



ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE
DEPARTMENT OF PROJECT MANAGEMENT

**PROSPECT, CHALLENGES AND COST OF IMPLEMENTATION OF IFRS
PROJECT IN BERHAN BANK S.C**

BY BINIYAM BISLAT

**A PROJECT WORK SUBMITTED TO ADDIS ABABA UNIVERSITY SCHOOL OF
COMMERCE IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
MASTERS OF ARTS DEGREE IN PROJECT MANAGEMENT**

JUNE 2020

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ADVISOR: SOLOMON MARKOS (PhD)

JUNE 2020

ADDIS ABABA

Statement of Declaration

I, BiniyamBisrat, have carried out a project work entitled “prospect, challenges and cost of implementation ofIFRS project in Berhan Bank S.C” independently in partial fulfillment of the requirements for the MA degree in Project Management. Here by, I declare this is my original work conducted under the guidance of Dr. Solomon Markos (Assistant Professor).

I further confirm that this project work has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree, and all source materials used for the project work have been properly accredited.

CERTIFICATE

This project work has conducted by Biniyam Bisrat for partial fulfillment for the requirement of Masters of Arts degree in Project Management at Addis Ababa University, School of Commerce with my approval as university advisor.

Solomon Markos (PhD)

Research Advisor

**ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE
DEPARTMENT OF PROJECT MANAGEMENT
GRADUATE PROGRAM**

This is to certify that the Project work prepared by BiniyamBisrat, entitled “prospect, challenges and cost of implementation of IFRS project in Berhan Bank S.C” submitted in partial fulfillment of the requirements for the degree of Master of Art in Project Management.

SIGNED BY THE EXAMINING COMMITTEE

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

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Acronyms & Abbreviations

AABE	Accounting and Auditing Board of Ethiopia
CSF	Critical Success Factors
EU	European Union
FASB	Financial Accounting Standards Board
FDRE	Federal Democratic Republic of Ethiopia
IAS	International Accounting Standards
IASC	International Accounting Standards Committee
IASB	International Accounting Standard Board
IFRS	International Financial Reporting Standard
ISPP	Information Technology and Systems Project Performance
US GAAP	United State Generally Accepted Accounting Practice
UNCTAD	United Nations Conference for Trade and Development

Abstract

Financial institutions in Ethiopia as regulated by Accounting and Auditing Board of Ethiopia (AABE) complied with IFRS requirements as first implementers of the standard. To this end, the study conducted to examine the concerns regarding prospect, challenges and the potential costs concomitant with implementing International Financial Reporting Standard project in Berhan Bank. This research paper documents both primary and secondary data's to meet objectives of the research. The study used a mixed research approach; where questionnaire data were analyzed quantitatively using descriptive statistics, data from interview and document reviews were interpreted qualitatively. The major findings of the study demonstrated that the large majority of the respondents agreed that International Financial Reporting Standard project in Berhan Bank involved potential costs that arise mainly from the rush process followed by the regulatory body, consultant's fee and training costs can be mentioned. In addition, the project encountered a number of challenges in implementation; including, lack of sufficient knowledge and experience, complex nature of the project and absence of guidance and support from the regulatory body are found to be the core challenges. Despite this, it is indicated that there is an overwhelming support among respondents in favor of the project. Further, the study reveals that implementation of International Financial Reporting Standard bring potential benefits to the Bank through enhancing reliable financial reports, improving standard of financial disclosure, ameliorating effectiveness of monitoring and controlling, reducing irregularities in reporting, and smoothening international banking operation of the Bank. Based on the findings, the study suggests the bank to look into issues internal to the bank domain and enhance internal capacity as well to improve the engagement of the management towards the project.

Key Words: IFRS, implementation, prospect, challenges, financial institutions

Chapter One

Introduction

1.1 Background of the study

Financial reporting is the process of disclosure of financial information to the management and the public about a company's performance over a specific period of time (Parvathy 2017). Again, 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). In generally agreed terms financial reporting has a role to play in ensuring transparency and market efficiency. The emergence of the IFRS standard has positive effect on financial reporting. IFRS set common rules so that financial statement can be consistent, transparent and comparable around the world. IFRS were established to create common accounting language, so that businesses and their financial statement can be consistent and reliable from company to company and country to country (Barclay 2002). The introduction of International Financial Reporting Standard (IFRS) was the result of nations attempt to resolve for the ambiguities and difficulties that could result from such varying financial reporting (Apostolos et al, 2010). IFRS are issued by International Accounting Standard Board (IASB).

According to Project Management Institute PMI (2008) Project is defined as a temporary endeavor with a beginning and an end and it must be used to create unique product, service or result. Further, project is that those activities that cannot go on indefinitely and must have a defined purpose. Project is a unique set of coordinated and controlled activities, with definite starting and finishing points, undertaken by an individual or organization to meet specific objectives within defined schedule, cost and performance parameters. Additionally, As stated in (Temesgen 2018), (Jhon, Agnes, 2016) stress that project success is considered if it meets the schedule, budget, quality expected, and the achievement of the deliverables that were originally intended and the acceptance by the target beneficiary or the project client.

IFRS implementation projects require integration to information system of the bank which is considered to be one of the challenges. Further, Information technology projects are complex and demand certain experts than most other projects. Information system projects are the provision of a service to implement systems and solutions, including a variety of hardware and software products. Information System Projects are characterized by high uncertainty, need to use state-of-the-art system, rapid changes, a high need for interpersonal skills; high importance of organizational structure; customers who are not familiar with the system, large number of request changes during the project life cycle, high use of virtual teams, high importance of group learning and high influence of matrix organization structure (Kerzner, 2013).

