



**Implementation of International Financial Reporting Standards in Ethiopia:
Processes, Challenges, and the Way Forward**

By: Meyad Diriba

GSR/1279/10

**A Thesis Submitted to the
Department of Accounting and Finance
College of Business and Economics
Addis Ababa University**

**Presented in Partial Fulfillment of the Requirements for Degree of
Masters of Science in Accounting and Finance**

Addis Ababa, Ethiopia

June 2019

Statement of Declaration

I, Meyad Diriba, have carried out independently a thesis entitled “Implementation of International Financial Reporting Standards in Ethiopia: Processes, Challenges, and the Way Forward” independently in partial fulfillment of the requirements for the MSc in Accounting and Finance with close advice and support of my advisor.

This study is my own work that has not been submitted for any degree or diploma program in this or any other institution, and that all source materials used for the thesis have been appropriately acknowledged.

Name: Meyad Diriba

Signature: _____

Addis Ababa, Ethiopia

June 2019

Addis Ababa University
College of Business and Economics
Department of Accounting and Finance
Graduate Program

This is to certify that the thesis prepared by Meyad Diriba, entitled “Implementation of International Financial Reporting Standards in Ethiopia: Processes, Challenges, and the Way Forward” and submitted in partial fulfillment of the requirements for the Degree of Master of Science in Accounting and Finance complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

Signed by the examining committee:

External Examiner: Zenegnaw Abiy (PhD) Signature _____ Date _____

Internal Examiner: Alem Hagos (PhD) Signature _____ Date _____

Advisor: Wollela A. Yesegat (PhD) Signature _____ Date _____

Chair of Department or Graduate Program Coordinator

Abstract

Implementation of International Financial Reporting Standard in Ethiopia: Processes, Challenges, and the Way Forward

Meyad Diriba

Addis Ababa University, 2019

This study examines the implementation of International Financial Reporting Standards (IFRS) in Ethiopia by focusing on processes, practical challenges and the way forward. The study adopts a qualitative research approach. Specifically, the study uses in-depth interviews with key informants from the Accounting and Auditing Board of Ethiopia (AABE), IFRS conversion consultants, external auditors, IFRS implementation team leaders, and financial statement preparers. In addition, the study employs data obtained through document reviews. The result of the study reveals that implementation of IFRS in Ethiopia benefits the country by enhancing the quality and comparability of financial reporting, reducing the inconsistent and fragmented financial reporting, attracting foreign direct investments, and helping in the establishment of the stock market in the country. The results also indicate that the process of IFRS implementation in Ethiopia started in a rush without considering the minimum requirements and the readiness of the country for the project. As a result, reporting entities in Ethiopia have encountered a number of practical implementation challenges including lack of competent human resources with IFRS knowledge, lack of top management's support, lack of strong regulatory and enforcement institution, lack of strong accounting practices in the country. The results of the study also show that the implementation of IFRS in public enterprises is more difficult than that of financial institutions due to such additional challenges as the problem of backlog clearances, poor records keeping mechanisms, lack of updated book of accounts and lack of corporate memory. This study suggests that to support the sustainable implementation of IFRS and to strengthen the regulatory body and enforcement institution, adequate resources must be put in place.

Keywords: IFRS implementation, IFRS in Ethiopia, practical challenges, the way forward

Acknowledgments

It gives me great pleasure to extend my sincere gratitude for the help I have received from different people and institutions. I would have never been able to complete this thesis without their kind support.

First and foremost, I would like to thank the Almighty God for every blessing He enriches me within my whole life. Next, I would like to express my heartfelt deepest gratitude to my advisor, Wollela Abehodie Yesegat (PhD) for her persistent help in all the steps of the thesis, from title selection to writing the final report, my debts are innumerable. Besides, this work could not have been completed without her diligent, fascinating guidance, good advice, constructive criticisms, and support. Additionally, my deepest thank goes to all the interviewees of this study for their welcomed responses.

I am thankful to Addis Ababa University for the financial support provided to me during my thesis work through the Department of Accounting and Finance. My sincere gratitude also goes to my employer Wolkite University for sponsorship and financial support.

Finally, I would also like to express my special thanks to my loving families for their ever-present and support. Without them, none of this would ever have happened. Besides, my thanks go to my friends and colleagues who helped me in any form of assistance. In this regard, I am deeply grateful to Dereje Urgecha, Bizuneh Girma, Zelelem Tsige, Haile Bayisa, Tsedal Lemi, Kufa Bedaso, and Muridu Sirage for their encouragement and consistent support. May God bless you all!

Meyad Diriba

Table of Contents

Content	page
Abstract	i
Acknowledgements	ii
List of Tables	v
List of Abbreviations	vi
Chapter One: Introduction	1
1.1. Statement of the Problem	3
1.2. Broad Research Objective and Specific Research Questions	4
1.3. Significance of the Study	4
1.4. Delimitation and Limitation of the Study.....	5
1.5. Structure of the Study.....	6
Chapter 2: Literature Reviews	7
2.1. Theories and History of Accounting Harmonization	7
2.1.1. Accounting Convergence Prior to the Establishment of IASC.....	8
2.1.2. Accounting Convergence with the IASC.....	9
2.1.3. Accounting Convergence with the IASB.....	10
2.1.4. IFRS Framework.....	12
2.1.5. Current Status of IFRS Implementation in the World	15
2.1.6. Harmonization, Convergence and Adoption of IFRS.....	17
2.1.7. Benefits of IFRS	19
2.2. Empirical Literature Reviews.....	20
2.3. Conclusion and Knowledge Gap.....	24
Chapter 3: Research Methodology.....	25
3.1. Broad Research Objective and Specific Research Questions	26

3.2. Research Approaches	26
3.3. Research Approach Adopted.....	27
3.3.1. Document Reviews.....	28
3.3.2. In-depth Interviews.....	28
3.4. Methods of Data Analysis	29
Chapter 4: Results and Discussions	29
4.1. Results	30
4.1.1. Results of Document Reviews	30
4.1.2. Results of In-depth Interviews.....	33
4.2. Discussions.....	45
4.2.1. The Process of IFRS Implementation in Ethiopia	45
4.2.2. The Progress of IFRS Implementation in Ethiopia	48
4.2.3. Benefits of IFRS Implementation in Ethiopia	50
4.2.4. Practical Challenges of IFRS implementation in Ethiopia.....	52
4.2.5. Lessons Learned from IFRS Implementation in Ethiopia.....	61
Chapter 5: Conclusion and Recommendations	63
5.1. Conclusions	63
5.2. Recommendations	64
References.....	66
Appendixes.....	73

List of Tables

Table 2.1 Use of IFRS Standards: the big picture from 166 jurisdictions profiled 16

Table 4.1 IFRS Implementation Progress in Ethiopia 42

Lists of Abbreviations

AABE	Accounting and Auditing Board of Ethiopia
ACCA	Association of Chartered and Certified Accountants
AICPA	American Institute of Certified Public Accountants
AISG	Accountants International Study Group
ASE	Accounting Society of Ethiopia
CEO	Chief Executive Officer
CICA	Canadian Institute of Chartered Accountants
CPA	Certified Public Accountant
ECCSA	Ethiopian Chamber of Commerce and Secretariat Associations
ECXA	Ethiopian Commodity Exchange Authority
EPAAA	Ethiopian Professional Association of Accountants and Auditors
ETB	Ethiopian Birr
EU	European Union
FASB	Financial Accounting Standard Board
FDI	Foreign Direct Investment
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICAEW	Institute of Chartered Accountants of England and Wales
ICAN	Institute of Chartered Accountants of Nigeria
IFAC	International Federation of Accountancy
IFRIC	International Financial Reporting Interpretation Committee

IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IOSCO	International Organization on Securities Commission
MFI	Micro Finance Institutions
MoFEC	Ministry of Finance and Economic Cooperation
MoSHE	Ministry of Science and Higher Education
NBE	National Bank of Ethiopia
NSE	Nigerian Stock Exchange
OECD	Organization for Economic Co-operation and Development
OFAG	Office of Auditor General
PAFA	Pan African Federation of Accountancy
PIE	Public Interest Entities
ROSC	Report on the Observance of Standards and Codes
SAS	Statement of Accounting Standards
SEC	Security Exchange Commission
SIC	Standing Interpretation Committee
SME	Small and Medium Enterprises
UK	United Kingdom
UNCTAD	United Nation Conference on Trade and Development
US	United State
USA	United State of America
WTO	World Trade Organization

Chapter One: Introduction

International Financial Reporting Standards (IFRS) are standards used for reporting financial information that set out recognition, measurement, presentation and disclosure requirements dealing with transactions and events that are important in preparing general purpose financial statements (Epstein and Jermakowicz 2008; IFRS Foundation 2017). The idea of IFRS was germinated with the proposal to establish an Accountants International Study Group (AISG) in 1966 (Sedzani 2012; Mihret 2016). The proposed study group was established in 1967. With the efforts of AISG, the International Accounting Standards Committee (IASC) was formed in 1973 as the result of an agreement by professional accountancy bodies of United Kingdom, Ireland, United States, Australia, Canada, France, Germany, Japan, Netherlands and Mexico to develop a set of accounting principles across the globe (Mirza et al. 2008; Zeff 2012).

In its early days, the IASC was aimed at promoting best practices in the preparation of financial statements while permitting different treatments for given transactions and events (Gina et al. 2016). IASC was responsible for the development and publication of International Accounting Standards (IAS) and issued 41 standards from 1973-2001 (Sedzani 2012). It was restructured in the year 2001 into the International Accounting Standards Board (IASB). The IASB is responsible for developing in the public interest, a single set of high quality, comprehensive and enforceable global accounting standards that require transparent and comparable information in general purpose financial statements (Robert 2006).

With the increasing interest of having a single set of high-quality and comparable financial information, on July 2002, a Regulation was passed by the European Parliament and European Council of Minister requiring the adoption of IFRS (Fekete et al. 2008). As the result of the Regulation, all European Union (EU) listed companies were required to prepare their consolidated financial statements in line with IFRS starting from 1 January 2005 (Fekete et al. 2008; Shil et al. 2009). Since then many more countries have announced their plans to adopt IFRS, in some instances extending the scope of application beyond the consolidated financial statements to legal entities and incorporating IFRS into their national regulatory frameworks (UNCTAD 2008). Currently, more than 144 countries in the world have adopted the IFRS by

requiring all or most domestic publicly accountable entities in their capital markets to comply with IFRS (IFRS Foundation 2018).

IFRS brings transparency, enhance the international comparability and quality of financial information, strengthen accountability by reducing the information gap between the providers of capital and the people to whom they have entrusted their money (IFRS Foundation 2018). But the full benefits of IFRS standards are best generated if the standards are consistently implemented in all jurisdictions. On the other hand, it is indicated that the implementation of IFRS is not an easy task which consumes both time and financial resources (Hegarty et al. 2004; UNCTAD 2008).

The adoption of IFRS in Ethiopia was initiated on 5th of December 2014 with the enactment of the Financial Reporting Proclamation No. 847/2014. Following that, the Council of Minister Regulations No. 332/2014, for the establishment of the Accounting and Auditing Board of Ethiopia (AABE) was issued. AABE is in charge of coordinating the implementation of IFRS and regulating the financial reporting practices of the country.

Alemi and Pasricha (2016) observed that internal and external factors motivated the introduction of IFRS in Ethiopia. According to them, internal motivating factors include regulators, professionals, researchers, and academicians. On the other hand, external motivating factors include lenders, donors, World Bank, International Monetary Fund (IMF), International Audit Firms and the Association of Chartered and Certified Accountants (ACCA). For instance, among the external factors, World Bank recommended the government of Ethiopia to establish national accounting and auditing standards in Ethiopia after evaluating the accounting and auditing practices and identified different gaps in the country through its team called Report on the Observance of Standards and Codes (ROSC) in 2007. Accordingly, full IFRS were recommended to be adopted as accounting standards for public interest entities and simplified financial reporting standards were recommended to be used for a set of small and medium enterprises (ROSC 2007).

There were few studies on IFRS related issues in Ethiopia. For instance, Tesfu (2012) studied the benefits and key challenges of IFRS adoption in Ethiopia. Alemi and Pasricha (2016) studied IFRS progress in Ethiopia. Mihret (2016) critically analyzed the process, issues, and implication of IFRS adoption in Ethiopia. These and other studies conducted on IFRS in Ethiopia mainly

focused on the expected challenges and benefits of IFRS adoption, and also on the process and progress in IFRS adoption up to the year 2015/16. But to the knowledge of the researcher, there appears to be no study on practical implementation challenges of IFRS in Ethiopia and the progress of the first phase implementors of IFRS in the country.

In the context of the above discussions, the purpose of this study is to examine the implementation of IFRS in Ethiopia by focusing on processes, practical challenges, and the way forward. The remaining discussions in the chapter are arranged in five sections. The first section presents the statement of the problem. Section 1.2 discusses the broad research objective and specific research questions. Section 1.3 discusses the significances of the study followed by delimitation and limitation of the study in section 1.4. Finally, section 1.5 discusses the structure of the study.

1.1. Statement of the Problem

In recent years, IFRS has been the agenda of many developed and developing countries. Following the increase in the number of countries implementing IFRS, large numbers of research works have been conducted to know the benefits and challenges of implementation. For instance, Irvine (2008); Gebre (2009); Mohammed and Lode (2012); Jaafar and Rahim (2012); Owolabi and Iyoha (2012); Sedzani (2012); Alsaqqa and Sawan (2013); Odia and Ogiedu (2013); Zakari (2014); Hossain et al. (2015); Weaver and Woods (2016); Bahadir et al. (2016); Gina et al. (2016); Uyar et al. (2016); Teshome (2017); Amanamah (2017); Edeigba (2017); Mbawuni (2017) and Babil (2018) studied the benefits and challenges of IFRS adoption in different jurisdictions.

The findings of past studies indicated that the worldwide adoption of IFRS has been successful in some countries and unsuccessful in some other countries. It appears from their finding that, the success of IFRS implementation depends on the practical challenges that the reporting entities encountered in the implementation processes (Edeigba 2017). The challenges of IFRS adoption become more severe for African countries especially when countries begin the transition to IFRS without a critical mass of adequately trained and sufficiently experienced accounting professionals who are familiar with the principles underlying the use of accounting information for investment decision making (UNCTAD 2008).

In Ethiopia, as stated in the Financial Reporting Proclamation No. 847/2014, the implementation of IFRS is planned to be fully completed within five years from the date the Proclamation was issued. To realize the successful implementation, AABE developed a 5 years strategic plan, which includes the adoption roadmap of IFRS in the country. According to IFRS adoption roadmap of AABE, IFRS will be fully implemented in Ethiopia across all reporting entities by the end of 7 July 2020 (AABE 2015).

But debate continues to rage over the future of accounting in Ethiopia after the country proclaimed the full adoption of IFRS by 2020. For instance, an auditor with three decades of experience and one of the founding members of Ethiopia Professional Association of Accountants and Auditors (EPAAA), believes that the full implementation of IFRS in Ethiopia is impractical taking the existing situation into consideration. Some others insist that the path to adoption of IFRS has been challenging in Ethiopia and even have doubts about the implementation of IFRS in Ethiopia within the scheduled period (Berhanu 2017).

Based on IFRS adoption roadmap of AABE, the remaining time for full implementation of IFRS in the country is less than eighteen months by the time this research is being written. There is no clarification on whether the implementation progress is moving as expected or not. Moreover, the challenges that first phase implementers practically encountered in Ethiopia is the current issue and needs to be clarified. Therefore, the above-discussed issues coupled with knowledge gap identified and discussed under introduction triggered this study to examine the implementation of IFRS in Ethiopia by focusing on the processes, practical challenges, and the way forward.

1.2. Broad Research Objective and Specific Research Questions

The broad objective of this study is to investigate the implementation of IFRS in Ethiopia focusing on the processes, practical challenges, and the way forward. Based on this broad objective, the following specific research questions are developed;

***RQ1.** How is the process of International Financial Reporting Standards implementation in Ethiopia?*

RQ2. How is the progress in the implementation of International Financial Reporting Standards in Ethiopia?

RQ3. What are the practical challenges in the implementation of International Financial Reporting Standards in Ethiopia?

RQ4. What are the lessons from reporting entities that fully implemented International Financial Reporting Standards in Ethiopia?

1.3. Significance of the Study

Much has been written and studied on IFRS implementation in different countries, but this study adds some insight about this issue related to Ethiopian literature. The study examines the processes that have been used in Ethiopia in IFRS implementation. The study also examines the progress of the first phase implementors of IFRS in the country.

Furthermore, the study highlights the practical challenges that the first phase implementors of IFRS in Ethiopia encountered to implement IFRS. This brings the Ethiopian perspective of the practical challenges of IFRS adoption into the international context through the literature. Apart from contributing to the literature, this study has practical implications for different stakeholders dealing with IFRS implementation in Ethiopia. It also provides a possible opportunity to all interested parties to gain deep knowledge about the practical challenges of IFRS implementation in Ethiopia.

Additionally, the study is expected to identify the lessons from IFRS implementation in Ethiopia by considering up to date progress of IFRS implementation in the country with the experiences of other countries. The lessons may help countries, in general, and reporting entities in particulars, who have plans to implement IFRS. Finally, it may help other researchers as a source of reference and as a stepping stone for those who want to make a further study on IFRS implementation in Ethiopia and in countries with similar economic characteristics afterward.

1.4. Delimitation and Limitation of the Study

The study delimited to the implementation of IFRS in Ethiopia focusing on processes, practical challenges, and the way forward. The study focused only on the first phase implementors from reporting entities to identify the practical implementation challenges of IFRS in the country and

to examine the progress of IFRS implementation. The study doesn't consider the second and third phase implementors on IFRS implementation due to lack of resources and time.

