research objective of examining the current status of the project. The data collected from primary sources had both quantitative as well as qualitative nature while those gathered from secondary sources were qualitative data.

3.3.2. Data Sources

Primary data were collected from the project steering committee and project team members as well as the Bank's operational staff through interviews and questionnaires. Meanwhile,

secondary data were gathered from documentary sources the included the Bank's concept note, AABE's adoption roadmap and the relevant proclamations.

3.4. Target population and sample

The target population in this study incorporated the project team, the project steering committee members and the Bank's concerned operational staff. The project team is composed of seven members while the steering committee comprises of three members. The study considered all these personnel in the survey.

With regard to the concerned operational staff, only those that are expected to interface with the end result of the project were considered. Accordingly, based on discussions with the project steering committee members, employees that were identified as the concerned operational staff at head office level were further stratified based on their work unit. Accordingly, staff that function under the Bank's Accounts and Finance, Treasury and Fund Management, Trade Finance, Internal Audit and Risk and Compliance Management Departments were identified as the concerned operational staff at head office level. Moreover, it was also indicated that all branch accountants of the Bank were also identified as the other concerned operational staff. Detail of the total number of staff assigned in each of the captioned work units is depicted in the ensuing table:

Table 3.1: Sample size determination

	Name of Work Unit	Number of Staff Available
1	Accounts and Finance Department	17
2	Treasury and Fund Management Department	5
3	Trade Finance Department	16
4	Internal Audit Department	26
5	Risk Compliance Management Department	7
6	Branches Accountants ¹	
	City	113
	Outlying	96
	Total	280

Given the total population of 280, the study applied the simplified sample formula of Yamane (Yamane, 1967 as cited in Israel, 2003) to determine the required sample size at 95% confidence level, degree of variability = 0.05.

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = sample size

N = Total population size

e = level of precision (0.05) based on 95 percent degrees of confidences

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{280}{1 + 280(0.05)^2}$$

$$n = \frac{280}{1.7}$$

$$n = 164.7$$

$$\underline{n \approx 165}$$

¹ The researcher used the total number of branch accounts for the quarter ended March 31, 2018.

Hence, the sample size for the operational staff of the Bank amounted to 165 operational staff which the study considered all for the survey. However, for sake of convenience in data collection, the researcher purposively selected all the 165 samples from staff assigned at head office and city branches.

In general, the total number of observations for the study aggregated to 175 which were the sum of 165 sampled operational staff, 7 project staff and 3 project steering committee members.

3.5. Data Collection Methods and Tools

The data collection method was a form of both census and sample survey. In this regard, a census was undertaken to administer the relevant data collection tools to all members of the project steering committee and the project team members. In the meantime, the appropriate data collection tool was also administered to the concerned operational staff on a sample basis. The researcher basically used three types of data collection tools which include two separate structured questionnaires that were administered to the project team members and the operational staff and one key informant interview that was forwarded to the project steering committee members. The researcher with relevant amendments has adopted one of the structured questionnaires (that is designed to collect data from the project team members) and the key informant interview from Alemgena (2016) and Yitayew (2016) respectively which made similar study endeavors in the study area.

3.6. Data Analysis and Presentation

3.6.1. Data Analysis

The study used both quantitative and qualitative data analysis techniques. Quantitative analysis techniques were adopted to analyze the primary data that were retrieved from the project team members and the operational staff.

The researcher used Excel 2016 to come up with the descriptive quantitative results such as frequencies and percentages. On the other hand, qualitative data analysis was used for data collected from the project steering committee members.

3.6.2. Data Presentation

The researcher primarily used tables and charts to present the quantitative primary data that were collected from the two separate questionnaires distributed to the project team members and operational staff.

The study also used in-depth discussions and expositions to present the qualitative data that was retrieved from key informant interviews administered to the project steering committee members.

3.7. Validity and Reliability

The validity of research is conceived as the precision or correctness of the research finding. A number of measures were taken to enhance the reliability of the research which included the use of various data collection tools such as two separate set of questionnaires that were directed to operational and project staff, key informant interview forwarded to project steering committee members, and reviews of various documentary sources. Each of the findings from these data sources were cross triangulated to ensure the validity of the study.

Furthermore, the entire research findings were extracted through due analysis and rigorous considerations. The researcher also sought consultations from experts in the professional and academic world in order to triangulate the real world knowledge, practice and facts against the findings of the study.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

The objective of this study was to investigate the prospects and challenges of IFRS adoption project in Nib International Bank. Accordingly, this chapter deals with the results of study which was based on the analysis of the data collected from the various sources of data to address the research objectives. The results of the study are discussed by triangulating different data sources results from questionnaires, interview and documentary reviews.

A total of 172 questionnaires (i.e. 165 for operational staff and 7 for project team) which dealt with the implementation of IFRS project were distributed to a sample of respondents that were identified as being affected by the project and are involved in the implementation of the project. However, only 157 questionnaires were retrieved with a frequency of 150 (response rate of 91%) and 7 (response rate of 100%) for the operational staff and the project team respectively. In addition, an interview was also conducted with three of the project steering committee members. Here again it is worth noting that all the survey respondents were located in Addis Ababa.

4.1. Current status of IFRS project in the Bank

AABE's adoption of IFRS is classified as voluntary and mandatory adoptions for which the voluntary adoption is permitted before the later adoption. Under voluntary adoptions, reporting entities are not allowed to make such unreserved reference to IFRS unless they fully comply with all the requirements of the IFRSs applicable to their circumstances. Besides reference to IFRS by reporting entities prior to the mandatory requirement date shall be considered as “voluntary” adoption and treated accordingly and such claim by reporting entities and their auditors shall be scrutinized strictly and any infraction shall be dealt with firmly.

However, mandatory adoption of IFRS according to AABE is classified in three phases: -

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

- The date for adoption of IFRS scheduled to July 8, 2017.

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

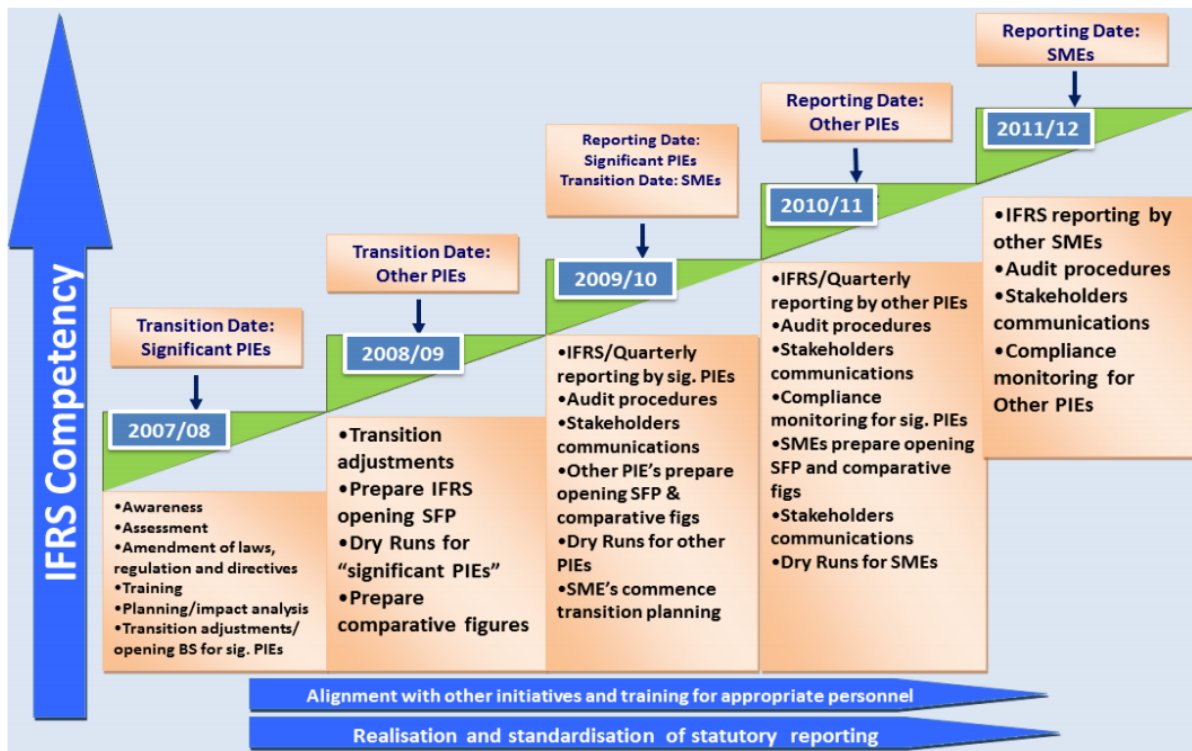
- The date for adoption of IFRS scheduled to July 8, 2018

Phase 3: Small and Medium-sized Entities

- The date for adoption of IFRS scheduled to July 8, 2019

The entire IFRS implementation road map set by AABE is presented in figure 4.1 below.

Figure 4.1: IFRS implementation Road Map



Source: Accounting and Auditing Board of Ethiopia

Based on the response of the steering committee members, the Bank by taking into account the above timeline have cascaded down its project activities into five phases as illustrated below:

Phase 1- establishment of the IFRS ad-hoc committee for the development of concept note and adoption of same by Executive Management Committee and Board of Directors.

Phase 2 – establishment of IFRS steering committee and IFRS project team.

Phase 3 – provision of various trainings to Board of Directors, Executive Managements, Directors, IFRS steering committee and project team members.

Phase 4 – project execution, monitoring and control.

Phase 5 – project closeout.

The respondents further indicated that the project is currently under phase 4 of the Bank's implementation plan and that the project is still in progress. They pinpointed some of the activities undertaken by the Bank within these four phases of the project as follows:

- Participating in awareness creation forums, workshops and seminars organized by AABE, ACCA Ethiopia, and KPMG;
- Attending trainings facilitated by different institutions regarding the topic of IFRS;
- Working with Price Water House Cooper consulting firm to expedite the project adoption process;
- Conducting Gap Analysis and Impact assessment between the existing practice and IFRS requirement;
- As the first-time adopter, making policy choice, first time adoption exemptions and exceptions; and
- Opening financial position adjustment, a task which is still ongoing.

As per AABE's implementation plan, the Bank is expected to produce its 2018 yearend financial statement through IFRS. However, all respondents from the steering committee as well as the project team shared their concern that meeting AABE's deadline with the current challenges of the project is unlikely.

4.2. Prospects (Potential Benefits) of IFRS project in the Bank

Although the Bank is yet to apply IFRS accounting standard, there are already known potential benefits to adopting this standard. In this regard, all 160 respondents were asked a series of questions to share their insight on the prospects of adopting IFRS by the Bank.

The first question that was posed to the sampled respondents was to indicate whether IFRS was more preferable than the existing accounting standard of GAAP. Accordingly, 148

(92.5%) of the respondents indicated that IFRS was more preferable than GAAP while the remaining 12 (7.5%) respondents replied that GAAP was more preferable than IFRS. Following these, the 148 respondents which indicated that IFRS was more preferable than GAAP were further asked to indicate what qualities make IFRS more convenient than GAAP. Detail of the findings is depicted here under:

Table 4.1: Features that make IFRS more preferable than GAAP

IFRS Feature	Frequency	
	Count	Percent
Full disclosure of Financial performance	148	100%
Reliability of the Financial Report	96	65%
Convenience for comparing financial reports	66	45%
Relevance of the Financial Information	57	39%

Here it should be well noted that table 4.1 was constructed based on the responses of those respondents who indicated that IFRS was more preferable than GAAP. It should also further be noted that the percentage for each response was calculated as a percentage of these 148 observations.

As demonstrated in table 4.1, out of the 148 respondents, all 148 (100%) respondents revealed that IFRS enables full disclosure of financial performance. The other potential benefit identified by the respondents with regard to IFRS was the reliability of financial reports, 96 (65%) of the respondents disclosed that financial reports produced by IFRS were reliable. On the other hand, 66 (45%) respondents indicated that IFRS convenience for comparing financial reports make it more preferable. Meanwhile, 57 (39%) of them indicated that the relevance of the financial information produced by IFRS makes it more preferable than GAAP.

Based on the above responses, we can rank the potential benefits of the IFRS project to the Bank starting from the most important in the following manner. IFRS allows for full disclosure of financial performance of the Bank, it will enhance the reliability of the financial reports produced by the Bank, it will ensure the comparability of the Bank’s financial reports with other entities financial reports produced by IFRS and it will enhance the relevance of the financial information provided by the Bank.

Due to their technicality, questions that are associated with identifying the potential benefits of the project once operationalized were forwarded to the project team members. The resulting findings from the respondents indicated that IFRS makes external financing easier and benefits the Bank by improving growth in international business.

The project team members also pointed that the IFRS project will benefit the Bank by enabling greater effectiveness of the Bank's internal audit. This finding is plausible given the relevance and reliability of financial statements produced by IFRS. When asked whether IFRS benefits the Bank by reducing the cost of capital. Six of the respondents indicated that IFRS will lower the Bank's cost of capital while the remaining one respondent gave a neutral response.

Finally, all of the project team members indicated that the project will create an economic prospect for the accounting professionals within the Bank and the market in general. This finding is also likely given the limited number of certified accounting professionals and the dearth of IFRS professionals in the Market. The above findings were consistent with the findings of Parvathy, 2017; Alemgena, 2016; Solomon, 2016; Kumar, 2014; Demaki, 2013; and KPMG, 2008. These entities suggested in their respective studies that IFRS makes external financing easier, improves growth on international business, enhances the effectiveness of the audit function, reduces cost of capital and brings improved economic prospect for the accounting profession.

Moreover, the project steering committee members were also asked to discuss on some of the anticipated benefits of the project during and post implementation. Some of the identified potential benefits included:

- **Initiation of new thinking:** IFRS demands progressive thinking which creates the potential for continuous organizational and individual learning among employees of the Bank;
- **Professionalism:** IFRS allows for the possibility of creating world class professionals acquainted with enriched IFRS knowledge and experience. Hence, this would create an opportunity for the Bank employee to be equipped with work experience that can be acceptable elsewhere in the world;
- **Smooth correspondent relationship:** with the current stringent compliance requirements, IFRS allows the Bank to sustain as well as establish correspondent relationship with its existing and new correspondent banks;

- **Redefining the work process:** for instance, the credit granting process will be rejuvenated and credit appraisal and approval decisions will be made based on a financial statement that is relevant and reliable; and
- **Fair presentation of financial conditions:** When the inevitable secondary market is introduced in the country, IFRS would help the Bank as well as investors to get real picture of the financial condition of a particular business of investment interest. Moreover, IFRS could also safe guard the country from sustaining financial crisis which as a recent experience occurred in the world a decade before.

4.3. Challenges of IFRS project in the Bank

The implementation of IFRS is bound to timetable that ought to be abided by any entity that wishes to be IFRS compliant as per AABE's adoption roadmap. For this reason, there will be numerous challenges the Bank will confront and needs to overcome if it is to successfully complete the project within the set timetable.

With this intention, the project steering committee and project team members were asked of a serious of questions that helps in identifying some of the challenges encountered by the Bank's IFRS project. For ease of presentation, the findings and results from the respondents are summarized with the following themes:

4.3.1. IFRS knowledge gap and lack of benchmarking

All three of the steering committee members were asked of what were the challenges faced by the Bank while adopting the IFRS project. Each of the respondents indicated that knowledge gap was the major bottleneck in the implementation process. One of the respondents pointed that there was a prevalent knowledge gap among various stakeholders of the project that included regulators, implementers, users, academics, and professionals. He indicated that the statutory organ AABE was also not immune from such problem. Due to this it was difficult to find the required knowledge and guidance towards IFRS especially at the project kick off.