To address each specific research question, data were solicited through in-depth interviews with 30 key informants from AABE, IFRS conversion consultants, external auditors, financial statements preparers and IFRS implementation team leaders in addition to data obtained from document analysis. Since the study employed a qualitative research approach, the limitation of the study is the impossibility of generalization. Hence, the findings and outcomes can't be spread to larger populations.

1.5 Structure of the Study

The thesis is organized into five chapters. The first chapter presents the introduction to the thesis. This is followed by a review of both theoretical and empirical evidence in the literature in the second chapter. The third chapter sets the methodological approaches adopted in the study while the fourth chapter presents the results and discussions. Finally, conclusion and recommendations are presented in the fifth chapter.

Chapter Two: Literature Review

The previous chapter highlighted and introduced the study and the purpose of this chapter is to review the literature on IFRS. Accordingly, the review has three sections. Section 2.1 presents a review of theories and history of harmonization of accounting standards, followed by the relevant empirical studies on IFRS implementation in section 2.2. Finally, the conclusions on the literature reviews and knowledge gaps are presented in section 2.3.

2.1. Theories and History of Accounting Harmonization

Accounting has already bagged the status of the language of the business that requires reporting of the affairs in a commonly understandable way. Muis (1999) stated as cited in Shil et al. (2009), the power to control the language of business is important. Standard setters will come ahead as the world grows smaller and economic independence is no longer an option but a reality. So, it happens that today a good observer can see the preparations of the battle for the control of the international language of business slowly unfold. In this context, Pitt (2002) opined as stated in Shil et al. (2009), high-quality global accounting standards are needed to improve the ability of investors to make informed financial decisions. Companies must keep pace with this progress in order to promote and protect their business credibility in the international market place.

To allow the gains from the global economy to be fully realized, it is argued that accounting policy should be standardized among nations (Zeff 2012). This harmonization of accounting standards will help the world economy in the following ways: by facilitating international transactions and minimizing exchange costs through providing increasingly perfect information; by standardizing information to worldwide economic policy-makers; by improving financial markets information; and by improving government accountability. Harmonization of accounting policy provide a level playing field globally. Regulators and auditors will be receiving the same information, facilitating the evaluation process. In the absence of free trade, international accounting standards will allow nations' tariffs, quotas, and other trade restraint mechanisms to be more accurate and less risky for those engaged in trade. Investors and managers will be able to make more valuable decisions and as the result world resources will be better managed and allocated (Shil et al. 2009).

In the section below, the accounting harmonization/convergences are classified into three sections and discussed as follows: accounting convergences before the establishment of IASC, accounting convergence with IASC and accounting convergence after IASC was reconstructed and replaced by IASB.

2.1.1. Accounting Convergence Prior to the Establishment of IASC

The concept of harmonization of accounting standards dated back to the 19th century when the idea of International Accounting Standards was originated in the first International Congress of Accountants held at St. Louis in 1904. Then in 1957, when the 7th International Congress of Accountants held in Amsterdam, Mr. Jacobkraayenhof, spoke on the need of international accounting cooperation and standardization (Shil et al. 2009). Later in 1966, the proposal to establish an Accountants International Study Group (AISG) comprising the Institute of Chartered Accountants of England and Wales (ICAEW), American Institute of Certified Public Accountants (AICPA) and Canadian Institute of Chartered Accountants (CICA) was issued in order to develop comparative studies of accounting and auditing practices in the three nations: USA, UK and Canada (Sedzani 2012; Zeff 2012; Odia and Ogiedu 2013; Mihret 2016).

Then in 1967, the AISG, to whom the proposal was issued in 1966, was found. This study group was regularly publishing the paper on important topics in accounting and auditing. It conducted about twenty studies on accounting and auditing topics during eleven years of its life until it was disbanded in 1977 (Shil et al. 2009; Sedzani 2012; Zeff 2012; Odia and Ogiedu 2013). The papers that were published are believed to have led the way to the development of accounting standards. Ultimately, the senior officers of the study group decided to establish international standards and thus, Sir Henry Benson put forward the proposal for the setting up of the International Accounting Standard Committee (IASC) at the 40th World Congress of Accountants in Sydney, in 1972 (Shil et al. 2009; Sedzani 2012; Zeff 2012; Odia and Ogiedu 2013).

After discussions and signature of approval by the three AISG countries and representatives of the professional accountancy bodies in United Kingdom, Ireland, United States, Australia, Canada, France, Germany, Japan, Netherlands and Mexico, the IASC was established on 29th June 1973, with its secretariat and headquarters at London. Sir Henry Benson was the first

elected Chairman while Paul Rosenfield was the first secretary of the IASC (UNCTAD 2008; Odia and Ogiedu 2013).

2.1.2. Accounting Convergence with the IASC

IASC has passed through many phases of its journey to come to the present stage. The primary objectives of IASC formation were to (i) formulate and publish in the public interest accounting standards to be observed in the presentation of financial statements and to promote their worldwide acceptance and observance; (ii) work generally for the improvement and harmonization of regulations, accounting standards and procedures relating to the presentation of financial statements; (iii) to develop a single set of high quality IAS to replace national standards (Mirza et al. 2008; Zeff 2012; Odia and Ogiedu 2013). To achieve its objectives, IASC had worked with the different organization until it's restructured in 2001.

For example, as noted in Sedzani (2012), in 1981, IASC had come to an agreement with International Federation of Accountancy (IFAC), which was established on 19 October 1977 in Munich, Germany, with the objectives of strengthening the worldwide accountancy profession. In their agreement, IASC grants the responsibility to develop and publish all standards whereas, IFAC is responsible for the promotion of accountancy profession and standards published by IASC and IFAC.

Additionally, in the year 1995, IASC entered into an agreement with International Organization of Securities Commission (IOSCO) on a mission to complete a comprehensive core set of standards that could be used for cross-border and national listings. In fact, this was due to the growing recognition of the need for global accounting standards. To give proper direction on how to interpret these standards led to the setting up of the Standing Interpretations Committee (SIC) in 1997 to provide authoritative guidance over the interpretation of the standards. On December 1999, the board of the IASC has approved proposal to make changes in the structure of the committee with a view to achieve global convergence (Shil et al. 2009; Sedzani 2012).

On May 2000, one most important breakthrough was reached when the IOSCO accepted 30 core IASs. This backing by IOSCO for the use of IASs by member stock exchanges led to the acceptance and recognition of the IASC as a worldwide standard setter (Shil et al. 2009). The

IASC was survived for 27 years and responsible for the development and publication of IASs and during its existence, in between 1973 and 2001, the IASC issued and published 41 standards before it was replaced by the IASB (Mirza et al. 2008; UNCTAD 2008; Sedzani 2012; Zeff 2012).

2.1.3. Accounting Convergence with IASB

As IASC was reconstructed into the IASB on April 2001, the Financial Accounting Standard Board (FASB) and IASB began working towards convergence. As a result, in 2002, a Memorandum of Understanding (MOU) was signed between the IASB and the FASB, the two major players in the accounting standards arena, which is well known as Norwalk agreement, expressing their commitment to convergence and pledging to make their respective standards "*compatible as soon as is practicable*" as well as to maintain compatibility by coordinating future programs. In the agreement, both the FASB and IASB pledged their joint commitment towards the development of high quality, compatible accounting standards for both domestic and cross border financial reporting (Shil et al. 2009; Odia and Ogiedu 2013).

In April 2001, the International Financial Reporting Interpretations Committee (IFRIC) was constituted to replace the SIC. The committee meets periodically to discuss and spell out their interpretations, interpret the application of IFRS standards and provide timely guidance on financial reporting issues not specifically addressed in the standards in the context of the Board framework as well as undertake other tasks at the request of the Board (Sedzani 2012; IFRS Foundation 2016).

The conversion was further facilitated by a Regulation approved in the European Union in 2002 which required the preparation of the consolidated financial statements of listed companies domiciled in the European Union in accordance with endorsed IFRS issued by the IASB starting no later than 2005. Then the first IFRS financial statements were published in June 2003 (IFRS 1: First-time adoption of IFRS) (Fekete et al. 2008; Sedzani 2012). Since then many more countries have announced their plans to transition of IFRS, in some instances extending the scope of application beyond the consolidated financial statements to legal entities and incorporating IFRS into their national regulatory frameworks. This put an end to the current tower of Babel in financial reporting (UNCTAD 2008; Shil et al. 2009).

The primary objective of IASB is to build up a worldwide adequate arrangement of top accounting standards. Keeping in mind the end goal to accomplish this target, IASB has issued accounting standards that wiped out many accounting techniques with a view to expanding likeness of financial reports, confine administrative discretions on acquiring smoothing or overstatements (IFRS Foundation 2016). At its first meeting in 2001, IASB adopted all outstanding IAS issued by the IASC as its own standards. Those IAS continue to be in force to the extent they are not amended or withdrawn by the IASB. New standards issued by IASB are known as IFRS and the IASB is solely responsible for the development and publication of IFRS (Robert 2006).

IFRS standards constitute a globally recognized set of standards for the preparation of financial statements by business entities. It prescribes: (i) the items that should be recognized as assets, liabilities, equity, income, and expenses; (ii) how to measure those items; (iii) how to present them in a set of financial statements; and (iv) related disclosures about those items (IFRS Foundation 2017)

When referring collectively to IFRS¹, it includes ISA, SIC, IFRS, and IFRIC. The objectives of the IFRS Foundation and IASB, as stated in IFRS constitution are: (a) to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles and these standards should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world's capital markets and other users of financial information make economic decisions; (b) to promote the use and rigorous application of those standards; (c) in fulfilling the objectives associated with (a) and (b), to take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings and, (d) to promote and facilitate adoption of the IFRS Standards, being the standards and IFRIC

¹ By December 2018, IFRS includes 17 International Financial Reporting Standards (IFRS), 28 International Accounting Standards (IAS), 23 International Financial Reporting Interpretation committees (IFRIC), and 31 Standing Interpretation Committee (SIC). SIC and IFRIC represents an interpretations committee. The objectives of the Interpretations Committee are to interpret the application of IAS / IFRS, provide timely guidance on financial reporting issues that are not specifically addressed in IAS / IFRS and undertake other tasks at the request of the International Accounting Standards Board (IASB) (IFRS Foundation 2018).

interpretations issued by the Board, through the convergence of national accounting standards and IFRS Standards (IFRS Foundation 2016).

The vision of IASB and IFRS Foundation has been publicly supported by many international organizations including the G8, the G7, Finance Ministers and Central Bank Governors, G20, the World Bank, the International Monetary Fund (IMF), the IOSCO, the IFAC, the United Nations (UN), and the Organization for Economic Cooperation and Development (OECD). All these institutions have publicly recommended the adoption of a single set of global accounting standards or the IFRS. The US Security Exchange Commission (SEC) concept released in 2000 on the IASs also encouraged the convergence towards a high quality global financial reporting framework internationally that will enhance the vitality of capital markets (Zeff 2012; Odi and Ogiedu 2013). The vision is consistent with the objective of the Board's predecessor standard-setting body, IASC (IFRS Foundation 2017). On the national level many governments and tax authorities want global accounting standards to regulate and tax businesses that operate within their countries (Odi and Ogiedu 2013).

2.1.4. IFRS Framework

IFRS are principles-based standards, interpretations and the framework adopted by the IASB and it is a single set of high quality, understandable and enforceable global accounting standards published by the London-based IASB (Babil 2018). The standards are based on its framework which deals with the objectives of financial statements, qualitative characteristics of financial statements, elements of financial statements, recognition of the elements of financial statements, measurement of the elements of financial statements, and concepts of capital and capital maintenance. The framework stated that the objective of financial statements is to provide information about the financial position, financial performance and changes in the financial position of an enterprise that is useful to a wide range of users in making economic decisions (Mirza et al. 2008; Hennie et al. 2011).

The information needs of investors are deemed to be a paramount concern if financial statements meet their needs, it is presumed, and likely, that other users' needs would generally also be satisfied. The framework holds that financial statements users need to evaluate the reporting entity's ability to generate cash as well as the timing and certainty of its generation. The financial

position is affected by the economic resources controlled by the entity, its financial structure, its liquidity, solvency and its capacity to adapt to changes in the environment in which it operates (IFRS Foundation 2016).

The qualitative characteristics of financial statements as stated in the IFRS framework are relevance, reliability, comparability, and understandability (Mirza et al. 2008). Reliability comprises representational faithfulness, substance over form, completeness, neutrality, and prudence. The framework does not specifically include a true and fair requirement but says that the application of the specified qualitative characteristics should result in statements that present fairly or are true and fair (IFRS Foundation 2016). IAS 1², presentation of financial statements stated that, financial statements are to present fairly the financial position, financial performance and cash flows of the reporting entity and that the achievement of a fair presentation requires the faithful representation of the effects of the reporting entity's transactions, other events and conditions (Robert 2006; Mirza et al. 2008; IFRS Foundation 2016).

IAS 1 is most recently has been substantially revised in 2007, for mandatory application by 2009. Among the changes imposed is the elimination of the term balance sheet which is replaced by a statement of financial position and the adoption of a requirement for presentation of a statement of comprehensive income, largely modelled on the approach long in use under US GAAP and the other great importance was on the definitions of assets and liabilities. According to IFRS (IAS 1), an asset is a resource controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise. Liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying future benefits while equity is simply a residual arrived at by deducting the liabilities from assets. Neither asset nor liability is recognized in the financial statements unless they have a cost or value that can be measured reliably which, as the framework acknowledges, means that some assets and liabilities may remain unrecognized (Robert 2006; IFRS Foundation 2016).

²: IAS: 1- Presentation of Financial Statements, which was originally issued in 1975 and effective started from January 1, 1975.

However, with the ever-expanding use of fair value measurements as well as the greatly expanded availability of information from a wide array of sources, including that found via the internet, there will be a continuing decline in the incidence of off-balance-sheet transactions or events, and of those recognized at other than current fair values. The asset and liability definitions have, in the past, not been central to financial reporting standards, many of which were instead guided by a performance view of the financial statements (IFRS Foundation 2016).

The two assumptions underlying the preparation and presentation of financial statements are the accrual basis and going concern. IFRS framework state that, except the cash flow statement, all other financial statements must be prepared on an accrual basis, whereby assets and liabilities are recognized when they are receivable or payable rather than when actually received or paid. It is noted as financial statements should be prepared on a going concern basis unless management intends to liquidate the entity or cease trading or has no realistic option but to do so (Mirza et al. 2008).

When upon assessment it becomes evident that there are material uncertainties regarding the ability of the business to continue as a going concern, those uncertainties should be disclosed. In the event that the financial statements are not prepared on a going concern basis, that fact should be disclosed, together with the basis on which they are prepared along with the reason for such a decision. In making the assessment about the going concern assumption, management takes into account all available information about the future, which is at least 12 months from the date of the balance sheet (Mirza et al. 2008).

The IFRS framework explains the hierarchy used as guidance for deciding on a given event, in the following manner as stated in IFRS constitution. First, by reference to IAS/IFRS and SIC/IFRIC interpretations, when these specifically apply to a transaction or condition. In the absence of such a directly applicable standard, judgment is to be used to develop and apply an accounting policy that is relevant to the economic decision making needs of the users, and is reliable in that the financial statements represent faithfully the financial position, financial performance and cash flows of the reporting entity, reflect the economic substance of transactions, events, and conditions, rather than merely the legal forms thereof; are neutral; are prudent; and are complete in all material respects (IFRS Foundation 2016).

If this is not possible, the preparer should then look to recent pronouncements of other standard setters that use a similar conceptual framework to develop its standards, as well as other accounting literature and industry practices that do not conflict with higher level guidance. If only that fails, the preparer should look to the IASB Framework directly, and attempt to draw inferences regarding specific applications that have not been formally addressed in promulgated standards (IFRS Foundation 2016).

2.1.5. Current Status of IFRS Implementation in the World

The countdowns to the harmonization of national and international accounting standards and an improvement in the quality of financial reporting at a global level are best tracked chronologically (Shil et al. 2009). The current world scenario on the subject of harmonization gets started going on 19 July 2002, when a regulation was passed by the European Parliament and European Council of Minister requiring the adoption of IFRS as per Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on application of IAS in which all EU listed companies were required to prepare their financial statements in line with IFRS starting from 1 January 2005. All non-European companies (following US GAAP or any other standards) were required to prepare their financial statements in line with IFRS up to 2007 (Fekete et al. 2008; Zeff 2012).

The legislation came into effect in 2005. It applies to more than 8,000 companies in 30 countries including France, Germany, Italy, Spain, and the United Kingdom. The adoption of IFRS in Europe means that IFRS has replaced national accounting standards and requirements as the basis for preparing and presenting group financial statements for listed companies in Europe (Mirza et al. 2008).

Since then countries around the world are increasingly adopting IFRS directly or with necessary modification in order to get the financial statements of entities in their jurisdictions to be widely accepted and compared globally and outside Europe. By 2005, IFRS had become mandatory in many countries in Africa, Asia, and Latin America as well. In addition, countries such as Australia, Hong Kong, New Zealand, Philippines, and Singapore had adopted national accounting standards that mirror IFRS. According to one estimate, about 80 countries required

their listed companies to apply IFRS in preparing and presenting financial statements in 2008. Many other countries permit companies to apply IFRS (Mirza et al. 2008).

For instance, in 2011, as evidenced by Deloitte Touche Tohmatsu Limited and PriceWaterHouse Copers (2011) as cited in Sedzani (2012), out of 196 countries in the world, 123(63%) countries, have already adopted the IFRS. However, only 18 of 53 countries of Africa had adopted IFRS at that time. According to Sedzani (2012), Nigeria, an economic giant in Africa is the latest country in Africa to take up the opportunities presented by economic globalization by adopting IFRS, even though South Africa had adopted the standards in 2005.