Another respondent further indicated that there was no prior experience with regard to IFRS implementation within financial institutions in the country. Due to this problem, he further elaborated that banks were not able to find any benchmark to take experience from while executing the project. This in turn has resulted in a knowledge gap among implementing banks. Same respondent also posited that one of the major reason for such knowledge gap

was attributed to the fact that all accounting professionals and graduates in the country were educated with curricula that was based on GAAP which has created the knowledge gap towards IFRS.

Adding to the above proposition, the respondent also pointed that the absence of prior experience and the accompanying knowledge gap has forced the Bank to make decisions mainly based on intuition and common sense which has put the quality of the project activities at stake.

A series of questions were also forwarded to the project team members with the intention of identifying the existence of knowledge gap in the project area. The first question forwarded related to identifying on the existence or lack of IFRS implementation guidance. Accordingly, all seven project team members pointed on the fact that there is lack of IFRS implementation guidance from the concerned organ/s. This concern is also shared by the project steering committee members. One of the respondent from this committee indicated the lack of guidance from AABE as saying:

“There is a serious competence problem from the side of AABE. The people assigned to guide and regulate the whole adoption process has knowledge of IFRS that is almost equal to or less than the implementing banks.”

Another member of the steering committee also posed that AABE was not equipped with the necessary knowledge regarding IFRS. The respondent further indicated that although AABE in its adoption roadmap document, pointed that it will work hard in the organization of a series of workshops and training programs as well as the establishment of IFRS Training Centre, the actual results were however minimal in this regard. As a result, the Board was not able to give the expected and desired guidance and assistance to the implementing banks. The respondent also raised the issues associated with the establishment of the Board and its impact on the provision of the expected and desired guidance to the implementing banks in the following manner:

“It should also be noted that AABE was established after the proclamation was introduced and that its establishment could be better described as the chariot before the horse. The Board did not take the time to enrich its knowledge towards IFRS before beginning to discharge its duty. For this reason, there were instances whereby AABE itself took experience from the implementing banks. In addition, most of its experts left the

organization and joined banks which created critical shortage of professionals within the organization.”

In conjunction with the first question, the project team members were also asked to reflect their opinion regarding the presence of training institutions in the market. All seven respondents revealed that there is lack of training institution for effective IFRS adoption. This response is also shared by the three members of the steering committee.

The non-inclusion of IFRS courses in higher institutions course curricula was the other factor in which all project team members agreed to as causing the knowledge gap in the project area. One of the respondent from the steering committee members while responding to this issue pointed that:

“It is entirely impossible to find professionals with adequate knowledge in IFRS within the market. Due to this the Bank has to incur huge training cost to capacitate its existing and new employees in relation to IFRS as all accounting professionals in the country were thought with a curriculum that was based on the GAAP accounting standard.”

When asked of the issue of proper instruction and follow-up from regulatory bodies, all seven project team members agreed that there is such challenge to the project that comes as a result of same cause. In line with this response, three of the project steering committee members also agreed that there is lack of instructions and follow-up from AABE, NBE and other concerned organs with regard to the implementation of IFRS in the Bank.

The above results agree with the findings of Parvathy, 2017; Firdawok, 2017; Alemgena, 2016; Solomon, 2016; Yitayew, 2016; Zakari, 2014; and Kumar, 2014. All authors indicted that one of the challenges to IFRS was knowledge gap that is demonstrated through lack of guidance, instruction and follow-up from the concerned organ/s, lack of training institutions and non-inclusion of IFRS in national accounting curricula.

4.3.2. Shortage of qualified professionals

The success of IFRS project will depend on the people involved (Accounting and Auditing Board of Ethiopia, 2016). With this premise, the project steering committee and project team members were asked to reflect on this issue.

Accordingly, all seven respondents agreed that there is acute shortage of qualified professionals in the market. In the same vein, the steering committee members also shared the concern of the project team members. One of the respondents pointed that:

“If you look in to our neighboring Kenya, there are more than one hundred thousand ACCA certified professionals in the country. When you come to Ethiopia, there are no more than five thousand ACCA professional in the country which are scattered along various sectors in the economy. As a result, it is entirely impossible to find professionals with adequate knowledge in IFRS within the market.

Furthermore, as recent experience suggests there is unethical skilled manpower hunting within the industry for people with ACCA certification and IFRS experience. Consequently, the Bank is incurring huge hiring cost in order to attract such experts.

To overcome this issue, the Bank is currently providing intensive training to its existing and new employees in relation to IFRS. However, this won't be a lasting solution as training mainly focus on the provision of theoretical knowledge to the subject. However, it would be difficult to develop the subject through practical experiences in trainings that are provided within training rooms. Hence, the trained staff will still lack the desired practical experience that is mandatory for discharging its expected duties.”

Another member of the steering committee pointed the absence of professional institutions as one of the major reason for the shortage of qualified professionals in the market. He indicated that:

“Since no work has been done to have well-organized professional body, as the existing ones are only a group of professionals, the accountancy professions fail to contribute what it was purported to contribute for economic growth and development of the country.”

This result gained support from the findings of Alemgena (2016); Zakari (2014); and Demaki (2013). Each works revealed that shortage of qualified professional was one of the challenges for the adoption of IFRS.

4.3.3. High cost of implementation

Although IFRS adoption is a regulatory imposed requirement that ought to be complied with on or before the statutory deadline, the huge cost of adopting IFRS was one of the major challenge for the Bank with regard to the implementation project. In this regard, the project

team members when asked of whether adoption of IFRS was costly or not, all agreed that adoption of IFRS is costly to the Bank.

Meanwhile, the project steering committee members also acknowledged that IFRS adoption was an expensive endeavor to the Bank. One of the committee members gravely discussed the costs attached to the project in such a manner:

“We acknowledge that the adoption of IFRS is to the benefit of the country in general and the Banking industry in particular. But the sudden jump into the adoption of IFRS has hurt the Bank in many ways. The major area of impact was its cost implication to the Bank. It should be well noted that the cost incurred by the Bank for its IFRS project was not a onetime cost. It was rather composed of cost items having recurring nature and requiring huge expenses. These costs included training and retraining costs, system upgrading costs, advisory costs, work process improvement costs and so on.”

The above results were also supported by the findings of Firdawok (2017) and Alemgena (2016) who also posited that the high cost of implementing IFRS was one of the challenges of implementing IFRS for Ethiopian institutions.

4.3.4. Absence of mandatory infrastructures

The successful adoption of IFRS heavily rely on the availability of various infrastructures. In cognition of this, the sampled respondents were also asked to indicate on the importance of some mandatory infrastructures to the project.

All project team members placed undue importance to availability of valuation experts to the project success. As per their response, all seven respondents strongly agreed and stressed that lack of valuation experts in the market can significantly prohibit the adoption project success. This response was shared by the three steering committee members. One of the respondent indicated that there are only two certified asset valuers in the market which makes the asset valuation task tiresome and time consuming.

Similarly, the seven respondents indicated that problem with IT system in handling the transition to IFRS will strongly affect IFRS adoption success. The steering committee members also pointed that problem with IT systems could significantly affect the IFRS project. One of the respondent stressed that:

“One of the major challenges we are facing in the IFRS adoption are the current CORE banking solution. The Bank’s existing CORE system T-24 is not IFRS compliant.

To set the tone clear, IFRS requires that all financial receivables, in our case loans and advances needs to be treated using effective interest rate in order to comply with IFRS requirements. However, the existing version of T-24 that the Bank is using is not capable of performing effective interest rate by itself. To solve this issue, the Bank is in the process of upgrading its CORE system to R-17 so that it can accommodate IFRS module. But the upgrade process is taking far too long than anticipated brining adverse impact on the project timeline.”

The other mandatory infrastructure with regard to IFRS adoption was the absence of structured secondary market in the country. All of the project team members stressed that the absence of such market in the economy had brought about a serious challenge to the adoption project. To provide more vivid picture of the importance of the secondary market, the project team members were also asked to indicate how important is the use of fair value accounting to the project success. Accordingly, six of the respondents pointed that difficulty and problems associated with IFRS use of fair value accounting has very important contribution in prohibiting the project success.

While giving response to same question, the steering committee members also pointed that absence of secondary market could hinder the success of the project. One of the respondent further revealed the importance of secondary market and its impact on the project as ensued:

“It is a mere fact that IFRS is based on the fair value principle. Hence, the presence of such secondary markets could have helped the financial industry in determining the market value of various assets in the absence of valuation experts. However, as there is no secondary market in the country as well as adequate certified asset valuers, determination of fair value of assets has become a serious concern to the project.”

These results agree with the findings of Alemgena (2016) who also suggested that the absence of valuation experts, structured markets and problems in Information Technology were the major challenges of IFRS adoption.

4.3.5. Disparity between existing laws and IFRS requirement

Unless existing laws such as the income tax proclamation and other prevailing accounting practices are converged to the extent possible with IFRS, production of statements prepared in line with the provisions of IFRS will become a complicated task.

In this context, the project team members were asked to indicate on the level of importance of the inconsistency of the tax standard to the project success, findings suggested that four of the project team members believe that inconsistency in the tax standard is important in determining the project success. To the contrary, one of the respondents believe that inconsistency in the tax standard has no importance in determining the IFRS project success. Last but not least, the remaining two respondents gave a neutral response.

Same question was posed to the steering committee members. All three respondents indicated that there is a big disparity between existing laws and IFRS requirement not just with the tax laws but also with other governing laws. One of the respondents unveiled that most of the regulatory organs such as National Bank of Ethiopia, Ethiopian Revenue and Customs Authority, Ministry of Trade and other concerned organs did not revisit and revised their various governing proclamations, directives and guidelines based on IFRS requirement. The respondent further disclosed that most of NBE directives are not amended in due course taking into account the adoption of IFRS in the country. This irregularity on the other hand will create hassle in the work process at the later stage of the project operationalization and might even cause the Bank to be non-compliant to some NBE directives or even IFRS requirements.

This finding was consistent with the results of Parvathy, 2017; Alemgena, 2016; Zakari, 2014; and Kumar, 2014 who indicated that disparity between existing laws and IFRS requirement are the major bottlenecks for IFRS implementation.

4.3.6. Absence of a holistic approach to project management

The major challenge that was identified by the project steering committee members was the Bank's failure to adopt a holistic approach to project management. More importantly, one of the respondents shared its concern that if the IFRS project does not meet the scheduled regulatory deadline, one of the major reasons for such incompliance would be attributed to the Bank's failure to adopt a well-structured system of project management. The respondent elaborated its response in the following manner:

“To begin with the Bank did not prepared a detailed and carefully thought out project plan before the project kick off. The Bank until now has no documented project charter. Not only this, the bank among others did not come up with a communication plan detailing how communication will be handled among the various stakeholders of the project. Besides biweekly meetings to discuss the project progress, there was also no well-established project monitoring system to monitor activities and quality of work. There was also an issue in the continuity of the project staff. The Bank did not also give undue importance to the change management effort that should surface after the project operationalization.”

The absence of such holistic approach to project management has also posed a problem with the project contract administration. That is, there was a loophole in the contract signed with the consultant, PWC. The contract signed between the consultant and EBA limited the provision of consultation based on the active standard prevailing during the contract signing. However, currently IFRS has been upgraded to IFRS 9 while the consultant will help us to adopt IFRS based on the prior version of IFRS. When signing the contract, member banks did not leave a room for negotiating the possibility of getting support from the consultant in the event of such changes in the project.

This problem merely occurred as a result of the absence of prior similar experience with regard to IFRS. For this reason, Banks represented by EBA did not know how to interface with the consultant. This gave an upper hand to the consultant thereby allowing it to ask for additional payments whenever additional tasks are requested beyond what was specified in the statement of work. Consequently, there is a possibility for banks to pay additional sum to the consultant for the adoption of IFRS 9.

4.3.7. Loss of commitment to the project

Three of the steering committee members also disclosed that there was loss of commitment to the project from the side of the Bank’s Executive Management later in the project execution. The respondents further revealed that although the project was launched with seven project team members, the project quite recently lost two of its members as these staff were forced to abandon their IFRS role and shift to another project which they were assigned by the Executive Management.

In addition, the respondents also indicated that the project team has lost its attention and commitment to the project. Even though all project team members were assigned in the

project on a full-time basis, some has returned to their normal functional structure. This coupled with the aforementioned two project staff that were relocated to other projects has depleted the number of active project team members. This, on the other hand, overburdened the remaining team members by creating work stress and signaling negative implication to the project schedule due to the reduced work efforts. These decisions clearly indicate that the required and expected level of prominence was not provided to the IFRS project by the Bank's Management.

4.3.8. Resistance to change

Last but not least, the project steering committee members also pointed the challenge which they anticipate to strike the Bank's IFRS project once the project went live is the issue of resistance to change. The respondents indicated that there would be resistance to the adoption of IFRS from both within and outside the organization. This is likely to occur in due consideration of organizations who are benefiting from or comfortable with the existing non-enforced and non-regulated accounting and auditing system in the country. The respondents also shared their concern that senior staff of the Bank who were working with the GAAP standard for long period of time might show reluctance to shift to IFRS and that they may use their knowledge to the dismay of the implementation process.

In summary, the above findings indicate that IFRS knowledge gap and lack of benchmarking, shortage of qualified professionals, high cost of implementation, absence of mandatory infrastructures, disparity between existing laws and IFRS requirement, absence of a holistic approach to project management, loss of commitment to the project and resistance to change were the major challenges encountered by the Bank IFRS adoption project.

4.4. The Readiness Process

According to Lutchman (2011), a project's readiness is composed of three components of people, process and system readiness. With this premise, the project steering committee members were asked to identify some of the factors that were affecting the project implementation so far. Their responses are summarized as follows:

- a. Lack of proper training to all stakeholders of the project;
- b. IT issues especially the upgrading of the existing CORE system to accommodate the IFRS module; and

- c. The consultant's late response for some critical issues raised by the project team.

The first two responses resonate with the people and system readiness of the project indicating that there are readiness issues related with the project.

With this in mind, the researcher attempted to examine the readiness of the project in terms of people, process and system by posing a series of questions to the project steering committee and project team members as well as the Bank's operational staff that are anticipated to be end users of the project output. The findings are summarized in three separate sub sections of People, Process and System Readiness as ensued:

4.4.1. People Readiness

To assess the people readiness within the project, the researcher has requested the sampled operating staff the following set of questions:

Table 4.2: People readiness to the Project

Question	Yes	No	Total	
Have you taken any training regarding IFRS so far?	26 (17%)	124 (83%)	150 (100%)	
Are you provided with the relevant IFRS directives and proclamations by the Bank which would be pertinent to your work and knowledge in the area?	17 (11%)	133 (89%)	150 (100%)	
Are you updated by the Bank on any new developments regarding IFRS that are occurring globally, nationally or particularly in the Bank?	12 (8%)	138 (92%)	150 (100%)	
Question	Agree	Neutral	Disagree	Total
Do you agree that you can effectively discharge your duties with your current level of IFRS knowledge once full adoption and shift to IFRS is realized?	9 (6%)	33 (22%)	108 (72%)	150 (100%)

The responses exhibited in table 4.2 unveils that only 26 (17%) of the Bank's operational staff have taken IFRS training so far. The remaining majority of 124 (83%) were not given any training regarding IFRS. In line with this, the respondents were also asked to reflect if the Bank provided them with relevant IFRS directives and proclamations which would be

pertinent to their work and knowledge in the area. Here again, majority of the respondents amounting to 133 (89%) replied as not being provided with any IFRS related directives, proclamations or whatsoever. The remaining 17 (11%) staff responded otherwise.