Currently, the vision of having high-quality, global accounting standards is being publicly supported by more than 144 countries around the globe and by many international organizations. According to the survey results of IFRS foundation as updated on 2018, 144 jurisdictions out of 166 surveyed (87% percent of the total jurisdictions surveyed) have adopted the IFRS by requiring all or most domestic publicly accountable entities (listed companies and financial institutions) in their capital markets to comply IFRS. According to the survey of 166 jurisdictions profiled, 87% (144/166 jurisdictions) already required the use of IFRS standards by all or most domestic public companies, with most of the remaining jurisdictions permitting their use (IFRS Foundation 2018). The table below presents the summary analysis of the IFRS profile of different jurisdictions published on the website of the IFRS Foundation and IASB.

Table 2.1 Use of IFRS Standards: the big picture from 166 jurisdictions profiled in 2018

Number of jurisdictions profiled					
Region	in the region	that require IFRS for all or most domestic publicly accountable entities	that requires IFRS standards as % of total jurisdictions in the region	that permit or require IFRS for at least some domestic publicly accountable entities	that neither require nor permit IFRS for any domestic publicly accountable entities
Europe	44	43	97.7%	0	1
Africa and Middle East	51	49	96%	1	1

Asia-Oceania	34	25	73.5%	6	3
Americas	37	27	73%	2	8
Totals	166	144	87%	9	13
As % of 166	100%	87%		5%	8%

Source: IFRS Foundation 2018

2.1.6. Harmonization, Convergence, and Adoption of IFRS

The concerns for harmonization of accounting standards, and later, convergence in the 1990s with IFRS are due to the globalization of the capital markets. Odia and Ogiedu (2013) noted as investors are now seeking investment opportunities all over the world, many business entities continue to expand their operations across national borders; companies are seeking capital at the lowest cost anywhere; securities markets are crossing national boundaries; merger talks among some of the world's largest stock exchanges continue and the glowing investment transactions via the internet.

Therefore, to compete and do business in this globalized world, there is the need for transparency in company reports so that investors, lenders and other users of financial information of companies could compare their performance from one country to another in general and one company to another in particular. Also there is the need to provide information that are relevant, reliable and understandable to meet the needs of investors, for easy comparability of companies' performance and the decision to buy, hold or sell made easy through reduction or elimination of differences in accounting policies and principles between countries (Shil et al. 2009; Odia and Ogiedu 2013).

The term harmonization means, the reconciliation of different accounting and financial reporting systems by fitting them into common broad classifications, so that form becomes standard while content retains significant differences. Convergence means the process of converging or bringing together international standards issued by the IASB and existing standards issued by national standard setters, with the aim of eliminating alternatives in accounting for economic transactions and events. In this case, the ultimate objective of convergence is to achieve a single set of

internationally consistent, high-quality global accounting standards, issued by the IASB and adopted by all the national standard setters (Shil et al. 2009; Odia and Ogiedu 2013).

The need for global convergence of accounting standard or for an international standard setter is to: (i) recognize the growing need for IASs; (ii) ensure no individual standards setter has a monopoly on the best solutions to accounting problems; (iii) ensure no national standard setter is in a position to set accounting standards that can gain acceptance around the world; (iv) clarifies that there are many areas of financial reporting in which a national standards setter finds it difficult to act alone (Odia and Ogiedu 2013).

Convergence is the process by which standard setters across the globe discuss accounting issues drawing on their combined experiences in order to reach the most appropriate solutions. Obazee (2007) as cited in Odia and Ogiedu (2013) suggested that convergence could be either by adoption (a complete replacement of national accounting standards with IASB's standards) or by adaptation (modification of IASB's standards to suit peculiarities of local market and economy without compromising the accounting standards and disclosure requirements of the IASB's standards and basis of conclusions). It was meant to bring standards like the US GAAP and IFRS closer or harmonize them; to produce identical standards.

According to SEC (2010), as stated in Odia and Ogiedu (2013), there are two approaches to IFRS adoption around the world: convergence and endorsement approach and it classified jurisdictions which do not adopt IFRS as issued by the IASB as following the convergence approach. In case of endorsement, jurisdictions keep their local standards but make an effort to converge with IFRS over time. Endorsement approach is where jurisdictions incorporate individual IFRSs into their local standards. Gradual movement is made towards IFRS through customizing with the existing accounting standards and IFRS are applied gradually converging few local standards to IFRS each year can allow local preparers and auditors to learn a few topics at a time rather than immersing themselves in the full set of IFRSs as indicated in IFRS Foundation Guide (2013) as cited in Alemi and Pasricha (2016).

But adoption of IFRS means full-scale implementation or usage of IFRS without any variation. Adoption according to IFRS Foundation Guide (2013) as cited in Alemi and Pasricha (2016) is a strategic decision to adopt IFRS on a single date or perhaps, a series of dates applied to

companies of different sizes. Under this approach, once IFRS is adopted, all IFRS standards should comply while preparing financial statements and the existing accounting standards should be replaced with IFRS. IFRS Foundation (2017) stated that countries need to establish their own mechanisms for bringing IFRS standards formally into national law and for ensuring consistent and rigorous application. Regardless of the mechanics of IFRS implementation, the end result should be the same. It is full adoption of IFRS standards as issued by the Board and it would help a company to compete globally (Shil et al. 2009).

2.1.7. Benefits of IFRS

Nowadays, the world's financial markets are borderless due to globalization. Companies including small companies seek capital at the best price wherever it is available. Investors and lenders seek investment opportunities wherever they can get the best returns commensurate with the risks involved. To assess the risks and returns of their various investment opportunities, investors and lenders need financial information that is relevant, reliable as well as comparable across borders (Shil et al. 2009).

Volker (2002) noted as stated in IFRS Foundation (2016), the developments over the past year and more has strongly reinforced the logic of achieving and implementing high-quality International Accounting Standards. In an age when capital flows freely across borders, it simply makes sense to account for economic transactions, whether they occur in the Americas, Asia, or Europe, in the same manner. Providing improved transparency and comparability will certainly help ensure that capital is allocated efficiently. Not so incidentally, Generally Accepted International Standards will reduce the cost of compliance with multiple national standards.

The common set of principles-based and high-quality financial reporting standards (IFRS) is needed to support the coherence and consistency of the international financial system. It is also used for mobilization and efficient allocation of financial resources and facilitating investment needed for the economic development of a given country. Sound and internationally comparable corporate financial reporting that meets the requirements of financial markets improve investor confidence, facilitate risk assessment in making investment decisions and helps reduce the cost of capital (UNCTAD 2008).

IFRS Foundation (2018) additionally noted that IFRS standards: (a) bring transparency by enhancing the international comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions; (b) strengthen accountability by reducing the information gap between the providers of capital and the people to whom they have entrusted their money, and (c) contribute to economic efficiency by helping investors to identify opportunities and risks across the world, thus improving capital allocation.

2.2. Empirical Literature Reviews

Following the emergence of harmonization of accounting standards in general and the introduction of IFRS in particular, there were different studies in both developed and developing countries especially after the germination of IASB. Those studies were basically grouped into different categories. Most of them were mainly focused on the challenges and benefits of IFRS implementation (Hegarty et al. 2004; Irvine and Lucas 2006; UNCTAD 2008; Gebre 2009; Jaafar and Rahim 2012; Mohammed and Lode 2012; Owolabi and Iyoha 2012; Sedzani 2012; Tesfu 2012; Alsaqqa and Sawan 2013; Odia and Ogiedu 2013; Zakari 2014; Hossain et al. 2015; Weaver and Woods 2016; Bahadır et al. 2016; Gina et al. 2016; Amanamah 2017; Edeigba 2017; Mbawuni 2017; Teshome 2017). In the section below, the previously conducted studies are discussed.

Hegarty et al. (2004) investigated the challenges to the successful implementation of international accounting and auditing standards. The study stated that misunderstandings as to the nature of international standards, lack of appropriate mechanisms for granting national authority to international standards, inconsistencies between international standards and the legal framework, lack of appropriate linkages between general-purpose and regulatory financial reporting, inappropriate scope of application of international standards, non-observe ability of compliance, areas for improvement in the standards themselves, mismatch between accounting requirements and market demands, mismatch between accounting requirements and the capacity to comply, mismatch between accounting requirements and domestic enforcement capacity are the practical challenges of IFRS implementation in a jurisdiction.

UNCTAD (2008) similarly studied practical challenges that arise in implementing IFRS. The study revealed that lack of coherence in the regulatory system, the shortage of accountants and

auditors who are technically competent in implementing IFRS, the shortage of implementation time, the limited availability of training materials and experts on IFRS at an affordable cost, the difficulty in coping with the rapid frequency and volume of changes made by the IASB to existing IFRS, as well as keeping pace with new standards, fair-value measurement requirements in IFRS, the complexity of certain IFRS are the major practical implementation challenges of IFRS in a country.

Owolabi and Iyoha (2012) examined the perception of users and preparers of financial statements on what the benefits, prospects, and challenges of IFRS adoption are in African countries. A questionnaire was used to gather data from respondents made up of users and preparers of accounting information using the Twitter social network. The results of the study indicated that IFRS adoption in Africa will have the potential to be beneficial to a wide range of stakeholders. The benefits notwithstanding, there are, however, a number of challenges to be faced in the process of adoption of the new standards including the ethical environment in Africa.

Tesfu (2012) studied the benefits and key challenges of IFRS adoption in Ethiopia. The study revealed that the introduction of IFRS in Ethiopia will improve comparability and reliability of financial statements, ensure the transparency financial statements, reduce the firm's cost of capital, reduce information asymmetry, improve investor confidence, and enhance the better risk management. The study also identified that significant cost of adoption needs for training, the complex nature of standards, the lack of adequate implementation guidance, tax-driven nature of previous standards and fair value measurements as the expected challenges of implementing IFRS in Ethiopia.

Baba (2013) studied on the achievements recorded in IFRS adoption in Nigeria in the stated time, challenges being encountered and measure taken in order to ensure a smooth and successful implementation of IFRS adoption in Nigeria. As a result, the study suggested that most publicly quoted companies listed on the Nigerian stock exchange (NSE) were still far behind in their implementation process. Thus, the reason for the delay was attributed to several factors which ranges from challenge with amendment of the existing tax laws, the level of awareness among various stakeholders, weak compliance and enforcement mechanisms, the

education level and experience, insufficient technical capacity, inadequate planning on the part of companies' management as well as inadequate private sector participation. To ensure smooth and successful implementation of IFRS in the remaining phases, the study recommended that effective evaluation and planning, amendment of existing tax laws, integrating IFRS into the educational curriculum, raising awareness, enlightenment on retrospect nature of IFRS, incentives for motivation, increasing private sector participation and capacity building are required in Nigeria.

Odia and Ogiedu (2013) studied the issues and challenges associated with IFRS adoption in a jurisdiction. The study suggested that effective IFRS adoption requires: (i) careful planning, extensive public education, the allocation of resources and institutional support with strong management systems; (ii) the communications system for informing users of the changes in reporting requirements; (iii) adequate resources in place to support the sustainable implementation of IFRS; (iv) continual training of auditors, regulators, analysts and capacity building of the various stakeholders by the accounting profession; (v) strong accounting institutional framework in place to champion and manage the IFRS change process; (vi) introduction of an awareness program by government to improve the degree of compliance with accounting requirements by specified business enterprises; (vii) an independent and strong oversight body; (viii) extensive and on-going support from professional accounting bodies; (ix) integrating IFRS into university accounting education and updating the curricula for the training of accountants by tertiary institutions and professional accounting bodies.

Hossain et al. (2015) investigated the benefits and challenges of IFRS adoption in a developing economy focused mainly on Bangladesh. The study was purely based on the information from prior works of literature and secondary data sources. The study revealed that the adoption IFRS reduce the cost of capital, improve financial reporting quality, increase the ability to secure borders-listing, enhance better access to global capital markets and increase the inflow of foreign direct investment. On the other hand, the study stated that low level of awareness and inadequate availability of quality training, knowledge gap among professionals, regulators and preparers, significant inconsistency in disclosure levels across various parts of annual reports, lack of resources, inadequate evaluation and monitoring of corporate report by SEC and stock exchange

of the country, contradiction between financial reporting and tax accounting were some of the challenges encountered to implement IFRS in Bangladesh.

Simegn (2015) studied the benefits, challenges and critical factors affecting IFRS adoption in Ethiopia. The study was conducted by collecting primary data using a questionnaire and secondary data from journal articles, manuals, books, and websites. The study noted that the adoption of IFRS by Ethiopia expected to improve the quality of accounting so as to make a judgemental decision among users of accounting information. However, lack of proper financial reporting guidance, lack of proper instructions from regulatory bodies, additional training for professionals and modernized IT system in handling the transitions to IFRS were identified as the main expected challenges of IFRS adoption in Ethiopia.

Weaver and Woods (2015) studied on the challenges faced by reporting entities on their transition to IFRS. Based on interviews with experts with aggregated experience relating to the transition projects of over 170 reporting entities, the study highlighted the main challenges in delivering a successful implementation of IFRS. The study stated that the problems faced in implementation include lack of education and training, lack of securing executive-level support, identifying and responding to the wider business-related implications of the transition and issues with capturing the necessary information for reporting under IFRS.

Alemi and Pasricha (2016) studied IFRS adoption progress in Ethiopia. The study identified IFRS knowledge gap, shortage of qualified professionals, resistance to change, management knowledge gap, cost of implementation, absence of professional institutions and emergence of unfair competition among professionals as the challenges ahead of IFRS adoption in Ethiopia. On the contrary, the study finds out the opportunities ahead of IFRS adoption in Ethiopia as the high commitment from the government and as IFRS avoids current problems, enhance comparability, enhance foreign direct investment, easy access to finance, helps to establish legal backing accounting and auditing system in the country in question.

Amanamah (2017) examined the benefits and challenges associated with the implementation of IFRS in Ghana from accounting and business managers perspective. The study used purposive sampling to collect data from 187 accounting professionals and managers in all business sectors of Ghana. The study revealed that the adoption of the IFRS has among other benefits, increase

the quality of accounting information, increase investors' confidence, increase comparability of financial statement among companies both nationally and internationally, reduce the cost of equity capital, made the preparation and auditing of the financial statement very transparent and easier. The study also noted that though the cost of implementation was very high and accounts and business managers faced some challenges in the implementation of the standards, the benefit derived from its implementation outweighed the challenges.

2.3 Conclusion and Knowledge Gap

The literature reviews discussed so far stated that IFRS are the globally accepted financial reporting standards used to prepare general purpose financial statements of profit-oriented entities, in which currently, more than 144 jurisdictions implemented and used as the financial reporting standards (IFRS Foundation 2018). The IFRS standards are standards and pronouncements which constitute IAS, SIC, IFRS, and IFRIC. IAS was developed and published by IASC during 1973-2001, whereas IFRS standards are developed by IASB starting from 2001 by taking the place of IASC. The first mandatory adoption of IFRS was declared by European Union in 2002, when European Parliament passed the Regulation that required the EU-listed companies to prepare their consolidated financial statements according to IFRS by starting from 1 January 2005 (Fekete et al. 2008; Zeff 2012)

Since then many countries declared the mandatory implementation of IFRS in their respective jurisdictions. Following the mandatory implementation of IFRS, different studies were conducted to evaluate the benefits and practical challenges of implementing the standards. But, most of the previous IFRS studies were mainly focused on developed countries, especially in EU member countries. There were also the studies conducted in developing countries on the mandatory implementation of IFRS in general, benefits, practical challenges and progress of IFRS implementation, in particular. For instance, different studies were conducted in Nigeria, South Africa, Libya, Ghana, Bangladesh, United Arab Emirates, and India, etc. regarding the benefits and practical challenges of mandatory implementation of IFRS (Hegarty et al. 2004; UNCTAD 2005; Baba 2013).

But in Ethiopia, as far as IFRS is concerned, limited studies have been conducted. For instance, Tesfu (2012) studied the benefits and key challenges of IFRS adoption in Ethiopia. Alemi and

Pasricha (2016) studied IFRS progress in Ethiopia. Mihret (2016) critically analyzed the process, issues, and implication of IFRS adoption in Ethiopia. These and other studies conducted on IFRS in Ethiopia mainly focused on the expected challenges and benefits of IFRS adoption, and also on the process and progress in IFRS adoption up to the year 2015/16.

But to the knowledge of the researcher, there appear to be no studies on the practical implementation challenges encountered by first phase implementers of IFRS. Therefore, by considering the above-stated knowledge gap, the study examines the implementation of IFRS in Ethiopia by focusing on processes, practical challenges, and the way forward. The study will contribute to the Ethiopian perspective of the practical challenges of IFRS implementation into the international context through the literature.

Chapter Three: Research Methodology

The previous chapter presented a review of the literature on IFRS implementation and identified the existing knowledge gap. The purpose of this chapter is to set the methodological approaches adopted in the study. The chapter is organized into four sections. Section 3.1 presents broad research objectives and specific research questions; followed by research approaches which discuss brief theoretical discussions on the nature of the three research approaches in section 3.2. Section 3.3 presents the research approach adopted. Lastly, section 3.4 discusses the methods of data analysis.

3.1 Broad Research Objective and Specific Research Questions

As indicated in the first chapter, the broad objective of this study was to investigate the implementation of IFRS in Ethiopia focusing on the processes, practical challenges, and the way forward. Based on the broad objective, the following specific research questions were developed;

***RQ1.** How is the process of International Financial Reporting Standards implementation in Ethiopia?*

***RQ2.** How is the progress in the implementation of International Financial Reporting Standards in Ethiopia?*

***RQ3.** What are the practical challenges in the implementation of International Financial Reporting Standards in Ethiopia?*

***RQ4.** What are the lessons from reporting entities that fully implemented International Financial Reporting Standards in Ethiopia?*

3.2 Research Approaches

As noted in Creswell (2009), in terms of investigative study there are three common approaches to business and social research namely, quantitative, qualitative and mixed methods approach. Quantitative research is a means for testing objective theories by examining the relationship among variables. These variables, in turn, can be objectively measured, typically on instruments so that numbered data can be analyzed using statistical procedures. In the quantitative research approach, there are two strategies of inquiries, namely: survey design and experimental design.