The sampled operational staff were also asked to indicate if they were updated by the Bank on any new developments regarding IFRS that are occurring globally, nationally or particularly in the Bank. The results showed that 138 (92%) of the respondents replied as indicating that they were not updated of such new developments in the study area while the remaining 12 (8%) of the respondents replied as saying yes to the question.

At last, the sampled operational staff were asked to indicate if they can effectively discharge their duties with their current level of IFRS knowledge once full adoption and shift to IFRS is realized. Surprisingly, great majority of the respondents representing 108 (72%) of the respondents disagreed on the fact that they can effectively discharge their duties with their current level of IFRS knowledge. The other 33 (22%) respondents gave a neutral response while the remaining 9 (6%) respondents revealed that they can effectively discharge their duties with their current level of IFRS.

The researcher also asked the project steering committee members on their opinion regarding the people readiness. All members of the committee pointed that the people readiness of the project is a grave issue that ought to be solved by the Bank promptly. One of the committee members further added that IFRS training provided by the Bank to its staff could be said in a level that no IFRS training is provide to the concerned staff. Although IFRS training was provide to the Bank's BODs, EMC, Directors and division managers and few accountants and officers, the training was not cascaded down to lower level staff that will routinely engage with IFRS once the project is operationalized. Referring to the recent statistics, he indicated that only 55 personnel (excluding BODs) were given IFRS training throughout the Bank so far.

The respondent continued sharing its concern that once the project is completed and handed over to operations, the knowledge transfer would be the most challenging and tiring task given the current number of 55 trained personnel.

4.4.2. Process Readiness

To assess the readiness of the process, both the operational staff as well as the project team members were asked to share their opinion on the readiness of the existing process to accommodate the IFRS adoption project.

Accordingly, 18 (12%) of the respondents agreed that the current work process of the Bank is suitable and will not bring any challenge to IFRS implementation once the Bank fully adopts this standard. The other 39 (26%) respondents replied otherwise while the remaining majority of 93 (62%) respondents gave a neutral response. Similarly, the project team members were also provided with a set of questions that would help in assessing the project's process readiness.

Accordingly, three of the project team members agreed that Policies, procedures and other mandatory manuals were prepared by the Bank to guide the operating staff while discharging their routine duties with respect to IFRS. The remaining four staff gave neutral response. In a similar vein, four of the team members agreed that the Bank in due course has made the necessary revisions to all of its policies, procedures and manuals that would be affected by IFRS adoption. In the meantime, the remaining three respondents provided neutral response.

When asked if the Bank has an effective alignment between its various units (i.e. both operating and support units) that would allow successful implementation of IFRS, four of the respondents gave neutral response while the remaining three respondents disagreed on the existence of such effective alignment among the Bank's work units. Meanwhile, all seven project team members conferred a neutral response when asked if the Bank has made the necessary improvement in the existing business and work process so as to make it compatible with IFRS requirements.

It could be easily noted that there is a mixed response towards the process readiness of the project as experienced by the project team members. Contrary to this, the project steering committee members unequivocally indicated that the project's process readiness is far from being ready to accept the new change that will be brought about by the project. They revealed that almost all working manuals are not revised and upgraded by the Bank. They also pointed that all working units of the Bank until now did not tested their existing work process in the context of the anticipated change that would occur as a result of IFRS

adoption. For this reason, it is difficult to ascertain the compatibility of the existing work process of the Bank to the IFRS requirement. In addition, the Bank as one important tool of ensuring the alignment of its various work units was expected to acquire Enterprise Resource Planning applications. However, the Bank did not acquire this application so far which has put the desired alignment of work units at stake.

4.4.3. System Readiness

An assessment was also made on the readiness of the third component of the project's readiness process, that is, the system readiness. The project team members were initially given the opportunity to share their opinion regarding the system readiness.

All project team members undoubtedly disclosed that the Bank has not made all the necessary preparations to ensure that the current CORE system (T-24) is upgraded as per the requirements of IFRS. Due to this irregularity it would be difficult for the Bank to ascertain that the system would properly function once the project is operationalized.

This concern was also shared by all three members of the project steering committee. They acknowledge that the Bank has started upgrading the existing CORE system so as to make it IFRS compliant. However, the upgrading process is taking too long than anticipated bringing adverse impact on the project timeline. One of the steering committee members shared its fear that the upgrade may not even be completed on or before the statutory deadline of July 08, 2010.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

In this chapter the major findings of the study are summarized; conclusions are drawn based on the findings and recommendations are forwarded for the concerned bodies.

5.1. Conclusions

The main objective of this study was to investigate the prospects and challenges of IFRS adoption project in Nib International Bank S.C. The specific objectives were to examine the present status of IFRS project in Nib International Bank, to explore the prospects and challenges of IFRS project in Nib International Bank, and to assess the readiness process of the project. To meet the research objectives, both primary and secondary sources of data were used in the study.

In order to examine the present status of the project in the Bank both primary and secondary sources of data were used. Similarly, primary sources of data were used to explore the prospects and challenges of the adoption project as well as to assess the readiness process of the project within the Bank. Primary data were gathered from the project steering committee members, the project team members and the Bank's operational staff. In line with this, secondary data were gathered from the Bank's concept note, AABE's IFRS adoption road map and relevant Directives and proclamations. Data collected from the above sources were analyzed using both quantitative and qualitative data analysis tools. The major findings of the study results from both primary and secondary data sources are presented as follows:

Results from primary sources of data indicated that the project is in implementation stage and that it is still in progress. Results also suggest that meeting AABE's deadline with the current challenges of the project is unlikely. In relation to the prospect of the project, it was learnt that adoption of the project will enable external financing easier for the Bank, benefits the Bank by improving its growth in international businesses, enhances the effectiveness of the Bank's internal audit, reduces the Bank's cost of capital and improves the economic prospect for the Bank's accounting professionals. Besides, the adoption of IFRS project in the Bank will have the following potential benefits including; initiation of new thinking resulting in continuous organizational and individual learning, harnesses professionalism and allows for the possibility of creating world class professionals, smoothens the Bank's correspondent relationship by enhancing the credibility of the Bank, helps in redefining and

rejuvenating the existing work process and finally allows for fair presentation of financial condition of the Bank thereby attracting potential investors.

There are also challenges that are associated with adopting IFRS in the Bank. The major challenges identified by the respondents of the study incorporated; IFRS Knowledge Gap and lack of benchmarking in the market which came as a result of lack of implementation guidance, lack of training institution for effective IFRS adoption and The non-inclusion of IFRS courses in higher institutions course curricula's; acute shortage of qualified professionals which came as a result of the absence of professional institutions in the market; high cost of implementing the project in terms of training, system upgrading, advisory and work process improvement costs; absence of mandatory infrastructures to implement the project such as lack of valuation experts, absence of secondary markets and problems with IT systems; disparity between existing laws and IFRS requirement which came as a result of some regulatory organs such as National Bank of Ethiopia, Ethiopian Revenue and Customs Authority, Ministry of Trade and other concerned organs which did not revisit and revised their various governing proclamations, directives and guidelines based on IFRS requirement.

The other challenges associated with the adoption project also incorporated the absence of a holistic approach to project management that was manifested by the absence of a project charter, project plan, project monitoring system and change management plan; loss of commitment to the project from the side of the Bank's Executive Management later in the project execution and last but not least, the other anticipated challenge to the project relates to resistance to change that may come from both within and outside the organization once the project went live. This is likely to occur in due consideration of organizations who are benefiting from or comfortable with the existing non-enforced and non-regulated accounting and auditing system in the country. Not only this, senior staff of the Bank who were working with the GAAP standard for long period of time might show reluctance to shift to IFRS and that they may use their knowledge to the dismay of the implementation process.