The chief advantage of this approach is making generalizations for a broader population based on the findings from the sample.

On the other hand, a qualitative approach to research is concerned with the subjective assessment of attitudes, opinions, and behavior. Research in such a situation is a function of the researcher's insights and impressions. Such an approach to research generates results either in non-quantitative form or in the form which are not subjected to rigorous quantitative analysis (Kothari 2004). In this case, the final written report has a flexible structure. In this method, the researcher collects open-ended, emerging data with the primary intent of developing themes from the data (Kothari 2004; Creswell 2009).

Mixed methods research is an approach to inquiry that combines or associate both qualitative and quantitative forms. It involves philosophical assumptions, the use of quantitative and qualitative approaches and mixing of both approaches in a study. Thus, it is more than simply collecting and analyzing both kinds of data; it also involves the use of both approaches in tandem so that the overall strength of the study greater than either quantitative or qualitative research (Creswell 2009)

3.3 Research Approach Adopted

To conduct the study, a qualitative research approach was used and the rationale for using a qualitative research approach is due to the nature of the problem under investigation. Creswell (2009) argued that, the qualitative research would be appropriate for the exploration of a given phenomenon, a need to understand a group afresh, a need for complex and detailed understanding of a phenomenon, a need to allow people to freely share their stories, a need to minimize power relations and a need for the findings and report to be participant inductive. Therefore, to have a better insight and to gain a richer understanding of the research problem and to answer each specific research question, a qualitative research approach was used.

To obtain the necessary data, document reviews and in-depth interviews were employed in the study. Sections 3.3.1 and 3.3.2 present respectively document reviewed and in-depth interviews conducted in the study.

3.3.1. Document Reviews

Document reviews were conducted using published and unpublished documents which may take a variety of forms such as Proclamation, Regulation, strategic plan of AABE, annual plan and report of AABE, annual financial reports of entities and other documents related to IFRS implementation. Data obtained from the review of relevant documents were mainly used to answer the first two specific research questions.

As noted in Yesegat (2009) document reviews has its own strengths and weaknesses. The literature on document reviews identifies strengths including convenience, low cost, and replication. Weaknesses include the lack of representativeness (documents are not necessarily the representative of their kind and thus do not allow generalizations), personal bias (documents may be biased since they represent the view of their authors) and reliability (the reliability of some documents is questionable).

3.3.2. In-depth Interviews

In-depth interviews were also conducted with key informants from AABE, IFRS conversion consultants, external auditors, IFRS implementation team leaders and financial statements preparers using unstructured questionnaires. The main reason for using the unstructured questionnaires was due to the nature of the study and it provides room for more questions to be asked in the context of the objective of the study. The purpose of these interviews was to critically identify the processes and practical challenges of IFRS implementation in Ethiopia. The interviews with respondents from AABE were intended to elicit information about processes used in Ethiopia to implement IFRS in addition to practical challenges the Board encountered to achieve its objectives. The interviews were held with seven (7) respondents from AABE.

The interviews were also conducted with IFRS conversion consultants. The interviews were aimed at obtaining information on the benefits of adopting IFRS in Ethiopia, weakness of the processes used to adopt IFRS in the country, practical implementation challenges of IFRS and the way forward. The interviews were held with nine (9) conversion consultants of IFRS. Additionally, the interviews were also conducted with external auditors on the issues and four (4) external auditors were interviewed. Lastly, interviews were conducted with ten (10) IFRS

implementation team leaders and financial statements preparers of banks, insurance companies and federal public enterprises to obtain information on the benefits and practical challenges of IFRS implementation in the respective entities. Respondents were interviewed independently and with no interaction with each other. Totally, interviews were conducted with 30 key informants and the key respondents were purposely selected for the study by the researcher. Therefore non-probability sampling technique specifically purposive sampling technique was employed in the study.

Boyce and Neale (2006) noted that in-depth interviews are useful when the researcher detailed information about a person's thoughts and behaviors or want to explore new issues in-depth. It is often used to provide context to other data, offering a more complete picture of what happened in the program and why. The primary advantage of in-depth interviews is that it provides much more detailed information than what is available through other data collection methods, such as surveys. They also may provide a more relaxed atmosphere in which to collect information people may feel more comfortable having a conversation with you about their program as opposed to filling out a survey. However, there are a few limitations and pitfalls of in-depth interviews and includes it prone to bias, time-intensive, the interviewer must be appropriately trained in interviewing techniques and not generalizable.

3.4. Methods of Data Analysis

The thematic analysis approach is used to analyze the necessary data collected from different sources where the thematic analysis is the process of identifying pattern or themes within the qualitative data. The goal of thematic analysis is to identify themes in the data that are important or interesting and use these themes to address the research questions or say something about an issue and it is much more than simply summarizing the data (Maguire and Delahunt 2017). Accordingly, after the necessary data is collected from in-depth interviews with the help of handwritten notes and review of relevant documents, the researcher read and re-read through the data repeatedly to become familiar with the issue under investigation. Then by organizing the data in a meaningful and systematic way, the theme that addresses each specific research questions were developed in the study.

Chapter Four: Results and Discussion

The preceding chapter presented details of the methodological approach adopted in the study. This chapter presents results and discussion. The chapter is organized into two sections. The first one presents the results of the different research methods; this is followed by discussions in section two.

4.1 Results

As stated in chapter three, the study employed document study and in-depth interviews with 30 key informants from reporting entities, IFRS conversion consultants, external auditors, and AABE. Documents including the Proclamation, Regulation, strategic plan of AABE, annual plans, and reports of AABE and annual financial reports of entities were reviewed. Sections 4.1.1 and 4.1.2 present respectively results of document reviews and in-depth interviews.

4.1.1. Results of Document Reviews

Recognizing the importance of having high-quality financial reporting and its contribution to the improved business environment necessary to attract investment, the government of Ethiopia in 5th December 2014 passed the Financial Reporting Proclamation No. 824/2014. As stated in the Proclamation No. 847/2014, the objectives of financial reporting law is to establish a sound, transparent and understandable financial reporting system applicable to entities in both private and public sectors; have a uniform financial reporting law which enhances transparency and accountability by centralizing the hitherto decentralized financial reporting structures of Ethiopia; ensure that the provision of financial information meets internationally recognized reporting standards and establish a body that undertakes regulatory responsibilities in financial reporting.

Pursuant to Article 4(1) of the Proclamation No. 847/2014, the Council of Ministers' Regulations No. 332/2014 for the establishment of the Accounting and Auditing Board of Ethiopia was issued. Accordingly, provision of Article 3(1) of the Regulation provides that the Accounting and Auditing Board of Ethiopia (hereafter the 'Board'), is established as an autonomous government organ having its own legal personality with the responsibility of regulating the

accounting and auditing professions and financial reporting practices in Ethiopia. Article 5 of the Regulation No. 332/2014 indicates the objectives of the Board. One of the Board objectives is to promote high-quality reporting of financial and related information by reporting entities. The mission of the Board is to support investment and protect the public interest by promoting high-quality financial reporting in Ethiopia through appropriate oversight of the accountancy profession, in accordance with local laws and international standards (AABE 2015).

Article 4(2) of Proclamation No. 847/2014 and article 6 (1-16) of Regulation No. 332/2014 states the powers and duties of the Board. Some of the duties include to issue standards and directives relating to financial reporting and auditing and ensure compliance therewith; to conduct inquiry or investigation and impose administrative sanction in accordance with the provisions of this Proclamation where appropriate on public interest entities and public auditors to enforce compliance with financial reporting and auditing standards; to set criteria to distinguish reporting entities as either public interest entities or small and medium enterprises and register them accordingly: to receive and register financial statements of reporting entities; to review and monitor the accuracy and fairness of financial statement to enforce compliance with the reporting standards.

The Proclamation No. 847/2014 sets out financial reporting frameworks applicable to different reporting entities and mandated the Board with the responsibility of regulating the accountancy profession and ensuring its development in the country. As stated on article 5 of Proclamation No. 847/2014 which entitled, the applicable financial reporting standards, the financial reporting standards to be used when preparing financial statements in Ethiopia should be; IFRS (Full IFRS); or IFRS for small and medium enterprises (IFRS for SME) as issued by IASB or its successor (IASC) as adopted, adapted or amended by the Board.

Article 5(3) of the Proclamation No.847/2014 gives the mandate for the Board to specify, in the financial reporting standards, the minimum requirements for recognition, measurement, presentation and disclosure in annual financial statements, group annual financial statements or other financial reports which every public interest entity or small or medium enterprise shall comply with, in the preparation of financial statements and reports.

Accordingly, the Board developed a five-year strategic plan to fully implement IFRS in five years (AABE 2015). The Board decided to adopt IFRS in the country over other methods of IFRS implementation in a jurisdiction.

The Accounting and Auditing Board of Ethiopia believes that it will be in the best interest of the nation to adopt IFRS as issued by the International Accounting Standard Board. The Board plans a three-phase transition over a period of three years for reporting entities in Ethiopia (AABE 2015 pp. 87).

AABE (2015) noted that entities would need two to three years to prepare properly for reporting under them. The transition plan of IFRS adoption in Ethiopia is prepared on the basis of Article 54(1) of the Proclamation and anchored on the understanding that the Board and all stakeholders will follow the milestones and timelines as described and explained hereunder.

Phase 1: Significant Public Interest Entities: Primary Financial Institutions and Public Enterprises: were required to adopt IFRS (full IFRS) as issued by IASB from the calendar year 2017, with reporting under IFRS starting 2018. Mandatory reporting for these reporting entities is required to be July 7, 2018. This means that all financial institutions and government-owned federal and regional public enterprises in Ethiopia are statutorily be required to issue IFRS based financial statements for the year ended on July 7, 2018.

Phase 2: Other Public Interest Entities: all other public interest entities (Ethiopian Commodity exchange (ECX) member companies and reporting entities that meet the qualitative thresholds for public interest entities (PIE)) are expected to mandatorily adopt IFRS for statutory purposes, by July 8, 2018. This means that all other PIEs in Ethiopia will statutorily be required to issue full IFRS based financial statements for the year ending July 7, 2019.

Phase 3: Small and Medium-sized Entities: IFRS for SMEs should mandatorily be adopted as at July 8, 2019. This means that all SMEs in Ethiopia will statutorily be required to issue IFRS (IFRS for SME) based financial statements for the year ending July 7, 2020.

AABE (2015) stated that the Board planned to work to achieve effective implementation of IFRS in Ethiopia and to minimize the challenges of IFRS implementation. To this end, the Board planned to introduce a countrywide intensive capacity building program to facilitate and sustain the process of IFRS adoption and planned to organize workshops, seminars and forums to promote awareness of

international standards; facilitate train the trainer (TOT) courses in IFRS, IFRS for SMEs, and ISA with course presenters coming from the relevant IASB; engage in extensive preparation activities for the implementation of IFRS to benefit all players in the financial reporting supply chain including; academics, preparers, auditors, and regulators; develop and disseminate best practice implementation guidance and tools on good corporate governance to support reporting entities in implementing and monitoring effective corporate governance; provide technical advice and support to firms to strengthen their internal capacities; and adopt a proper change management strategy supported by intensive public sensitization and awareness campaign.

4.1.2 Results of In-depth Interviews

This section presents results of in-depth interviews held with 30 key informants from AABE, IFRS conversion consultants, external auditors, financial statements preparers and IFRS implementation team leaders of reporting entities.

With respect to the benefits of IFRS adoption in Ethiopia, all respondents were asked whether they believe in the benefits of IFRS adoption in Ethiopia or not. All the respondents suggested that IFRS is by far better than the mixed standards that had been used before by reporting entities in Ethiopia. They stated that previously, there were no framed standards in the country that guide reporting entities to prepare general purpose financial statements and auditors to audit financial statements. According to them, there were fragmented and inconsistent financial reports among reporting entities. They stated that the inconsistent reports were because of mixed standards that reporting entities had been used in preparing financial reports in Ethiopia.

Respondents noted that the set of standards taught at higher learning institutions in Ethiopia and the ones practiced in the professional environment are often a blend of the US and UK standards. At times, there are industry-specific standards adopted from the personal experiences of professionals. So, largely, reporting entities had a scattered set of standards in use in Ethiopia previously. For instance, respondents suggested that previously reporting entities in Ethiopia has been influenced by tax proclamation to compute the depreciation expenses of their plant asset which couldn't signify the economic reality of the company.

According to them, financial statements that had been prepared so far in the country were not comparable because of the stated mixed standards. They noted that the implementation of IFRS in the country play a major role in reducing the inconsistent and fragmented reporting and brings the uniformity of financial reporting across reporting entities. Hence, what IFRS seeks to accomplish is to collect all the accounting and audit standards and devise one unified template and guideline for accounting and audit. For instance, external auditors noted that in IFRS there are specific steps to follow when an auditor goes through financial statements; there are also sets of standards to refer to when an auditor verifies a financial reporting is really up to the standards.

Financial statement preparers suggested that the implementation of IFRS helps entities to have standards by which general purpose financial statements are prepared. Respondents suggested that previously, the majority of reports that reporting entities have been preparing was special purpose financial statements especially for tax authority and National Banks of Ethiopia. According to them, the need for general purpose financial statements in the country was low.

Moreover, respondents stated that the way by which reporting entities previously were preparing their financial statements didn't show the economic realities of the company. But according to them, IFRS helps entities to identify the entity real stand in the industry and give honest figures of the company to the entities business partners and clients by providing a true and fair view of financial statements.

IFRS conversion consultants additionally suggested that IFRS is better than any other standards for the country. According to them, IFRS is better than any other standard because of the absence of national accounting standards in Ethiopia in one hand and different countries are moving toward IFRS implementation due to globalization on the other. They opined that in place of developing national accounting standards where even countries with strong national accounting standards are leaving their own and moving toward IFRS, it is not logical to develop national accounting standards in the country.

But the majority of respondents from IFRS conversion consultants stated that the mandatory IFRS should not be applicable to all entities stated in the road map. They argued that IFRS is not suitable and appropriate standards for public enterprises and private limited companies. They stated that it would be better if the application of mandatory IFRS were limited to financial

institutions. Similarly, auditors also suggested that the mandatory implementation of IFRS across all entities has its own drawback and except for financial institutions, at least size should be taken in to account. According to them, the implementation of IFRS in small companies will be costly.

On the benefits of IFRS adoption in Ethiopia, the Director General of AABE noted that;

IFRS adoption in Ethiopia helps entities to prepare transparent financial statements with clear, high-quality standards that will improve accountability and collectibles from the tax system. Once we show that high-quality financial information is being prepared, investor confidence will be improved and will form a basis for attracting Foreign Direct Investment (FDI).

Respondents also suggested that IFRS enhance the readability of financial statements, enhance the quality of decisions, facilitate the establishments of the stock market in the country and used to maintain free movement of the labor force.

With respect to processes of IFRS implementation in Ethiopia, respondents were also asked to state their view. The majority of respondents from financial statements preparers and IFRS implementation team leaders stated that the processes were not comfortable with their respective reporting entities to implement the standards. They argued that the processes didn't consider the necessary conditions for (the minimum requirements of) IFRS implementation in the country. They stated that the existing constraints for implementation like non-availability of required manpower with IFRS knowledge in the country, the existed weak accounting practices in the country, non-availability required infrastructure for the implementation were not considered in the processes.

According to them, the issue was simply imposed on reporting entities at least without considering the required time to capacitate the available human resources. In the same way, they suggested that with stated obstacles and constraints on implementation, the time given for reporting entities were too short. IFRS conversion consultants also noted that the time given for reporting entities especially for the first phase implementers were too short. They noted that the roadmap didn't consider the experiences of other countries as well on the implementation.

The majority of respondents from IFRS conversion consultants, external auditors, financial statements preparers and IFRS implementation team leaders similarly argued that the processes

of IFRS implementation in Ethiopia lack strong regulatory and enforcement institution. They noted that the Board has no enough and competent human resources. As a result, it couldn't be capable enough to regulate the reporting entities in the country in all aspects in general and IFRS implementation in particular.

According to them, in terms of awareness creation, follow-up, monitoring, reviewing and giving the feedback to reporting entities, the role of the regulatory body was weak and not as intended. Additionally, respondents argued that the implementation was not effectively communicated to reporting entities and they suggested as there was a communication gap between the Board and reporting entities. Similarly, IFRS conversion consultant suggested that there is no communication between the Board and the conversion consultant in the implementation processes.

Respondents also argued that the Board couldn't even able to organize the needed material resources helpful for the implementation of the project and it couldn't also establish strong institutions that help the Board in the conversion of the project. Furthermore, respondents argued that the Board didn't provide feedback on the audited IFRS based financial statements submitted to it for the fiscal year ended 7 July 2018. The respondents from IFRS conversion consultants further noted that in the processes the Proclamation No. 847/2014 stated as the IFRS implementation will be fully completed within five years. But practically, the Board actually started its operation by the late of the year 2016 after the preparation time was almost completed. They stated that the implementation was started in rush without building the capacity of human resources the country intended to be performed during preparation time.

Respondents suggested that the rush process followed in implementing IFRS in Ethiopia makes the project more expensive than it would be and created difficulty in transferring and retaining knowledge from IFRS consultants to the employees of reporting entities which will create a burden on companies and enforces them to incur additional consultant costs in the near future.

Respondents further suggested that there was no integration between the Board and other regulatory institutions like the National Bank of Ethiopia (NBE) and the Ministry of Revenue. They noted that the lack of integration in these areas created a reporting burden on companies to satisfy their separate requirements. They additionally suggested that the absence of

comprehensive guidance from the Board on the contentious area was another weakness of the processes. According to respondents from conversion consultants, lack of guidance on contentious area potentially create the practical difference among reporting entities on the application of IFRS implementation and reduces the comparability of financial statements. Respondents argued that the Board couldn't perform as the regulations and even as per the roadmap prepared by itself.

As indicated by respondents from AABE, the major challenge of the Board is lack of the required human resources. According to them, the Board couldn't attract and, recruit competent staffs. They noted that employees' turnover ratio at the Board Secretariat is very high and the Board couldn't retain its staff. Further, respondents from AABE suggested that with the salary scale the government has authorized for the Board, the Board couldn't retain its staff. As far as the capacity of the Board staff is concerned, respondents noted that the Board lacks competent staff that able to perform the activities of the regulatory body especially review of audited IFRS based financial statements. They additionally indicated that the Board has no room for even capacitating its employees.

Respondents from AABE also suggested that other regulatory bodies such as Ministry of Finance and Economic Cooperation (MoFEC), Ministry of Science and Higher Education (MoSHE), Ministry of Revenue and National Bank of Ethiopia (NBE) were not willing to cooperate with the Board and support the Board on IFRS implementation in the country. They stated that the above-stated institutions were not interested to integrate and work with the Board in the implementation process. According to them, this brings the major challenges to the Board in accomplishing its task.

Respondents suggested that the implementation processes would be better, if orientation, awareness creation, and short-term training were aggressively given at the country level to capacitates the accountants on IFRS, different institutions that help the Board were established and accounting curricula was revised in accordance with IFRS on time. They argued that knowledge gaps could be reduced in the country by doing so. Additionally, IFRS conversion consultants were suggested that the implementation processes would be better if mandatory IFRS were applied only to financial institutions so that the focus of the Board, as well as the available

human and capital resources, were applied to them. For the other reporting entities, it would be better if it were voluntary as they suggested. Respondents additionally stated that the processes would be better if there were integration between AABE and other regulatory institutions so that the reporting burden can be reduced from reporting entities.

On the other hand, key informants from AABE personnel argued that the process used in Ethiopia for IFRS implementation was the right process except that in the process, enough consideration was not given for the Board especially from the government. They noted that the government didn't understand the value of financial reporting in general and the Board in particular. According to them, given the capacity that the Board has, the activities performed so far by the Board was appreciating. Respondents from AABE suggested that workshop has been developed in collaboration with the World Bank and training is being offered to most of university accounting lecturer in the country so that they, in turn, can roll out training to their students.

But, respondents from AABE supported the idea raised by other respondents related to the feedback on the IFRS based financial statements submitted to the Board. They noted that the feedback was not yet given to reporting entities by the Board on the audited IFRS based reports submitted by reporting entities for the fiscal year ended on 7 July 2018. The reason for not reviewing the report according to them was, due to lack of the capacity to review. They stated that the statements were prepared with the help of internationally recognized consultants like PriceHouseWaterCoopers (PWC), KPMG. According to them, the employees of the Board have no technical capacity and know-how of reviewing and give feedback on the reports.

With related to the roadmap of IFRS adoption in Ethiopia, the researcher asked the respondents from AABE, whether they believe the given time was enough or not. According to them, it is enough time and one of the respondents from AABE argued that;

To develop the road map, in addition to the capacity of reporting entities in questions, the Board had also considered the economic facts and circumstances of the country. In Ethiopia, there are no complicated financial transactions. The transactions are simple and traditional in their nature. For example, the banking sector is engaged in borrowing and lending, but not trading, which would bring more complex financial instrument

accounting issues. Therefore, it is feasible to handle these simple transactions in IFRS within a scheduled time.

Similarly, few respondents from IFRS conversion consultants, IFRS implementation team leaders, and financial statement preparers supported the above-stated idea. They argued that the scheduled time was enough to adopt IFRS with committed IFRS implementation team and full of top management supports in the company.

The respondents were asked to explain the role of the Board in facilitating the implementation processes. As they suggested, the role of the Board in facilitating the implementation process was not the same in financial institutions and in federal public enterprises. Respondents from public enterprises noted that the role of the Board in facilitating the implementation was appreciating given the capacity it has and the implementation process is continuously followed by both AABE and Ministry of Public Enterprises.

On the other hand, respondents from financial institutions (banks and insurance companies) suggested that the Board contribute nothing toward the implementation of IFRS in their respective companies. By considering this fact, the researcher asked the respondents from AABE, why the Board treated the two sectors differently in the implementation processes. Accordingly, respondents noted that financial institutions have the capacity to afford the costs related to IFRS implementation. According to them, banks and insurance companies can hire internationally competent consultants and solve the project related problem as they had done.

Additionally, the researcher asked the key informants from AABE on the mechanism by which IFRS implementation could be better planned. One of the respondents argued that had it been backed by everyone. The respondent noted as the Board through its personnel tried many times to convince MoSHE to collect instructors from higher institutions and develop IFRS based curricula for accountancy education in the country. Respondents from AABE suggested that there were institutions with the “*tone at the top*” to facilitate IFRS implementation in Ethiopia. These institutions include the Ministry of Revenue, NBE, MoFEC, MoSHE and Addis Ababa University (AAU), as they noted. Respondents from AABE suggested that the implementation would have been more successful if these institutions have early reacted on what the Board had been requesting them.

Key informants from AABE were also asked to explain the number of reporting entities required to adopt IFRS in the first transition phase, for the fiscal year ended on 7 July 2018. Accordingly, they indicated that banks, insurance companies, and federal public enterprises, totally 58 reporting entities were required to prepare IFRS based financial statements for the fiscal year ended on 7 July 2018. According to them, the IFRS based reporting date for microfinance institutions and regional public enterprises were extended for one year and postponed to 7 July 2019 by considering their capacity.

According to respondents from AABE, when the roadmap was developed, microfinance institutions and regional public enterprises were classified under first phase implementers. But they wouldn't be categorized under first phase implementors because, they need to see the experiences of banks, insurance companies, and federal public enterprises. Later, they requested the Board to extend their IFRS reporting date. As a result, respondents stated that by considering the capacity of microfinance institutions and regional public enterprises, the Board decided to postpone their IFRS based reporting date for one year (from 7 July 2018 to 7 July 2019).

Respondents from AABE were also asked the mechanisms the Board have been following to communicate with reporting entities and achievement materialized so far by the Board. On the issue, respondents suggested that the Board has a committee that run sensitization and directorate called Financial Reports Review and Monitoring Directorate. According to them, the major function of the indicated directorate is to review and monitor financial reports. They noted as the Board has been helping reporting entities through the stated directorate by using full-scale of its employee to facilitate the implementation. Respondents further argued that technically and financially World Bank, Pan African Federation of Accountants (PAFA) and IFAC have been helping the Board on implementation processes.

Different countries use different ways to implement IFRS in their jurisdiction and there are different ways of implementing the standards. Therefore, IFRS could be adopted, adapted or amended. In Ethiopia, IFRS was adopted as issued by IASB and the researcher asked the key informants from AABE, why adoption was preferred over other methods (adaption and amendment) in Ethiopia. They argued that the other implementation methods need both financial

and human resources and in Ethiopia, the required resources are not available. They noted as adoption is the right option for Ethiopia with no choice.

Additionally, they argued that Ethiopia hadn't had national financial reporting standards that were used to prepare general purpose financial statements. Therefore, it is very difficult to adapt or amend the sophisticated and complicated standards of IFRS for the country that has no strong national financial reporting standards. Similarly, respondents from IFRS conversion consultants also argued that if both national accounting standards and capacity to adapt were there in Ethiopia, adaption could be the better way to implement IFRS in the county. But, in the case where the country hadn't had national accounting standards, the only option was, adopting the standards as issued by IASB.

According to IFRS conversion consultants and respondents from AABE, in term of its benefits, adaption was preferable over adoption in Ethiopia, but it was impossible to adapt given the available resources in the country. They also noted that in the near future, by considering the economic condition of the country and if the gap that the adopted IFRS will not address is identified, the standards may be adjusted to the economic reality of the country.

Respondents were also asked to express their view on the progress of IFRS implementation in Ethiopia. Accordingly, the key informants from AABE indicated that in the first transition phase, out of 58 reporting entities required to adopt IFRS, 36 reporting entities were submitted the audited IFRS based financial statements to the Board. According to them, from financial institutions, among 18 banks and 17 insurance companies required to adopt IFRS in the first phase, except National Banks of Ethiopia and Ethiopian Insurance Corporation, 17 banks and 16 insurance companies have prepared their financial statements based on IFRS and submitted their audited financial statements to the Board for the fiscal year ended 7 July 2018. All regulated banks were fully implemented and submitted the audited IFRS based financial statements as per the scheduled time.

On the other hand, key informants from AABE noted that only 3 of 23 federal public enterprises have prepared and submitted the audited IFRS based financial statements for the fiscal year ended 7 July 2018. The following table shows the summary of the first phase implementors progress and status on IFRS implementation.

Table 4.1 IFRS implementation progress in Ethiopia

Ser. No	Reporting entities required to submit audited financial statements in first phase transition (for the fiscal year ended 7 July 2018)		Total reporting entities submitted their audited financial statements to the Board		The level of their compliance with IFRS requirements	
	In sector	In number	In number	In percent		
01	Banks	Regulated	17	17	100	Not yet reviewed
		Regulatory	1	0	0	Not yet submitted
02	Insurance companies		17	16	94.11	Not yet reviewed
03	Federal public enterprises		23	3	13.04	Not yet reviewed
Total			58	36	62.07	

Source: AABE and researcher's own computation 2019

On the progress of IFRS implementation in Ethiopia, one respondent from AABE argued that;

As far as the IFRS implementation progress is concerned, the Board is about 70% successful. Almost all banks and insurance companies as a significant public interest entity have successfully submitted the audited IFRS based financial statements except National Bank of Ethiopia and Ethiopia Insurance Corporation. But there are reporting entities from public enterprises with severe problems and not yet started the implementation process.

As indicated above, the progress of IFRS implementation in public enterprises was not like that of financial institutions and not performed as scheduled. Totally 23 federal public enterprises were required to prepare IFRS based financial statements and only 3 of them have submitted the audited financial statements within the scheduled time. Therefore the progress of IFRS implementation in Ethiopia in the first transition phase were around 94% (33 reporting entities out of 35 required reporting entities) successful in financial institutions (banks and insurance companies), delayed in public enterprises and only 13% (3 out of 23 required entities) have prepared and submitted the audited financial statements to the Board within the required time even though their level of compliance was not reviewed yet by the Board.

IFRS conversion consultants similarly suggested that the progress of IFRS implementation was relatively performed smoothly in some reporting entities and not smoothly performed in other reporting entities. According to them, the implementation in financial institutions was relatively performed smoothly whereas in federal public enterprises the implementation was not smoothly performed as scheduled. Based on their views, respondents were asked the reasons why the implementation was not smoothly performed in federal public enterprises. According to them, reporting entities from public enterprises have more implementation challenges than banks and insurance companies.

Majority of respondents from IFRS conversion consultants, IFRS implementation team leaders and financial statements preparers of public enterprises opined that the full implementation of IFRS in public enterprises may need one more year. On the same issue, one respondent from IFRS conversion consultant stated that *“the full implementation of IFRS in public enterprises in Ethiopia will never be achieved in a decade let alone in a year. It is not something I expected even forever!”*

Respondents were also asked their view on the practical challenges of IFRS implementation in Ethiopia. All of the respondents stated that the lack of competent human resource with IFRS knowledge was the major practical implementation challenges of IFRS in Ethiopia. According to them, a very limited number of professional accountants (less than 500 professional accountants) are available in the country. Hence, key informants suggested that lack of competent professional accountants, lack of competent local conversion consultants, lack of property and actuarial valuers in the country become the major practical challenges to implement IFRS in Ethiopia.

Respondents also indicated that the negative attitude of management towards accounting and lack of top management supports was another major practical implementation challenge of IFRS in the country. On the issue, one respondent from IFRS consultant argued that;

Not recognizing the importance of accounting and failure to recruit competent personnel and purchase up-to-date accounting systems are the major problem in the implementation of IFRS in the entire country, federal public enterprises, in particular. This practical challenges of IFRS implementation mainly emanate from negative attitudes of top management for accounting, where in reality the importance of accounting for management and decision making is vital.

According to respondents, the lack of top management support become more severe in public enterprises. They noted that it is a result of the political appointment of the Chief Executive Officer (CEO) in public enterprises. They opined that the CEO of the stated entities don't recognize the importance of accounting and financial reporting because of their educational background.

Additionally, respondents indicated that lack of strong regulatory and enforcement institution, lack of making necessary preparation, difficult to determine the discount rate to compute the fair market value of financial instruments, non-availability of stock market in the country, complexities of IFRS, resistance to change, absence of strong accounting system in the country, lack of commitment, high cost of implementation, lack of required IFRS materials, existence of high employee turnover, lack of integration among regulatory institutions are the practical implementation challenges of IFRS implementation in Ethiopia and negatively affect IFRS implementation in the country.

They noted that lack of local professional accountancy association, lack of necessary data, lack of comprehensive guideline on contentious area from regulatory institutions, lack of other institutions that helps the Board on IFRS implementation, lack of effectively communicating the road map to concerned parties are also the practical challenges of IFRS implementation in Ethiopia and negatively affect the implementation of IFRS in Ethiopia.

In addition to the above-identified practical challenges, the additional challenges were identified by respondents on implementation of IFRS in federal public enterprises. The additional challenges according to IFRS conversion consultants of federal public enterprises includes poor records keeping mechanism, lack of corporate memory, lack of updated book of accounts (not closed book of accounts or closed book of accounts with disclaimer, adverse and qualified audit opinion), existence of vast and complex transactions, problem of backlog clearance, taking responsibility slightly, lack of proper planning on implementation and lack of up to date accounting system. One respondent from IFRS consultants on the issue suggested that;

There are major challenges in federal public enterprises in Ethiopia in relation to retained knowledge and documentation. In the public sector, there is often a lack of evidence and people to know how things work. There may not be any succession

planning, so only one person knows about an issue and when they leave, that knowledge is lost. This needs to be resolved and better corporate memory and system for information retention established.

4.2 Discussions

This section pools data obtained from different sources and tries to answer the research questions detailed in chapter three. Accordingly, the first section shows the processes of IFRS implementation in Ethiopia which is followed by the progress of IFRS implementation in Ethiopia in the second section. The third section discusses the benefits of IFRS implementation in Ethiopia, followed by practical challenges of IFRS implementation in Ethiopia. Lastly, the lessons learned from the up to date progress of IFRS implementation in Ethiopia with experiences of other countries are presented. Each research question is addressed using data obtained from different sources concurrently.

4.2.1 The Process of IFRS Implementation in Ethiopia

Data obtained from key informants and document reviews were employed to discuss the process of IFRS implementation in Ethiopia. The section discusses the processes of IFRS implementation in Ethiopia with IFRS implementation processes of few other countries. To discuss the issues, the motivation of introducing the standards, the extent of mandatory application of IFRS in a jurisdiction, the methods used for implementing the standards into the jurisdiction and the regulatory institution responsible for enforcing IFRS in a jurisdiction are considered.

In Ethiopia, the requirements of improving the financial reporting of the country, the need for having high quality financial reporting to ensure the economic growth of the country, the need of mobilizing huge financial resource from domestic and foreign direct investment (FDI), lack of national accounting and auditing standards in the country and a desire to raise national financial reporting requirements to international best practices were the major factors contributed for the introduction of IFRS in the country (AABE 2015).

Similarly, a desire to raise national financial reporting requirements to international best practices was the major motivating factor for the introduction of IFRS in Kenya, South Africa, and Turkey. Again, in EU-member countries, a desire to harmonize domestic financial reporting

requirements with international standards was the factor contributed to the introduction of IFRS (UNCTAD 2008). Therefore, the motivating factor for most of the countries introduced IFRS was a desire to raise their financial reporting requirements to an internationally recognized benchmark and facilitate cross border investments.

On the other hand, the extent of the mandatory application of IFRS in jurisdictions varies from country to country. For instance, in Ethiopia, the mandatory IFRS are applicable in all public interest entities³ and small and medium-sized enterprises in preparing their separate financial statements and consolidated financial statements (if any) (AABE 2015). Similarly, in Kenya, all listed and non-listed companies are required to prepare their financial statements both consolidated and non-consolidated in accordance with IFRS. In India, entities are classified into three tiers system (level I, II, III)⁴ and all entities are required to apply IFRS, as adapted in the country (UNCTAD 2008; Hons and HOD 2014).

But most of the other jurisdictions didn't mandatorily requires all companies to implement IFRS and prepare IFRS based financial statements. For instance, in South Africa and Turkey, mandatory IFRS were applicable only to listed companies whose shares are widely circulated and widely held. In Germany, listed companies were required to apply IFRS for preparing their consolidated financial statements and non-listed companies were also allowed to use IFRS for the preparation of their group financial statements. However, both listed and non-listed companies are prohibited from using IFRS for preparing their separate financial statements.

³: Public Interest Entities (PIE) are classified in to Significant public interest entities and other public interest entities for the purpose of IFRS implementation in Ethiopia. Under the first category all financial institutions (banks, insurance companies and micro finance institutions) and both federal and regional public enterprises are included (AABE 2015). Other Public Interest Entities are those reporting entities that meet PIE quantitative threshold. The threshold is determined based on the following four criteria. These are: -

1. Annual Turnover: of ETB50,000, 000 (ETB fifty million) and above
2. Total Liability: of ETB100,000,000 (ETB one hundred million) and above
3. Number of Employee: of 100 (one hundred) and above and
4. Net worth: of ETB100,000,000 (one hundred million) and above.

Respondents from AABE and IFRS conversion consultants noted that, those entities that fulfill at least two criteria of the above listed criteria are categorized under other public interest entities and required to adopt full IFRS. Small and Medium enterprises: required to adopt simplified IFRS as issued by IASB (AABE, 2015)

⁴ Those in the first-tier are required to apply IFRS, as adapted for the country whereas, those entities classified under level II and level III were required to adapt the simplified version of IFRS as adapted for the country (UNCTAD 2008).