The other major finding of the study was in relation to assessing the readiness of the project as measured by three components of People, Process and System. Results from the people readiness indicated that majority of the Bank staff were not granted the necessary IFRS trainings, provided with the relevant IFRS directives and proclamations which would be pertinent to their work and knowledge in the area and were not updated by the Bank on any

new developments regarding IFRS that are occurring globally, nationally or particularly in the Bank. In addition, majority of the sampled respondents indicated that they cannot effectively discharge their duties with their current level of IFRS knowledge once full adoption and shift to IFRS is realized.

With regard to process readiness, there is a mixed response towards the process readiness of the project as experienced by the operational staff and project team members. However, the project steering committee members unequivocally indicated that the project's process readiness is far from being ready to accept the new change that will be brought about by the project. They revealed that almost all working manuals are not revised and upgraded by the Bank. They also pointed that all working units of the Bank until now did not tested their existing work process in the context of the anticipated change that would occur as a result of IFRS adoption. For this reason, it is difficult to ascertain the compatibility of the existing work process of the Bank to the IFRS requirement.

Both the project steering committee and project team members undoubtedly disclosed that the Bank has not made all the necessary preparations to ensure that the current CORE system (T-24) is upgraded as per the requirements of IFRS. Due to this irregularity it would be difficult for the Bank to ascertain that the system would properly function once the project is operationalized.

As per the results of both primary and secondary sources we can finally conclude that the prospects of adopting IFRS outweigh its challenges. However, given the various challenges of the project and the grave system readiness issue, it might be difficult for the Bank to be IFRS compliant on or before the regulatory deadline.

5.2. Recommendations

Most of the challenges identified in the study were external to the project that are beyond the control of the Bank and to which it has little or no influence over. Since such issues could be resolved at higher and national level, the Bank has to direct its effort towards resolving those issues that fall under its domain and caliber. Hence, based on the study results the researcher would like to forward the following recommendations:

- The results of the study indicated that only few personnel of the Bank were provided with IFRS training. Hence, the Bank should give undue importance to provision of training to its operational staff before the project is completed and handed over to

operations. It would be wise decision for the Bank to ensure that all relevant directives, proclamations, guidelines and articles are disseminated to all concerned staff so as to aware them of IFRS before it is fully adopted in the Bank. These actions would also make the knowledge transfer among personnel of the Bank smooth and easy.

- It was indicated in the study that almost all working manuals of the Bank were not revised and upgraded to conform to the requirements of IFRS until now. Similarly, all working units of the Bank so far did not tested their existing work process in the context of the anticipated change as a result of IFRS adoption. Thus, the Bank with the remaining little time it has before the due date has to perform these tasks as soon as possible so as to ensure the readiness of the process beforehand.
- All respondents indicated that the major threat to the project with regard to meeting the statutory deadline is likely to come from the unpreparedness of the system. Hence, the Bank has to pull all its resources together towards the system upgrading activity so as to expedite the upgrading task and ensure the successful completion of same before the mandatory IFRS adoption date.
- The Bank has to promptly develop a change management plan so as to deal with the change resistance that is anticipated to come from within and outside the organization. In line with this, although too late, it is advisable for the Bank to follow a holistic approach to project management for the remaining activities of the project.
- The Bank's management has to demonstrate an increasing commitment to the project in a bid to champion the successful accomplishment of the remaining activities of the project especially at this critical moment in time whereby the project end date is nearing. As part of this effort, the Bank's management should consider increasing the current number of the project team and steering committee members.

5.3. Future Research Areas

The current study focused on assessing the prospects and challenges of IFRS project in Nib International Bank. The study covered the period before the project completion and merely focused on the project implementation. Future research could focus on the impact assessment of the project post completion. In addition, studies indicated that the experience of the project implementation vary from country to country and company to company. Hence, future research efforts could also focus on identifying the experience of IFRS project implementation as applied to other companies.

REFERENCES

- Accounting and Auditing Board of Ethiopia. (2016). *IFRS Adoption road map*. Addis Ababa.
- Accounting Standards Board of Canada. (2006). *Canadian accounting standards public companies and the move to international accounting: getting there from here*. Bulletin No. 3. September 2006. Canada.
- Alemgena B. (2016). *The benefits and key challenges of using international financial reporting standard (IFRS): case study of Heineken brewery factory*. St. Mary's University. Addis Ababa. Ethiopia.
- Apostolos, A., Despina, S. & Christos, A. (2010). *The relevance of IFRS to an emerging market: evidence from Greece*. Managerial Finance, Emerald Group Publishing, vol. 36(11), pp 931-948.
- Demaki, G.O. (2013). *Prospects and challenges of International Financial Reporting Standards to economic development in Nigeria*. Global Journal of Management and Business Research. Volume 13. pp. 69-73.
- Eyob L. (2017). *Benefit and Challenges of adopting IFRS in Case of commercial Bank of Ethiopia*. St. Mary's University. Addis Ababa. Ethiopia.
- FDRE Government Communication Affairs Office (2016). *The Ethiopian renaissance: An overview of Ethiopia's 2nd Growth and Transformation Plan*.
- Firdawok T. (2017). *Challenges and Prospects of International Financial Reporting Standards (IFRS) implementation in Ethiopia*. Addis Ababa University. Addis Ababa. Ethiopia.
- Federal Negarit Gazetta of the FDRE. (2015). *Council of Ministers regulation for the establishment and determination of Accounting and Auditing Board of Ethiopia Regulation No.332/2014*. Addis Ababa. 14th January, 2015.
- Federal Negarit Gazetta of the FDRE. (2014). *Financial reporting proclamation No. 847/2014*. Addis Ababa. 5th December, 2014.
- Hibbard, R. L. II (2012). *Global implementation of IFRS*. University of Tennessee Knoxville.
- Institute of Chartered Accountants in England and Wales & Dubai Financial Services Advisory. (2017). *Exploring the practical challenges of implementing IFRS 9 for financial institutions*.

- Institute of Chartered Accountants in England and Wales. (2012). *The future of IFRS: Information for better markets initiative*. London. ICAEW Press.
- Israel, G. D. (2003). *Determining sample size*. Institute of Food and Agricultural Science Extension. University of Florida Press.
- KPMG Accounting Advisory Services. (2008). *Challenges in converging to IFRS for SOEs*. India.
- Kumar, A. K. (2014). *International Financial Reporting Standard (IFRS): Prospects and Challenges*. India: Saveetha University Press.
- Lutchman, C. (2011). *Project Execution: A practical approach to industrial and commercial project management*. Florida: CRC Press, Taylor & Francis Group, LLC.
- Nib International Bank. (2016). *Concept Note on IFRS*.
- Nobes, C. (2011). *International variations in IFRS adoption and practice*. London. Association of Chartered Certified Accountants.
- Oireachtas Library and Research Service. (2010). *Accounting standards*. Economics & environmental science library & research service central enquiry desk. No. 5. September 2010. United Kingdom. House of Oireachtas.
- PricewaterhouseCoopers. (2007, April 07). *Convergence of IFRS and US GAAP: The convergence of accounting standards is of decisive strategic importance to the future of the global capital markets*.
- Parvathy P. R. (2017). *IFRS convergence: opportunities and challenges in India*. Accounting and Financial Control, Volume 1 Issue 2, pp 13-18
- Solomon M. (2016). *Adoption and implementation of International Financial Reporting Standards (IFRS) in Ethiopia*. St. Mary's University. Addis Ababa. Ethiopia.
- United Nations Conference on Trade and Development. (2008). *Practical implementation of International Financial Reporting Standards: Lessons Learned*. Country case Studies on IFRS. United Nations Publication. ISBN No. 978-92-1-127571-1.
- World Bank. (2007). *Reports on Observance of Standards and Codes on Ethiopia*.
- Yitayew, M. (2016). *IFRS Adoption in Ethiopia: A critical analysis of the process, issues and implications*. Addis Ababa University. Addis Ababa. Ethiopia.
- Zakari, M. A. (2014). *Challenges of International Financial Reporting Standards (IFRS) adoption in Libya*. International journal of Accounting and Financial Reporting. Vol. 4, No. 2, pp 390-412.