Similarly, EU member countries listed companies were required to prepare the consolidated financial statements in accordance with endorsed IFRS (UNCTAD 2008).

Nobes (2011) noted that the reactions of different jurisdictions to IFRS differ greatly. Some have ignored it, some have allowed it; some have required IFRS for some purposes, whereas others have abolished national GAAP in favor of IFRS. Very few jurisdictions have simply imposed IFRS as issued by the IASB, although some countries (For example, Canada and South Africa for the listed companies) do incorporate IFRS into law without amendment. Others make amendments and then insert the result into law.

Among different ways of introducing IFRS into a jurisdiction, adoption is used in Ethiopia and reporting entities⁵ in Ethiopia are required to adopt IFRS as issued by IASB. As presented in the result section, Ethiopia directly adopted IFRS due to lack of capacity (lack of human and capital resources) to adapt or amend the standards in one hand and lack of national accounting and auditing standards in the country on the other.

Ball et al. (2003); Ashraf and Ghani (2005); Assenso-Okofu et al. (2011) similarly noted that many developing countries reasons for adopting IAS/IFRS in full or part is for them, to be accepted in the international community and to prevent the problems that arise where there is a limited resource in terms of human, technical, logistics or otherwise to prepare national standards. Therefore, for developing countries like Ethiopia, given the available human and financial resources, adoption is the easiest and simplest way to implement IFRS into the country (Zeff and Nobes 2010).

The institutions responsible for enforcing IFRS need to realize that as a result of the growing globalization of financial markets, their enforcement efforts often protect both domestic and international investors. The responsibility of enforcing IFRS rests with a number of parties such as securities exchange commissions, banking and insurance supervisory authorities, stock exchanges and capital market authorities and these parties play important roles in enforcing financial reporting requirements like IFRS. In this regard, these institutions play a major role in

⁵: According to respondents from AABE, reporting entities are entity with annual turnover of ETB 1,000,000 (ETB one million) and above. Accordingly, they are required to prepare financial statements at the end of fiscal year.

implementing IFRS in Germany, South Africa, Turkey, Kenya, and India. For instance, in India and Kenya, there were peer-review programs that the respective professional accountancy bodies in these countries introduced to ensure proper implementation of financial reporting and auditing standards (UNCTAD 2008).

But in Ethiopia, there is no local professional accountancy body, stock exchanges, and capital market authorities. The mandate of monitoring, supervising and enforcing the implementation of IFRS is given to AABE, the only institution that supervises and control over the implementation project. Respondents noted that AABE is not strong enough to supervise the implementation project in the country. Therefore, the data obtained from key informants revealed that lack of local professional accountancy association, lack of stock exchange and capital market authority and lack of strong enforcement institution negatively affect the implementation of IFRS project in Ethiopia.

4.2.2 The Progress of IFRS Implementation in Ethiopia

Data elicited from key informants and review of relevant documents is used to discuss this section. Accordingly, the issues of IFRS implementation in Ethiopia were initiated with the enactment of Financial Reporting Proclamation No.847/2014 in 2014. The Proclamation was a ground-breaking piece of legislation enshrining the accounting profession's role in fostering the growth of the economy and ensuring the stability of the economy (AABE 2015)

The Proclamation No. 847/2014 in tandem with related Council of Minister Regulation No. 332/2014, the first federal-state regulatory body called Accounting and Auditing Board of Ethiopia was established on 14 January 2015 (AABE, 2015). Before the promulgation of the Proclamation, there was no single organized body responsible for regulating the accounting and auditing professions and financial reporting practices in Ethiopia and very minor provisions have been issued in various separate laws that were not found in a single place and issued by the various regulatory body (Alemi and Pasricha 2016).

The initial task of the Board was to develop a five-year strategic plan for 2015/16-2020/21. The Board used a phased approach by considering a few qualified accounting professionals in the country and reporting entities (AABE 2015). As significant public interest entities, financial

institutions and public enterprises were required to adopt IFRS and submit the audited full IFRS based financial statements for the fiscal year ended 7 July 218. Among them, respondents from AABE opined that the IFRS reporting date of microfinance institutions and regional public enterprises were postponed and extended for one year by considering their capacity.

Accordingly, in the first transition phase, only 58 reporting entities were required to implement and prepare IFRS based financial statements. These reporting entities were 18 banks, 17 insurance companies, and 23 federal public enterprises. Among them, 36 of them have submitted the audited IFRS based financial statements to AABE within the scheduled time as presented in the result section. All regulated banks from financial institutions have submitted the audited IFRS based financial statements within the scheduled time. This finding contradicts with the conclusion of Babil (2018) who opined that the banks in Ethiopia probably fail to meet the Board deadline in implementing IFRS. Except for Ethiopian Insurance Company, all insurance companies have also fully implemented IFRS and submitted the audited financial statements to AABE within the scheduled time.

On the other hand, only 3 reporting entities from federal public enterprises were able to implement IFRS and submit their IFRS based audited financial statements to the Board. From these, one can understand that the progress of IFRS implementation is good in financial institutions and worse in federal public enterprises in submitting their IFRS based financial statements within the scheduled time.

But the audited IFRS based financial statements submitted to the Board were not yet reviewed, and the level of each reporting entities compliance with IFRS requirements was not yet determined. Therefore, there is the probability of non-compliance with IFRS requirements by reporting entities submitted their audited financial statements to the Board. For instance, in Kenya, when the level of compliance with IFRS was reviewed after seven years of implementation in 2006, there were no entities with complete compliance with IFRS requirements (UNCTAD 2008). This may be the case in Ethiopia too. The only known at this stage is, the number of reporting entities submitted their audited financial statements within the scheduled time, which doesn't mean that the reporting entities have fully complied with IFRS requirements and which will be determined once it's reviewed by the Board.

4.2.3 Benefits of IFRS Implementation in Ethiopia

The discussion is based on data solicited from in-depth interviews with key informants of the study. According to accounting theory, financial reporting reduces information asymmetry by disclosing relevant and timely information (Simegn 2015). In line with this, respondents noted that IFRS adoption in Ethiopia provides numerous benefits for different stakeholders of the country. According to them, IFRS;

Attract Foreign Direct Investment (FDI): the data obtained from key informants revealed that IFRS adoption in Ethiopia is useful in attracting FDI for the country. Gebre (2009) noted that since business today has turned global, it is highly desirable for Ethiopia to create a conducive atmosphere for investors, who wants to invest in the country for a mutual benefit, otherwise, the investor prefers to go somewhere else, where IFRS is practiced. AABE (2015) also stated that enterprises that provide potential investors with reliable and comparable financial statements are more likely to attract domestic and international investment. IFRS is the sound and internationally comparable corporate financial reporting that meets the requirements of financial markets, improves investor confidence, facilitates risk assessment in making investment decisions and attract international investors (Hegarty et al 2004; Petrovets 2005; UNCTAD 2008; Hossain et al. 2015; Gina et al. 2016; Amanamah 2017). Okpala (2012) in coherence with this view noted that there is a significant relationship between IFRS adoption by companies and FDI in Nigeria.

Input for stock market establishment: respondents suggested that having reliable accounting information is the precondition for the establishment of a stock market in a jurisdiction. The stock exchange needs to have technology infrastructure, reliable accounting information and trained manpower. Therefore, by adopting IFRS which is expected to enhance the quality and reliability of financial reporting in Ethiopia, it is expected that Addis Ababa stock exchange is going to be launched by the year 2020. For the establishment of the planned stock exchange in Addis, respondents noted that IFRS adoption is input and precondition. Mihret (2016) similarly opined that IFRS adoption in Ethiopia may contribute to the possible establishment of the stock market in the long run.

Enhance the transparency of financial reporting: respondents stated that IFRS is very conservative and will force companies to report the facts as it is, which is used to portray the economic reality of the company by which transparency of their financial reports is enhanced. Consistent with this finding different studies noted that IFRS improves the transparency of financial statements (Mike 2009; Apostolos et al. 2010; Essien-Akpan 2011; Bendovschi 2016; Amanamah 2017; IFRS Foundation 2018).

Enhance the quality of financial reporting: the result of interviews revealed that IFRS adoption in Ethiopia improves the quality of financial reporting in the country. As a result, the improved financial reports would be helpful in facilitating loan arrangement based on financial reporting and reduce the currently available collateral-based lending, which is perceived to have restricted access to finance for firms. ROSC (2007) stated that the lending culture in Ethiopia is largely based on collateral security and financial statements play a small secondary role in facilitating lending. This mainly results from a lack of trust in a financial statement prepared by business entities in Ethiopia as respondents indicated. This finding is in coherence with the theoretical argument which states adoption of IFRS enhance the quality of financial reporting (UNCTAD 2008; Apostolos et al. 2010; Jain 2011; Aljifri 2012; Bendovschi 2016; Amanamah 2017; Babil 2018; IFRS Foundation 2018).

Used to maintain free movement of the labour force: as the world became a globalized village for doing the day to day business transaction, the need for a single set of standards in financial reporting is beneficial. Among the benefits, respondents noted that IFRS facilitates the free movement of workforce. They opined as this mainly results when everybody speaks, learn and work with the same language. Accordingly, the adoption of IFRS in Ethiopia will help professional accountants in the country to freely move and work in other countries too.

Enhance the uniformity of financial statements and reduce the fragmented reports: as presented in the result section, adoption of IFRS in Ethiopia will bring about uniformity among financial reports of entities and reduces the fragmented and inconsistent reporting practices in the country. The finding is consistent with the school of thought that explains adopting a common accounting language improve the comparability of financial statements (Jermakowicz 2004; Apostolos 2010; Bendovschi 2016; Amanamah 2017)

4.2.4 Practical Challenges of IFRS Implementation in Ethiopia

Data obtained from an in-depth interview with key informants of the study are used to discuss this section. UNCTAD (2008) stated that following the widespread international adoptions of IFRS, jurisdictions are encountering different practical implementation challenges. Even though the level of challenges varies from country to country, no jurisdiction implements IFRS without encountering implementation challenges. Accordingly, different practical implementation challenges of IFRS in Ethiopia were identified by respondents and includes;

Lack of competent human resources with IFRS knowledge: data obtained from key informants of the study revealed that lack of competent professional accountants capable of applying highly sophisticated and voluminous global standards of IFRS was the major practical implementation challenges in Ethiopia. Accordingly, in Ethiopia less than 500 professional and certified accountants are available and they are also not adequately trained on the practical implementation of IFRS. ROSC (2007) noted that, having a shortage of professional accountant's means that there are positions in the private and public sector that are filled by persons with lower qualifications.

The challenge was anticipated by previous studies conducted in Ethiopia. The previous researcher stated that the major reasons that implementing IFRS in Ethiopia might be difficult is lack of qualified professional's accountants who can perform the task with the required standards (Gebre 2009; Tesfu 2012; Simegn 2015; Mihret 2016; Alemi and Pasricha 2016). Additionally, there is evidence from existing literature and empirical evidence that shows, IFRS knowledge gap was an issue for those involved with the adoption of IFRS (UNCTAD 2008; Alp and Ustundag 2009; Weaver and Wood 2015).

However, in Ethiopia data obtained from in-depth interviews indicated that the issue was deeper rooted than simply having little knowledge of specific IFRS requirements. This may be due to the gap between the accounting courses delivered by both public and private university and colleges in Ethiopia with regard to the international standards and non-existence of strong local professional association in the country. ROSC (2007) in line with this indicated that the available accounting degrees and diplomas in Ethiopia are said to meet the current demands of the business community; however, the accounting curricula, as well as textbooks, may not prepare

graduates well for enhanced financial reporting requirement. Accordingly, ROSC noted that the textbooks in use in Ethiopia are not up to date with recent trends in financial reporting. Similarly, the gap between education in Kenya and the requirements of IFRS, the lack of training and inability of accountants to remain abreast of the standards issued by IASB was the major implementation challenges of IFRS in Kenya (UNCTAD 2008).

Schachler et al. (2012); Laga (2012); Masoud (2014) and Zakari (2014) additionally stressed that one of the major implementation difficulties of IFRS in Libya was lack of technical skills and inadequate knowledge of Libyan professional accountants. Madawaki (2012) similarly opined that the shortage of manpower for IFRS implementation was the major implementation of IFRS in Nigeria. Bendovschi (2016) also suggested that a lack of knowledge and experience among accounting professionals regarding IFRS application was the major practical challenges of IFRS implementation in Romania.

Respondents noted that the challenges become more severe in federal public enterprises. According to them, accountants of the majority of public enterprises in Ethiopia are not knowledgeable and even committed in learning new tasks. According to them, accountants of the entities had mastered with their previous and routine tasks and not willing to learn how tasks are performed with IFRS. This creates the problem of taking responsibility slightly and lack of commitment which leads to improper planning of the implementation project. As a result, lack of proper planning negatively affects the implementation of the standards in federal public enterprises.

The negative attitude of management towards accounting: respondents suggested that the negative attitude of management toward accounting was the major challenge of IFRS implementation in Ethiopia especially in federal public enterprises. The result of data obtained from interviews revealed that the negative attitude of management brings a lack of top management support and commitment. In other words, management does not view financial reporting in general and IFRS in particular as an important issue and give priority for it, sees little benefit in devoting resources to it and it has only decided to produce IFRS financial statements to fulfil a regulatory obligation. In essence, there was an inappropriate tone at the top which indirectly hindered the implementation of the standards.

Respondents indicated that the lack of top management's support is also more severe in public enterprises than in banks and insurance companies. They opined that the CEO of most of the public enterprises are mainly attached to a political appointment. Thus, they don't recognize the importance of financial reporting due to their lack of finance background. It seems that the lack of support from senior management could impact on the quality of financial reporting through tolerance of poor accounting practice by IFRS implementation team (UNCTAD 2008). Jermakowicz and Gornik-Tomaszewski (2006); Weaver and Wood (2015) similarly suggested that lack of top management support is the practical implementation challenges of IFRS in a jurisdiction.

Lack of strong regulatory and enforcement institution: lack of strong regulatory and enforcement institution was also the major practical implementation challenge of IFRS in Ethiopia as noted by the respondents. IFRS implementation requires strong regulatory and enforcement institution in place and the effective enforcement mechanisms are essential for achieving high-quality financial reporting (ROSC 2007; UNCTAD 2008). But in Ethiopia, respondents suggested that the Board couldn't be strong enough in supervising, enforcing, assisting and facilitating the implementation process as per the road map laid down. This shows a lack of enough preparation for the implementation at the country level and as the project was started in rush without fulfilling the minimum requirements of implementation, at least without building the capacity of enforcement institution.

Key informants from AABE noted that lack of competent staff, lack of adequate support from the government, lack of integration and coordination with other regulatory institutions are the major factors that contributed for the weakness of the Board. UNCTAD (2008) stated that when laws and regulations overlap or become inconsistent with each other, lack of coherence in the regulatory system becomes the cause for serious misunderstandings and inefficiency in the implementation of IFRS and this was the issue in Ethiopia too. For instance, there were no coordination and integration among AABE, NBE, and Ministry of Revenue. ROSC (2007) recommended that, when established, the Board should collaborate with the other regulators on matters of defining financial reporting, accounting and auditing requirements for particular institutions and enforcement of the same.

UNCTAD (2008) noted that IFRS is developed to maintain the consistency of the financial statements. Therefore, there should be clear instructions and guidelines from regulatory systems in the country on IFRS implementation. But in Ethiopia, the Board didn't develop the comprehensive IFRS implementation guidance, contentious area concerning the practical application of IFRS. This lack of comprehensive guideline on contentious area created reporting entities to implement the standards differently. Respondents stated that the absence of the stated guideline from AABE could distort the comparability of financial statements among reporting entities.

In Ethiopia, respondents noted that the level of capacity building which should focus on technical personnel, practical training of reviewers, administrative support and the necessary logistics support expected to be done by the Board was not performed as required and this negatively affect the implementation of the project and considered as the major practical challenges of IFRS in the country. ROSC (2007) on the issue documented that the technical capacity of regulators should be enhanced to enable the regulators to effectively handle the complex IFRS-related issues.

Hegarty et al. (2004) similarly documented that to strengthen the regulatory arrangements essential for the successful implementation of IFRS, countries should give greater attention to regulatory preconditions. Aljifri (2012) additionally indicated that IFRS adoption in countries which have weak regulatory frameworks and enforcement mechanisms will not be able to improve the quality in their financial reporting. Cairns (2001) similarly concluded that the major challenge of implementation of IFRS is the enforcement mechanisms of IFRS, especially in jurisdictions with weak institutions and enforcement agencies.

Lack of accounting infrastructure and strong accounting system in the country: successful implementation of IFRS requires, different accounting infrastructures. For instance, among the required infrastructures, materials on IFRS is one of them. In Ethiopia, there is a lack of IFRS related materials in general and the limited availability of training materials on IFRS in particular, at an affordable cost. Additionally, there is a lack of trainers on IFRSs at affordable costs as well, to train such a large group of accountants which poses a great challenge to IFRS adoption in the country. The previous study noted that IFRS is complex to adopt with existing

financial reporting infrastructures in Ethiopia and the required accounting infrastructures is limited to switch from existing reporting system to IFRS in the country (Mihret 2016; Babil 2018).

According to respondents, accounting practices in Ethiopia is at its infant stage and it is not yet developed. This is due to the nature of business transactions and the existence of a few multinational companies in the country. They suggested that most of the accounting functions in the country are traditional and it contributes to the existences of weak accounting practices in the country. Hence, the lack of strong accounting practices in the country negatively affects the implementation of IFRS in the country. The study confirmed what the previous study forecasted. For instance, Mihret (2016) forecasted that the existence of weak accounting and auditing practices in the country could be the prohibiting factors of IFRS implementation in Ethiopia. Hossen (2014) similarly opined that lack of strong accounting system in place is the major practical challenges of IFRS implementation in a jurisdiction.