Appendix I: Questionnaire Administered to Project Team

Addis Ababa University

School of Commerce

Department of Project Management

Dear respondent,

The purpose of this questionnaire is to collect data for a thesis project which the researcher requires to earn his Master of Arts in Project Management. The project aspires to assess **the prospects and challenges of adopting International Financial Reporting Standard (IFRS) in Nib International Bank.**

The result of the study will have immense contribution to the existing dearth of knowledge in the topic area in the context of Ethiopia. The study could also have significance for the commercial banks in the industry by providing them a glimpse of the current practices and challenges with regard to IFRS adoption in the country.

Therefore, your candid and careful answer for each question has enormous benefit to the outcome of the study. Furthermore, all information you provide in answering each question are guaranteed to be kept in utmost secrecy and will be used only for the stated research purpose in aggregate manner.

The researcher, therefore, kindly requests you to answer all questions to the best of your knowledge. At this juncture, the researcher would also like to use this opportune moment to express its deepest gratitude for the willingness and dedication you have demonstrated in filling this questionnaire.

With Regards,

Nahom Daniel

PART I: Demographic Profile of Respondent

Please put “√” mark to your answer in the appropriate box

1. Academic level

Diploma Certificate

Bachelor Degree

Master Degree

Other, please specify _____

2. Work experience:

Less than 5 years

11 to 15 years

6 to 10 years

16 to 20 years

Over 20 years

3. Current position/role in the project _____

PART II: Prospects of IFRS Adoption

This section attempts to identify the specific benefits that are attached to adopting IFRS by the Bank. Please rate your response from 1 to 5 by putting “√” mark depending on your level of agreement or disagreement for each item specified below:

Key:

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

No.	Particulars	1	2	3	4	5
4	Adopting IFRS improves the efficiency of financial reporting					
5	Financial statements prepared based on IFRS are reliable					
6	Adoption of IFRS improves effectiveness of financial reporting					
7	IFRS makes external financing easier					
8	IFRS benefits the Bank by improving growth in international business					

9	IFRS enables greater effectiveness of the internal audit					
10	IFRS reduces cost of capital					
11	IFRS provides greater credibility					
12	IFRS allows for easy comparability of Financial statement produced by different entities					
13	IFRS enables improved economic prospect for the accounting profession					
14	IFRS enhances value of information with different aspect of business					
15	IFRS improves transparency					

PART III: Challenges of IFRS Adoption

Here are a serious of questions that are designed to identify the specific challenges associated with Adopting IFRS in the Bank. Please rate your response from 1 to 5 by putting “√” mark depending on your level of agreement or disagreement for each item specified below:

16. How the following challenges are key in prohibiting IFRS adoption?

No.	Particulars	1	2	3	4	5
16.1	Adoption of IFRS is costly					
16.2	IFRS increases the complexity of financial reporting					
16.3	There is lack of IFRS implementation guidance					
16.4	There is lack of training institution for effective IFRS adoption					
16.5	The non-inclusion of IFRS courses in higher institutions course curricula's					
16.6	The lack of proper instruction and follow-up from regulatory bodies					
16.7	Lack of availability of competent specialists					
16.8	Problem with IT system in handling the transition to IFRS					
16.9	Absence of structured secondary market					
16.10	Problem with IFRS use of fair value accounting					

17. How important are the following challenges in prohibiting IFRS?

No.	Particulars	Very Important	Important	Neutral	Not Important
17.1	Lack of valuation experts				
17.2	Lack of knowledge				
17.3	Difficulty in ascertaining fair value				
17.4	Presence of fully depreciated asset				
17.5	Lack of land ownership law				

17.6	Inconsistency with tax standards				
17.8	Lack of sectorial implementation guidance				

Part IV: The Readiness process

18. Based on your own perception, please indicate the Bank's readiness with regard to the following factors once the project is completed and operationalized:

No.	Particulars	Agree	Neutral	Disagree
18.1	The Bank has the appropriate staff having the desired educational background and work experience to implement IFRS once full adoption is realized			
18.2	All concerned staff (i.e. those that will deal with IFRS once full adoption is realized) are provided with the expected training and are being made updated on new developments and hence are ready for IFRS execution			
18.3	Policies, procedures and other mandatory manuals are prepared by the Bank to guide the operating staff while discharging their routine duties with respect to IFRS			
18.4	The Bank in due course has made the necessary revisions to all policies, procedures and manuals that would be affected by IFRS adoption			
18.5	The Bank has an effective alignment between its various units (i.e. both operating and support units) that would allow successful implementation of IFRS			
18.6	The Bank has made the necessary improvement in the existing business and work process so as to make it compatible with IFRS requirements			
18.7	The Bank has made all the necessary preparations to ensure that the current CORE system (T-24) is upgraded as per the requirements of IFRS and would properly function once the project is operationalized			
18.8	The Bank regularly monitors its current status with regard to IFRS against the standards, requirements and deadline set by AABE			

19. If you have any issue, comment or suggestion regarding IFRS which you believe needs to be incorporated in the findings of the study, you are kindly and highly encouraged to raise them on the space provided hereunder.

Appendix II: Questionnaire Administered to Operational Staff Addis Ababa University

School of Commerce

Department of Project Management

Dear respondent,

The purpose of this questionnaire is to collect data for a thesis project which the researcher requires to earn his Master of Arts in Project Management. The project aspires to assess the **prospects and challenges of adopting International Financial Reporting Standard (IFRS) in Nib International Bank.**

The result of the study will have immense contribution to the existing dearth of knowledge in the topic area in the context of Ethiopia. The study could also have significance for the commercial banks in the industry by providing them a glimpse of the current practices and challenges with regard to IFRS adoption in the country.

Therefore, your candid and careful answer for each question has enormous benefit to the outcome of the study. Furthermore, all information you provide in answering each question are guaranteed to be kept in utmost secrecy and will be used only for the stated research purpose in aggregate manner.

The researcher, therefore, kindly requests you to answer all questions to the best of your knowledge. At this juncture, the researcher would also like to use this opportune moment to express its deepest gratitude for the willingness and dedication you have demonstrated in filling this questionnaire.

With Regards,

Nahom Daniel

PART I: Demographic Profile of Respondents

Please put “√” mark to your answer in the appropriate box

1. Academic level

Diploma Certificate

Bachelor Degree

Master Degree

Other, please specify _____

2. Work experience:

Less than 5 years

11 to 15 years

6 to 10 years

16 to 20 years

Over 20 years

PART II: Key Questions

3. Do you agree that IFRS is more preferable than the current accounting standard being implemented by the Bank?

Yes

No

4. If your answer for question No. 3 is “Yes”, what quality makes IFRS more convenient than the current accounting standard used by the Bank?

Relevance of the financial information

Reliability of the financial report

Convenience for comparing financial reports

Other, Please Specify _____

5. Have you taken any training regarding IFRS so far?

Yes

No

6. Are you provided with the relevant IFRS directives and proclamations by the Bank which would be relevant to your work and knowledge in the area?

Yes

No

7. Are you updated by the Bank on any new developments regarding IFRS that are occurring globally, nationally or particularly in the Bank?

Yes

No

8. Do you agree that you can effectively discharge your duties with your current level of IFRS knowledge once full adoption and shift to IFRS is made?

Agree

Neutral

Disagree

9. Do you agree that the current work process of the Bank is suitable and will not bring any challenge to IFRS implementation once the Bank fully adopts this standard?