Absence of property and actuarial valuers: as presented in the result section, the other practical challenge of IFRS implementation in Ethiopia is the absence of property and actuarial valuers. IFRS implementations require experts from other departments including property and actuarial valuers. The availability of these experts facilitates for the implementation of the standards and non-availability of the expert become the challenge for the successful implementation of IFRS (UNCTAD 2008). For instance, IAS 39, employee benefits, requires an actuarial valuation to measure the obligations of a reporting entity. As far as the issue is concerned, respondents argued that only two certified property valuers are available in the country in which no actuarial valuers are there. It seems as it was resulted from, the existences of weak accounting practices in the country and low demand of these experts before the enactment of Financial Reporting Proclamation in the country.

Lack of local professional accountancy associations: successful implementation of IFRS needs extensive and ongoing support from professional accountancy associations. The associations play a role in the enforcement of IFRS as they discharge their responsibilities with respect to ensuring adherence to their membership by-laws. Furthermore, such organizations contribute to promoting regulatory coherence on IFRS implementation by working closely with various

national regulators and resolving practical implementation issues that arise when introducing IFRS in the jurisdiction (UNCTAD 2008). ROSC (2007) stated that the local professional qualification will assist in increasing the number of professional accountants in the country. But in Ethiopia, there are no local professional accountancy associations and respondents suggested that non-availability of the association negatively affect the implementation of IFRS in the country.

The complexity of IFRS and difficulty of fair value determination: respondents suggested that IFRS is complex and requires technical expertise for their understanding and implementation. According to them, the complexity of IFRS is another practical implementation challenge of IFRS in Ethiopia. In this case, parties involved in implementation should be competent enough to deal with the complexity of the standards. But to be competent in IFRS, there are no IFRS materials in the country as stated earlier. Bendovschi (2016) similarly opined that the difficulties of understanding IFRS by the accounting professionals is the challenges of IFRS implementation in Romania.

Aljifri (2012) documented that fair value measurement is a market-based technique and is difficult to implement, especially where markets do not operate effectively. According to him, measuring assets and liabilities using fair value practices can lead to controversial outcomes, especially when markets suddenly become illiquid. In Ethiopia, the determination of fair value has been very difficult as stated by respondents because of a lack of reliable market information especially in determining the fair value of financial instrument due to lack of reliable data in determining the discount rate. Respondents noted that the problem is related to lack of stock market in the country. Bendovschi (2016) similarly suggested that the difficulty of applying the fair value concept was the major practical implementation challenges of IFRS in Romania.

Resistance to change: respondents indicated that the implementation of IFRS in Ethiopia didn't get the support it deserves from senior management as well as employees of reporting entities especially in public enterprises. The transition project was viewed negatively by almost everyone involved in the country. The accounting personnel simply saw the transition as a huge and unnecessary change that brought about extra work, tighter deadlines and the need for re-education and could possibly threaten people's jobs. There was a strong push to stick with what

they had previously done. They saw the changes as creating more complexity and an increased workload. This resistance from different stakeholders involved in the implementation process was yet another practical implementation challenge of IFRS in Ethiopia. Weaver and Wood (2015) similarly stated that resistance to change is the major implementation challenge of IFRS.

Costs of implementation: costs of IFRS implementation was also identified as the other practical implementation challenge of IFRS in Ethiopia. According to respondents, due to the costly procedure of IFRS implementation followed in the country the cost incurred was much higher than it would be. Respondents noted that the costs paid for IFRS conversion consultants were the major cost incurred in the implementation project. Those conversion consultants were mainly from abroad⁶ and they were paid in foreign currency. Hegarty et al. (2004) in coherence with this view stated that the lack of financial resources and cost of IFRS implementation is a significant impediment to the implementation of IFRS by companies. Bendovschi (2016) similarly suggested that significant costs IFRS in general and cost of consultancy services in particular is the major practical implementation challenges of IFRS in Romania.

Lack of preparation both at country and reporting entities level: as presented in the result section, the shortage of implementation time was another practical implementation challenge of IFRS in Ethiopia. The shortage of conversion time according to respondents, forced reporting entities to directly enter into implementation without making sufficient preparation. The result of an interview revealed that the time stated in the roadmap was not enough to train a required number of competent staff and professionals given the constraints in the country. Existed literature and empirical evidence suggested as IFRS implementation requires a significant period of time. For instance, Madawaki (2012) stated that the adoption of IFRS requires substantial preparation both at the country and entity levels to ensure coherence and provide clarity on the authority that IFRS will have in relation to other existing national laws. ROSC (2007) stated as

⁶ In the first transition phase of IFRS in Ethiopia, conversion consultants involved were mainly from abroad. For instance, the IFRS conversion consultants of all banks except, Ethiopian Commercial banks and National Banks of Ethiopia and most of insurance companies was PriceWaterhouseCoopers (PWC). PWC is a multinational professional services network headquarters in London, United Kingdom. It ranks as the largest professional services firm in the world, and it is one of the Big Four Auditors along with Deloitte, Earnest and Young (EY) and KPMG. KPMG was the IFRS consultants of Ethiopian Insurance Company, Ethiopian Logistic and Shipping Enterprises. Among the federal public enterprises, Berhanena selam Printing Enterprises was implemented IFRS with the help of Grant Thornton, the global consultants.

well-planned transition arrangements and good timing for launching the awareness campaign would be essential for IFRS implementation. Hegarty et al. (2004) similarly opined, the greater the gap between existing national and international standards and the shorter the period to complete the transition, the greater the capacity building challenge to overcome.

Lack of required data for IFRS: the difficulty to obtain the required information to prepare the first IFRS compliant financial statements was another practical implementation challenge of IFRS in Ethiopia. As indicated by respondents, it was difficult to get all the information's needed under IFRS, where that information was not needed under previous GAAP. Jermakowicz and Gornik-Tomaszewski (2006); Weaver and Wood (2015) similarly noted that the difficulties in accessing the necessary information for the first IFRS based financial statements is one of the practical implementation challenges in a jurisdiction.

As indicated under the progress of IFRS implementation in Ethiopia, the implementation progress of IFRS in federal public enterprises was not moving as scheduled. For instance, only 3 of 23 required reporting entities from public enterprises were submitted their audited IFRS based financial statements for the fiscal year ended 7 July 2018. According to key informants of the study, it is due to the following additional implementation challenges of the entities and includes;

The problem of backlog clearance: as indicated in the result section, the problem of backlog clearance was the major practical implementation challenges of IFRS in federal public enterprises in Ethiopia. They suggested that the majority of reporting entities from public enterprises have huge amounts of long-term receivables and payables from their book of account with no source documents that show the existence or non-existence of the accounts. As a result, clearing the account takes a long time and brings delay on IFRS implementation progress of the entities.

Poor records keeping mechanism and lack of updated book of accounts: respondents noted that the majority of public enterprises in Ethiopia had the lack of good record keeping mechanism and continuously updating their book of accounts. According to them, the majority of public enterprises in Ethiopia have no experience of closing their book of accounts regularly and there were reporting entities among federal public enterprises that didn't close its book of account

since 2012. Additionally, they indicated that there were reporting entities from public enterprises with disclaimer, adverse or qualified audit opinion. In both cases, to prepare IFRS based financial statements, the issue should be solved first and thus becomes the major practical impediment of IFRS implementation in public enterprises. According to them, the challenge was mainly emanated from the weakness of the ministry of public enterprises in controlling or supervising the stated reporting entities previously.

Existences of vast and complex transactions: respondents suggested that four years back, the government of Ethiopia merged reporting entities from public enterprises with a different history of transactions and accounting policies, even from different industries. As a result, the merged reporting entities become vast with complex transactions with no unqualified audit reports as stated above. Therefore, solving the problems and implementing IFRS in the institutions was the other major implementation challenges of IFRS in the majority of public enterprises in Ethiopia as stated by respondents.

Lack of corporate memory: lack of retained knowledge and documentation in public enterprises in Ethiopia was another major practical implementation challenge of IFRS in federal public enterprises. Respondents indicated that there is often a lack of evidence and people to know how things work in most federal public enterprises in Ethiopia. There may not be any succession planning, so only one person knows about an issue and when they leave, that knowledge is lost. This lack of corporate memory in the entities causes significant inefficiencies and diverts scarce resources to paper chasing and information gathering. As a result, it brings delay on the implementation of the project in the enterprises.

Lack of having up-to-date accounting system: respondents additionally stated that the accounting system that the majority of reporting entities from public enterprises are using is an outdated accounting system, traditional accounting system. They noted that the data keeping mechanism of the entities is traditional too. As a result, the required data for IFRS implementation become difficult to get and bring delay to the implementation processes. Bendovschi (2016) similarly opined that lack of using updated accounting system is the major practical implementation challenges of IFRS in a jurisdiction.

4.2.5 Lessons Learned from IFRS Implementation in Ethiopia

Considering the up to date progress of IFRS implementation in Ethiopia with the experiences of other countries, the following five (5) major lessons are identified. They are considered as very crucial and critical for successful and effective implementation of IFRS and includes;

Lesson No. 1: strong national enforcement and regulatory body: the strong regulatory body or enforcement institutions with adequate professionals and resources are required to provide the technical support in the implementation process and contributes for the successful implementation of IFRS in the country or in a given jurisdiction. ICAEW (2014) similarly noted that a strong national enforcement regime is essential to realize the potential benefits of adopting global accounting standards. In the initial phase of IFRS implementation, enforcement institution contributes to technical capacity-building by providing training on IFRS to the reporting entities. Similarly, different previous studies suggested that strong national enforcement and regulatory body is crucial for the successful implementation of IFRS in the jurisdiction (Hegarty et al. 2004; UCTAD 2005; ROSC 2007)

Lesson No. 2: considerable preparation both at the country and entity level: this indicates that IFRS implementation is a complex process that requires extensive preparations. Thus, it should take into account the time and resources needed for efficient and effective implementation at the entity level. Additionally, IFRS implementation program needs to adequately assess the state of readiness of enforcement institution so that the necessary resources are available in place to ensure competent and continuous support from such organizations because successful implementation of IFRS needs extensive and ongoing support from enforcement institution (UNCTAD 2008). The Korean experience similarly indicated that countries planning IFRS adoption need to have sufficient preparation period and thorough plans preceding the IFRS implementation (Mihret 2016).

Lesson No. 3: effective communication and coordination: the conversion of IFRS and its implications should be effectively coordinated and communicated to different concerned stakeholders including preparers, users, regulators, and educators. They need to be engaged in the planning of IFRS, as well as the implementation. The experiences of other countries such as Korea, South Africa, Kenya, Germany, India, Jamaica, Pakistan, Brazil, Turkey, and Nepal also

noted that the effective communication and coordination is needed for effective implementation of IFRS in a country (UNCTAD 2008; ROSC 2015; Mihret 2016)

Lesson No. 4: having trained people at different levels and locations: having human resources with IFRS knowledge facilitates the smooth implementation of IFRS in the country and provide a broader talent pool as people transfer or advance within the country. Anyone who is moderately involved in the IFRS conversion should have some basic understanding of what is driving the need and system upgrades. Therefore, reporting entities need to provide IFRS training for staff at all levels affected by the transition to IFRS. The implementation process requires commitment from all the parties involved starting with top management to those responsible for financial reporting. Following the initial burst of training, companies will need to develop an ongoing program that keeps staff current on IFRS developments and fast-tracks new hires into this new knowledge arena. Hegarty et al. (2004) in the same way noted that the implementation of IFRS requires qualified individuals at a different level, which mainly depends on the availability of opportunities for relevant and adequate education, training and experience.

Lesson No. 5: starting the planning and implementation process as early as possible: companies should start the implementation process of IFRS on time. In this case, starting the implementation process in early enables reporting entities to complete the implementation process within the required time and the difficulty in accounting or systems issues should be identified early in the process. It would be a mistake to leave such items to the tail end of a planning or implementation process. Researching and securing the judgment of professionals on technical issues usually takes time (UNCTAD 2005).

Chapter Five: Conclusion and Recommendations

The previous chapter presented the results and discussion of the findings obtained from different data sources. This chapter shows conclusions and recommendations. Accordingly, the chapter is organized into two sections, the first section presents the conclusions and the second section presents the recommendations.

5.1 Conclusions

The broad objective of this study was to examine the implementation of IFRS in Ethiopia focusing on the processes, practical challenges, and the way forward. To achieve the broad objective, the study used a qualitative research approach. More specifically, in-depth interviews and review of relevant documents were used to obtain the necessary data. To this end, data collected from thirty (30) key informants and review of relevant documents were analyzed qualitatively. The subsequent paragraphs present the key findings of the study.

First, the result of the study suggested that the adoption of IFRS in Ethiopia benefits different stakeholders in the country. Among other benefits, IFRS increase the transparency of financial reporting, attract foreign direct investment, used as an input for the stock market establishment, enhance the quality of financial reporting, maintain free movements of labor, enhance the comparability of financial statements and reduce inconsistent financial reports previously available in the country.

Second, with respect to the process of IFRS implementation in Ethiopia, the result of the study revealed that the process didn't consider the minimum requirements and necessary conditions for IFRS implementation and the implementation was started in rush. For instance, respondents suggested that the process didn't consider the readiness of the country, the readiness of reporting entities and the experiences of other countries.

Thirdly, far as the progress of IFRS implementation in Ethiopia is concerned, the result of the study indicated that IFRS reporting date of microfinance institutions and regional public enterprises were extended for one year and postponed to 7 July 2019. In the first transition phase, 58 reporting entities were required to implement IFRS and submit IFRS based financial statements to AABE as of 7 July 2018. Among them, 36 reporting entities were submitted their

IFRS based audited financial statements in the scheduled period. The study also found that the reviewing activities were not yet started by the Board due to lack of human resource.

Additionally, the practical implementation challenges of IFRS implementation in Ethiopia were identified and among other challenges lack of competent human resources with IFRS knowledge, negative attitude of management towards accounting, lack of strong regulatory and enforcement institution in the country was found to be the major practical challenges of IFRS implementation in Ethiopia. The data solicited from in-depth interviews suggested that, in Ethiopia, IFRS implementation in federal public enterprises were more difficult than in financial institutions.

Lastly, considering the up to date progress of IFRS in Ethiopia and the experiences of other countries, the crucial and critical lessons were identified for successful and effective implementation of IFRS in a jurisdiction. Accordingly, for successful and effective implementation of IFRS in a jurisdiction strong national enforcement and regulatory body, considerable preparation both at the country and entity level, effective communication and coordination, IFRS trained people at different levels and starting the planning and implementation on time are the key factors.

5.2 Recommendations

Based on the findings of the study, the following possible recommendations were forwarded:

Adequate resources must be put in place to support the sustainable implementation of IFRS and to ensure the strength of the regulatory body and enforcement institution. In this manner, the government should actively work on capacitating and ensuring the strength and effectiveness of the Board.

The AABE should recruit competent staff and review the audited financial statements submitted by reporting entities for the fiscal year ended on 7 July 2018. The Board should review the reporting entities level of compliance with IFRS requirements and identify areas of non-compliance (if any), as fast as possible so that reporting entities adjust themselves and focus on their areas of non-compliance.

AABE should ensure the coordination and integration with other regulatory institutions such as NBE, Ministry of Revenue and Ministry of Public Enterprises. They should work together to

design an awareness program on the importance of compliance with IFRS requirements. Additionally, the Board should support the reporting entities by organizing capacity building workshops and seminars, provide clear and proper instructions when providing orders regarding reporting and auditing and arrange regular meeting periods with reporting entities so that they can share experiences and learn from each other.

Management should enhance their understanding and give due attention to enhancing the quality of financial reporting in general and IFRS implementation in particular instead of leaving it only as an accountant issue. Besides, management should recognize and motivate IFRS implementation team members toward IFRS implementation. There should be strong management support and corporate governance established by entities and ensures that the transition is managed effectively in a way that improves the quality of their financial reporting.

References

- AABE, 2015, "Five years strategic plan, 2015/16-2020/21," Addis Ababa, Ethiopia
- Alemi, T.D., and Pasricha, J., 2016. IFRS Adoption Progress in Ethiopia. *Research Journal of Finance and Accounting*, 7(1).
- Aljifri, K., 2012, "The Quality of IFRS Financial Reporting," *Journal of Accounting and Marketing*, United Arab Emirates University, Al Ain, United Arab Emirates
- Alp, A. and Ustundag, S., 2009. Financial reporting transformation: The experience of Turkey. *Critical Perspectives on Accounting*, 20(5), pp.680-699.
- Alsaqqa, I. and Sawan, N., 2013. "The advantages and challenges of adopting IFRS into the UAE stock market." *International Journal of Business and Management*, 8(19), pp.1-23
- Amanamah, R. B., 2017. Benefits and Challenges of International Financial Reporting Standards Adoption in Ghana: Accounts and Business Managers' Perspective," *International Journal of Accounting and Financial Reporting*, ISSN 2162-3082, Vol. 7, No. 2.
- Apostolos, B.A., Skoutela, D. and Tzovas, C.A., 2010, "The relevance of IFRS to an emerging market: evidence from Greece." *Managerial Finance*, 36(11), pp.931-948.
- Ashraf, J. and Ghani, W.I., 2005. "Accounting development in Pakistan." *The International Journal of Accounting*, 40(2), pp.175-201.
- Assenso-Okofu, O., Ali, M.J. and Ahmed, K., 2011. The development of accounting and reporting in Ghana. *The International Journal of Accounting*, 46(4), pp.459-480.
- Baba, B.U., 2013. Assessing Nigeria's journey towards IFRS adoption. *Information Management and Business Review*, 5(10), pp.505-513.
- Babil, A. A., 2018, "Challenges of practical implementation of IFRS in Ethiopia, evidence from the banking sector", Addis Ababa University, MSC thesis, Addis Ababa, Ethiopia
- Bahadır, O., Demir, V. and Öncel, A.G., 2016. IFRS implementation in Turkey: Benefits and challenges. *Accounting and Management Information Systems*, 15(1), pp.5-26.
- Ball, R., Robin, A., and Wu, J. S., 2003. Incentives versus Standards: Properties of accounting income in four East Asian countries. *Journal of Accounting and Economics*, 29(1).
- Bendovschi, O.S., 2016, "Benefits and challenges regarding the IFRS implementation: lessons from the emerging economies," *Audit Financier*, vol. XIV, no. 3(135) pp. 320-325
- Berhanu, S., 2017, Addis Fortune newsletter, Vol 18, No. 913, Issued October 22, 2017, published a report of an interview with an auditor and founder of EPAA and Netsanet

- Wondirad, an adviser for Corporate Finance and Governance at the Ministry of Public Enterprises
- Boyce, C. and Neale, P., 2006. Conducting in-depth interviews: A guide for designing and conducting in-depth interviews for evaluation input
- Cairns, D., 2001. IAS lite is Alive and Well. *Accountancy*, 127(1293), pp.98-98.
- Creswell, J.W., 2009. Research design: Qualitative, quantitative, and mixed methods approach University of Nebraska-Lincoln, 3rd edition.
- Edeigba, J., 2017. An Investigation of the challenges in International Financial Reporting Standards' adoption: evidence from Nigerian publicly accountable companies (Doctoral dissertation, Lincoln University).
- Epstein, B.J. and Jermakowicz, E.K., 2008. IFRS Policies and Procedures. John Wiley & Sons.
- Essien-Akpan, I., 2011. International financial reporting standards (IFRS). the role of the chartered secretary and administrator. a paper presented at the 35th conference of ICSAN. Lagos Sheraton Hotels and Towers. *October 26th and 27th*.
- Federal Negarit Gazette, 2014, "Establishment and Determination of the procedures of the Accounting and Auditing Board of Ethiopia," Council of Minister Regulation No. 332/2014, January 2015, Addis Ababa, Ethiopia.
- Federal Negaret Gazette, 2014, "Financial Reporting Proclamation" No. 847/2014, No. 81, December 2014, Addis Ababa, Ethiopia.
- Fekete, S., Matis, D. and Lukács, J., 2008. Factors influencing the extent of corporate compliance with IFRS-The Case of Hungarian listed companies.
- Gebre, W., 2009, "Relevance and Challenges of Adoption of International Financial Reporting Standards (IFRS) to Developing Countries: The case of Ethiopia".
- Gina, A. O., Adeghe, R. I., and Kingsley, O. O., 2016, "Challenges of the implementation of IFRS in less developed and developing countries", *Igbinedion University Journal of Accounting*, Vol. 1
- Hegarty, J., Gielen, F., and Barros, A., 2004. "Implementation of international accounting and auditing standards: Lessons learned from the World Bank" s Accounting and Auditing ROSC Program", World Bank, viewed on 15 Oct 2008. *World Bank Group*.

- Hennie, V.G., Darrel, S. and Simonet, T., 2011, “International Financial Reporting Standards, A Practical Guide”, The International Bank for Reconstruction and Development, The World Bank, 1818 H Street NW Washington DC, 20433, sixth edition
- Hons, M. S., and HOD, NK., 2014, “A Study on IFRS in India,” St. Ann’s College for Women, Hyderabad, India, Vol 3 Issue 12, ISSN 2278 – 0211 (Online)
- Hossain, M., Hasan, M. and Safiuddin, M., 2015. Adoption of international financial reporting standards in Bangladesh: Benefits and challenges. *IOSR Journal of Business and Management*, 17(8), pp.16-24.
- Hossen, M. M., 2014, “Problems of Implementing of International Financial Reporting Standards in Bangladesh,” *European Journal of Business and Management*, V6 (36), Pp174- 182.
- ICAEW, 2014, “Moving to IFRS reporting: seven lessons learned from the European experience”
- IFRS Foundation, 2016, “Diploma in international financial reporting”, Twelfth edition, BPP Learning Media Ltd BPP House, Aldine Place London W12 8AA, Printed in the United Kingdom by Ricoh UK Limited
- IFRS Foundation, 2016, “Exposure Draft Trustees’ Review of Structure and Effectiveness: Proposed Amendments to the IFRS Foundation Constitution”, Comments to be received by 15 September 2016.
- IFRS Foundation, 2016, “IFRS Foundation Constitution”, Effective from 1 December 2016, 30 Cannon Street, London, EC4M 6XH
- IFRS Foundation, 2017, “Pocket Guide to IFRS Standards”: the global financial reporting language, 30 Cannon Street London EC4M 6XH, United Kingdom
- IFRS Foundation, 2018, “Use of IFRS Standards around the world,” Columbus Building, United Kingdom, www.ifrs.org
- Irvine, H., 2008, June. The global institutionalization of financial reporting: The case of the United Arab Emirates. In *Accounting Forum* (Vol. 32, No. 2, pp. 125-142). Taylor & Francis.
- Irvine, H.J. and Lucas, N., 2006. The rationale and impact of the adoption of international financial reporting standards on developing nations: the case of the United Arab Emirates.

- Jaafar, S. M., and Rahim, R. A., 2012, “The Benefits and Challenges of Financial Reporting Standards in Malaysia: Accounting Practitioners’ Perceptions,” *Australian Journal of Basic and Applied Sciences*, Vol. 6(7): 98-108, 2012 ISSN 1991-8178,
- Jain, P., 2011. IFRS implementation in India: Opportunities and challenges. *World Journal of Social Sciences*, 1(1), pp.125-136.
- Jermakowicz, E.K., 2004. Effects of adoption of International Financial Reporting Standards in Belgium: the evidence from BEL-20 companies. *Accounting in Europe*, 1(1), pp.51-70.
- Jermakowicz, E.K. and Gornik-Tomaszewski, S., 2006. Implementing IFRS from the perspective of EU publicly traded companies. *Journal of international accounting, auditing and taxation*, 15(2), pp.170-196.
- Kothari, C.R., 2004. *Research Methodology: Methods and techniques*.
- Laga, M., 2012. Obstacles of Adopting and implementation of IFRS in Libya.” *European Journal of Business and Economics*, 7, 1-3
- Madawaki, A., 2012. Adoption of international financial reporting standards in developing countries: The case of Nigeria. *International Journal of Business and management*, 7(3), p.152.
- Maguire, M., and Delahunt, B., 2017, *Doing a Thematic Analysis: A Practical, Step-by-Step Guide for Learning and Teaching Scholars*. Dundalk Institute of Technology. Volume, Number 3
- Masoud, N., 2014. Libya's IAS/IFRS Adoption and Accounting Quality: What Lessons from the European Union Experience. *International journal of accounting and financial reporting*, 4(1), p.118.
- Mbawuni, J., 2018. Perceived Benefits and Challenges of IFRS Adoption in Ghana: Views of Members of Institute of Chartered Accountants, Ghana (ICAG). *International Journal of Financial Research*, 9(1), pp.99-114
- Mihret, Y., 2016, “IFRS Adoption in Ethiopia: A Critical Analysis of the Process, Issues and Implications”, MSC thesis, Addis Ababa University, Addis Ababa, Ethiopia
- Mike, M. (2009). Seminar Understanding IFRS. National GAAP vs IFRS, Lagos, Nigeria.
- Mirza, A.A., Orrell, M. and Holt, G., 2008. *Wiley IFRS: practical implementation guide and workbook*. John Wiley & Sons.

- Mohammed, Y. A., and Lode, N. A., 2012. Efforts and challenges in adopting International Financial Reporting Standards (IFRS) in Nigeria. *Journal of Business Management and Accounting*, 2(2), 81-100.
- Nobes, C., 2011. International variations in IFRS adoption and practice. *Association of chartered certified accountants (ACCA). The research report*, 124.
- Odia, J. O., and Ogiedu, K. O., 2013. IFRS adoption: Issues, challenges, and lessons for Nigeria and other adopters. *Mediterranean Journal of Social Sciences*, 4(3), 389.
- Okpala, K. E., 2012. Adoption of IFRS and financial statements effects: The perceived implications on FDI and Nigeria economy. *Australian Journal of Business and Management Research*, 2(5), 76.
- Owolabi, A., and Iyoha, F. O., (2012). Adopting international financial reporting standards (IFRS) in Africa: benefits, prospects, and challenges. *African J. Accounting, Auditing, and Finance*, 1(1).
- Petrovets, V., 2005. The implementation of International Financial Reporting Standards in Russia: Problems and experiences,” School of Economics and Law University of Goteborg, Bachelor thesis
- Robert, J. K., 2006, “International Financial Reporting Standards in depth, Theory, and practice”, Vol. 1, Linarce House, Jordan Hill, Oxford OX2 8DP, UK
- ROSC, 2007, “Reports on Observance of Standards and Codes Ethiopia” Accounting and Auditing ROSC, Addis Ababa, Ethiopia
- ROSC, 2015, “Nepal Report on the Observance of Standards and Codes Accounting & Auditing,” Nepal Country Office, Yak & Yeti Hotel Complex, Durbar Marg, Kathmandu, Nepal, South Asia
- Schachler, M., Al-Abiyad, S.A. and Al-Hadad, A.A., 2012. Evaluation of the suitability of international financial reporting standards (IFRSs) for application in emerging North African countries: A literature review and a research agenda. *Journal of Modern Accounting and Auditing*, 8(12), p.1773.
- Sedzani, 2012, “Challenges of Adoption of International Financial Reporting Standard in Africa”, minor dissertation submitted to Magister Commercii, in Faculty of Economic and Financial Science at the University of Johannesburg, South Africa.

- Shil, N. C., Das, B. and Prmanik, A. K., 2009, “Harmonization of Accounting Standards through Internationalization Harmonization of Accounting Standards through Internationalization”, *International Business Research*
- Simegn, Y., 2015. Adoption of International Financial Reporting Standards (IFRS) in Ethiopia: Empirical Evidence. *The International Journal Research Publication's Research Journal of Economics and Business Studies*, 4(3).
- Tesfu, F.F., 2012. *The Adoption of International Financial Reporting Standards (IFRS) in Ethiopia: Benefits and Key Challenges* (MSC thesis, Addis Ababa University Addis Ababa, Ethiopia).
- Teshome, F., 2017, “Challenges and Prospects of International Financial Reporting Standards (IFRS) implementation in Ethiopia”, MSC thesis, Addis Ababa University, Addis Ababa, Ethiopia
- UNCTAD, 2005, “Review of Practical Implementation Issues of International Financial Reporting, Standards, United Nations Conference on Trade and Development”, twenty-second session, Geneva, Note by the UNCTAD secretariat
- UNCTAD, 2008, “Practical implementation of international financial reporting standards: Lessons learned”, United Nations Conference on Trade and Development, Countries case study on IFRS.
- Uyar, A., Kılıç, M. and Gökçen, B.A., 2016. Compliance with IAS/IFRS and firm characteristics: evidence from the emerging capital market of Turkey. *Economic research-Ekonomska istraživanja*, 29(1), pp.148-161.
- Weaver, L. and Woods, M., 2015. The challenges faced by reporting entities on their transition to International Financial Reporting Standards: a qualitative study. *Accounting in Europe*, 12(2), pp.197-221.
- Yesegat, W.A., 2009. Value added tax in Ethiopia: A study of operating costs and compliance. *Unpublished doctoral dissertation, ATAX, University of New South Wales, Sydney, Australia.*
- Zakari, M., 2014. Challenges of International Financial Reporting Standards (IFRS) Adoption in Libya. *International Journal of Accounting and Financial Reporting*, ISSN, pp.2162-3082.

Zeff, S.A. 2012, the Evolution of the IASC into the IASB, and the Challenges it Faces, *The Accounting Review*, Vol. 87, No. 3, pp. 807-837, *American Accounting Association*

Zeff, S. A., and Nobes, C. W., 2010. Commentary: Has Australia (or Any Other Jurisdiction) ‘Adopted’ IFRS? 1. *Australian accounting review*, 20(2), 178-184.

Appendix

IFRS Implementation in Ethiopia: Processes, Challenges, and the way forward

Some questions that key informants from AABE were asked on in-depth interviews

1. Do you think that IFRS is more important in Ethiopia? How and/why?
2. How do you describe the process followed in the adoption and implementation of IFRS in Ethiopia?
3. Do you think it is the right process to be followed for IFRS implementation? If not why?
4. What steps has AABE been following in the adoption and implementation of IFRS?
5. The financial reporting proclamation provides for the adoption, adaption or amendment of IFRS and adoption has been chosen; how was the adoption chosen?
6. AABE has IFRS implementation roadmap, how is the progress in light of the roadmap?
7. Can you explain the strengths and weaknesses of processes used in light with the other countries' experiences?
8. Do you think the processes used for IFRS implementation brings challenges/ obstacles to reporting entities? How?
9. What are the challenges that AABE is facing in accomplishing its responsibilities related to the implementation of IFRS?
10. How many reporting entities do you think have fully implement IFRS and prepare IFRS based financial statements?
11. Out of how many reporting entities which are expected to be IFRS compliant?
12. What is the mechanism you follow to communicate with reporting entities and help them in the process of conversion (aware them that they are required to be IFRS compliant etc)?
13. Which reporting entities have already fully converted to IFRS as per the roadmap?
14. Can you explain activities performed so far to achieve what is intended to be achieved?
15. What are the achievements materialized so far of the IFRS implementation process in Ethiopia?
16. Can you explain the challenges that you encountered during your involvement with IFRS implementation?

17. Can you explain the challenges that reporting entities encountered during in implementing IFRS?
18. What are the causes of the challenges?
19. Can you prioritize these challenges and explain your reasoning?
20. What were the activities performed by reporting entities, IFRS consultant of reporting entities and AABE as a regulatory body to address/handle those challenges?
21. With the benefit of hindsight, how might IFRS implementations be better planned?
22. What key variables do you feel affect the successful implementation of an IFRS in firms?
23. Which variables affect the process the most?
24. Can you explain the challenges of IFRS implementation in Ethiopia at a country level?

Some questions that key informants from IFRS conversion consultants were asked on in-depth interviews

1. Do you believe on the benefits of IFRS implementation in Ethiopia?
2. How do you describe the process used by AABE in the adoption and implementation of IFRS in Ethiopia?
3. Do you think it is the right process to be followed for IFRS implementation? If not why?
4. Can you explain the strengths and weakness of the processes used in Ethiopia to implement IFRS?
5. Do you think the processes used for IFRS implementation brings challenges/ obstacles to reporting entities?
6. If yes, how the process brings challenges and obstacles to reporting entities?
7. How do you see the mechanism followed by AABE in the implementation of IFRS?
8. What were the roles of AABE in facilitating the implementation of IFRS in your client?
9. What do you think the practical challenges of implementing IFRS in Ethiopia are (from the perspective of reporting entities, AABE, and others)?
10. Do you think the progress of IFRS implementation in Ethiopia is moving as planned?
11. Can you explain the reasons for the delay of IFRS progress, if any?
12. Which year did your client start implementing IFRS?
13. What is the current status of the implementation?

14. Can you explain the practical challenges that you encountered during your involvement with IFRS implementation at your client?
15. Can you prioritize these challenges and explain your reasoning?
16. What were the activities performed by AABE, reporting entities and you as IFRS consultant to address/handle those challenges?
17. With the benefit of hindsight, how might IFRS implementations be better planned?
18. What key variables do you feel affect the successful implementation of an IFRS in firms?
19. Which variables affect the process the most and why?
20. Can you explain the challenges of IFRS implementation in Ethiopia at a country level?

Some questions that key informants from financial statements preparers and IFRS implementation team leaders were asked on in-depth interviews

1. Do you think IFRS is better than the standards your companies had been using before?
2. What do you think, the benefits of IFRS implementation for your company?
3. Are you comfortable with the processes used in IFRS implementation in Ethiopia?
4. Do you think the processes used for IFRS implementation brings challenges/ obstacles to your company?
5. If yes, how the process brings challenges and obstacles to your company?
6. How do you describe the progress of IFRS Implementation in your company?
7. Can you describe your involvement with IFRS implementation?
8. What challenges were faced in the IFRS implementation project (processes)?
9. Which year did your company start using IFRS?
10. What is the current status of the implementation?
11. How do you see the mechanism followed by AABE in the implementation of IFRS in your company?
12. What were the roles of AABE in facilitating the implementation of IFRS in you're your company?
13. Can you explain the practical challenges that you encountered to implement IFRS and prepare IFRS based financial statements?
14. Can you prioritize these challenges and explain your reasoning?

15. Can you explain the reasons for the challenges you identified and how were those challenges addressed and resolved?
16. Can you explain the challenges of IFRS implementation in Ethiopia at a country level?
17. Can you prioritize these challenges and explain your reasoning?
18. What key variables do you feel affect the successful implementation of an IFRS in firms?
19. Which variables affect the process the most and why?

Some questions that key informants from audit firm (external auditors) were asked on in-depth interviews

1. Do you think IFRS is better than the standards reporting entities in Ethiopia had been using before?
2. What do you think, the benefits of IFRS implementation in Ethiopia for different stakeholders (auditors, reporting entities, government, investors, a country in general, etc)?
3. Do you think it is the right process to be followed for IFRS implementation? If not why?
4. Can you explain the strengths and weakness of the processes used in Ethiopia to implement IFRS?
5. Do you think the processes used for IFRS implementation brings challenges/ obstacles to reporting entities?
6. Do you think the progress of IFRS implementation in Ethiopia is moving as planned?
7. Can you explain the reasons for the delay of IFRS implementation progress, if any?
8. For how many reporting entities your audit firm audited their IFRS based financial statements?
9. What practical challenges did you encounter in processes of auditing IFRS based financial statements?