Agree

Neutral

Disagree

Appendix III: Interview Questionnaire for Project Steering Committee

Addis Ababa University

School of Commerce

Department of Project Management

Dear interviewee,

The purpose of this interview questionnaire is to collect data for a thesis project which the researcher requires to earn his Master of Arts in Project Management. The project aspires to assess the **prospects and challenges of adopting International Financial Reporting Standard (IFRS) in Nib International Bank.**

The result of the study will have immense contribution to the existing dearth of knowledge in the topic area in the context of Ethiopia. The study could also have significance for the commercial banks in the industry by providing them a glimpse of the current practices and challenges with regard to IFRS adoption in the country.

Therefore, your candid and careful answer for each question has enormous benefit to the outcome of the study. Furthermore, all information you provide in answering each question are guaranteed to be kept in utmost secrecy and will be used only for the stated research purpose in aggregate manner.

The researcher, therefore, kindly requests you to answer all questions to the best of your knowledge. At this juncture, the researcher would also like to use this opportune moment to express its deepest gratitude for the willingness and dedication you have demonstrated in giving response to each of the questions raised in this interview questionnaire.

With Regards,

Nahom Daniel

IFRS Adoption in Nib International Bank

Date of Interview: _____ Location: _____

Time Started: _____ Time Completed: _____

A. Interviewee profile:

Employer: _____

Role in the IFRS adoption process: _____

Permanent role in the Bank: _____

B. General questions about IFRS

1. What were the overall processes of IFRS adoption in the Bank starting from initiation of the IFRS adoption project till the current status? The following issues such as Project initiation, stakeholders involved, challenges faced and their solutions, Conceptual design and map of the IFRS adoption, regulatory bodies and institutional arrangements, etc shall be discussed.
2. Did the Bank compiled followed a holistic approach to project management? Did the Bank prepared a project charter and project plan before commencing the IFRS project? Was there a pre- designed communication plan? Did the Bank developed a project monitoring system and change management plan?
3. Did the Bank performed any feasibility study before deciding to work with Ethiopian Bankers Association against that of hiring own consultant?
4. Who were the main actors/stakeholders in the IFRS adoption process of the Bank? What were their roles and influences? List of actors (stakeholders)
5. What were the major components (phases) of the IFRS Adoption project in the Bank?
6. What were the factors affecting IFRS adoption project in the Bank?
7. What challenges were faced in the IFRS adoption project and how were those challenges addressed and resolved by the Bank?
8. What is your opinion on the challenges that the Bank may face on the way to IFRS adoption?
9. What are the expected activities to be performed by the Bank to bring the project into fruition? (Public awareness creation, education and training, professionalism and professional body, institutional and regulatory issues, etc)

10. Do you believe that IFRS related trainings were adequately provided to the concerned staff?
11. What are the expected outcomes (benefits) of IFRS adoption by the Bank when fully materialized?
12. Please discuss about the People, Process and System involved therein and their readiness with regard to IFRS once the project is fully operationalized?

Note: the interviewees are not expected to limit themselves only to the issues and questions listed in the above check lists; they are also kindly requested to provide the interviewer with information (data) which they consider are relevant and related to IFRS Adoption process in the Bank.

Appendix IV: Stakeholders of the project

The IFRS project is composed of various stakeholders having their own and varied role and impact in the project. Although not exhaustive, some of the stakeholders of the project and their specific role within the project is discussed as follows:

Stakeholder Category	Role in the Project
Shareholders	As owners of the organization, they have a big say in the project. Any change that could be brought about by the project will directly and ultimately affect their interest.
Board of Directors	They are representatives of the shareholders whose primary goal is to maintain the interest of their representors. They ensure that Management is sensitive to the issues/timelines posed by AABE and monitor whether Management has the appropriate resources and skills to conduct the project.
Executive Management	Serves as the project sponsor. It is responsible for establishing the project team and implements and manages the adoption process by active supervision and communication with the IFRS Project Team.
Project Steering Committee	The committee serves as an interface between AABE, the Executive Management and the project team.
Project Team	Coordinate all aspects of the adoption (people, process, technology) across all business units of the Bank.
Internal Audit Department	The “eyes and ears” of Board of Directors. Assesses the overall project governance by Conducting ongoing business process, pre-implementation and post-implementation reviews to evaluate aspects of the project implementation. It also works with external auditors to further enrich its IFRS

Employees	<p>understanding.</p> <p>Employees of the Bank are the anticipated end users of the project that are expected to deal with the project output once fully completed.</p>
Customers	<p>The new rules and principles that will be introduced with the implementation of IFRS will have an impact on the interest of the customers of the Bank as well. For instance, with the national adoption of IFRS, credit customers are expected to present IFRS compliant financial statements along with their credit application.</p>
Investors	<p>The accounting standard used by the Bank will significantly affect the decisions of potential investors. The end result of the project will enhance the quality of financial information these group of stakeholders could get while making any financial decisions.</p>
External Auditor	<p>Serve as Business Process Advisors and communicates with management and internal audit on risk impacts associated with changes to impacted processes and internal controls.</p>
Accounting and Auditing Board of Ethiopia	<p>The Board is the authoritative government regulatory body with the following major powers and responsibilities;</p> <ul style="list-style-type: none"> ➤ Issue standards and directives relating to financial reporting and auditing and ensure compliance therewith; ➤ Conduct inquiry and investigations and impose administrative sanctions where appropriate on public interest entities to enforce compliance with international financial reporting standards; ➤ Monitor the Financial Statements and Reports.

National Bank of Ethiopia	<p>Accordingly, the Board may review the financial statements and reports filed with it to determine whether the financial statements and reports are in compliance with the requirement of the proclamation.</p> <p>It is the statutory organ that is mandated to govern all financial institutions in the country. This organ is responsible for drafting and imposing various directives and guidelines that will guide financial institutions. The adoption of IFRS is presumed to affect these directives and guidelines requiring amendments and refinements which are expected to affect the project ultimately.</p>
Ethiopian Bankers Association	<p>It is a trade union formed by all commercial banks in the country. Except for Commercial Bank of Ethiopia, the association represents all other banks while interfacing with the consultant, Price Waterhouse Coopers. The decisions and actions taken by this organization with regard to IFRS will directly affect the adoption project for all member banks.</p>
Ethiopian Revenue and Customs Authority	<p>The authority is responsible for designing the tax policy of the country. The adoption of IFRS is expected to bring a change in the tax policy of the country thereby affecting the authority and the project eventually.</p>
Ministry of Finance and Economic Cooperation	<p>Handles all economic and financial affairs of the country. It is also responsible for overseeing some of the regulatory bodies mentioned herein above.</p>
Ministry of Trade	<p>Governs and licenses business firms in the country. It is responsible for drafting and supervising trade policy of the</p>

International Accounting
Standards Board

country. Its policy changes due to the national IFRS adoption plan could trigger unexpected changes in the project deliverables.

It is an independent global standard setting body; with the specific objectives of developing a single set of high quality, understandable, enforceable and globally accepted international financial reporting standards (IFRSs). It is also responsible for introducing revisions to IFRS. Hence, any actions by this organ will determine the success of the project.

Price Water House Coopers

The quality, integrity, professionalism of the consultant will have immense contribution to the project success.

Temenos

Temenos is the CORE banking service provider for the Bank. It is a mere fact that the adoption of IFRS will require significant change and update to the existing banking module. Hence, the quality and timeliness of service that will be provided by this entity will have substantial contribution to the project success.

Correspondent Banks

They are the vessels by which the Bank expedites its foreign banking operations. The Bank maintains accounts in these banks which requires to be reconciled regularly. Once the full adoption of the IFRS project, the accounting policy of the Bank will be changed and the associated account management activities thereof. This will require a change in the accounting policy of the counter bank especially if it is non-IFRS compliant.