Projects in nature are complex and challenging, the most common challenges project faces are poorly defined goals, inadequate communications, competing demands, poor team skills, lack of support and commitment from management are considered to be the leading. The issues of cost, project scope, time and quality add up to the already mention challenges. IFRS projects, on the hand are not different and subjected to many challenges. (Lisa and Margaret 2015)state that the core themes [or challenges] that emerged are lack of education on IFRS often leading to issues with ‘copying’ the actions of other reporting entities, problems caused by lack of management support, the implications of adopting IFRS on the wider business, and difficulties in accessing the necessary information for the first IFRS-financial statements.

As stated in (Temesgen 2018), (Jhon, Agnes, 2016) Project implementation also referred as project execution, is a phase in which the project vision and all the plan of the project becomes a reality and financial resource of the project are allocated. Many projects fail during implementation and often lack to meet the local peoples’ needs or the beneficiary needs. Also the implementation part of the project is complex and usually requires broad aspect of human, technical and budgetary variables (Jugdev and Muller, 2005)

Financial Reporting Proclamation No. 847/2014 directs all private and public entities to adopt a uniform reporting standard based on IFRS. Among those, financial institutions are considered to be the first to implement IFRS standard in their reporting. Furthermore, Berhan Bank S.C. in order to adhere the proclamation starts its financial reporting based on IFRS standard since June 2018. Therefore, this study will try to assess the prospect, challenges, incurred cost, the current status and progress and the lesson learned in the prior reporting’s.

1.2 Problem Statement

The move to IFRS created huge research opportunities. Many researches has conducted both in Ethiopia and elsewhere concerning adoption of IFRS. For instance Worku S. (2018); Tesfu (2012); Arefainie A (2018) Irvine (2008); Meyad Diriba(2019) Mesfin D. (2019); Teshome (2017); Nahom D. (2018;Felek (2019); Jamal, R (2017) and Babil (2018) studied the benefits and challenges of IFRS adoption in different jurisdictions.

In relation to the ongoing globalization of the economy and enhanced cross-border nature of corporate businesses the necessity and demand of IFRS are growing rapidly. In 2005 the EU member states committed to requiring IFRS for all listed corporations. Since then, more than one hundred nations have mandated IFRS for all businesses (Karthic, Ewa 2009).

In line with, entities in Ethiopia has been following inconsistent reporting’s across organizations, that leads to fragmentation and irregularities.(Rosco2007) to overcome this inconvenience and with the aim of boosting foreign direct investment, government of FDRE (Federal Democratic Republic of Ethiopia) direct all entities to both public and private to adopt uniform standard reporting based on IFRS. 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. Whereas financial institution by the end of June 2018 (AABE 2015).

The findings of past studies indicated that the worldwide adoption of IFRS is quite different. According to (Khartic, Ewa2009) IFRS standard significantly reduced information cost to economy, also it can possibly improve capital market efficiency. Again according to Walton (2009), IFRS standard reduced cost of capital, increased access to sources of finance, and higher quality financial reporting.

Whereas (Jermakowicz&Gornik-Tomaszewski, 2006), claims that the cost of implementation of IFRS standard has exceed the benefit. Also suggesting the cost of implementing varies across sectors and countries. Survey based research that examined how 112 publicly traded companies prepared for transition to IFRS in the EU in 2005 found it to be a costly, complex and challenging process.

“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 addition here in Ethiopia, numerous studies can be stated that tried to address benefits, impact and challenges of IFRS project. Study conducted by (Tesfu2012) focuses on adoption of International Financial Reporting Standards (IFRS) in Ethiopia including the factors that could influence its adoption, with particular reference to companies which adopted this standard though he did not address the practical challenges faced by financial institutions i.e. banks.

Feleke (2019) conducted a study on practical challenges faced by IFRS implementation by Insurance companies in Ethiopia, leaving the benefit, as well as the cost of implementation process, besides mentioning one of the challenges is the cost of implementation process.

Meyad Diriba(2019) research on the implementation of IFRS in Ethiopia by focusing on the processes, practical challenges, and the way forward, is also another example but not industry specific and highly dependent on secondary source of data.

From former study limitation, and the fact that Berhan Bank is already start adhering to IFRS standard as of June 30, 2018. This study will try to assess the current status of the transition with the aim of accelerating projects success.

1.3 Research questions

What is the prospect of IFRS implementation project.

How costly is the IFRS implementation process.

What are the practical challenges of IFRS implementation project.

What lesson learned from the previous reporting's?

1.4 Objectives of the study

1.4.1 General Objectives.

The general objective of the study will be to find out the prospect and assess the challenges and cost of implementing IFRS project in Berhan Bank.

1.4.2 Specific Objectives

- to find out prospect of IFRS project
- to assess the challenges in implementing IFRS project
- to examine the cost of implementing IFRS project
- to investigate the progress of the project

1.5 Scope of the Study

The aim of the study will be to assess the implementation of IFRS project in Ethiopia limiting its scope to Berhan Bank S.C. Based on previous studies this paper will focused on the prospect, challenges and cost to implement IFRS project. Even though all public interest entities such as banks are expected to adopt IFRS as of July 8, 2018, this study will specifically attempt to assess IFRS implementation project in the context of Berhan Bank.

1.6 Significance of the Study

The study result will benefit implementing Berhan Bank and other implementing companies and the regulatory body (AABE). Academician and any other interested party regarding IFRS implementation process will obtain information from the study and use the findings as an input to their future consideration.

Moreover, the findings of this study will also contribute to the existing body of knowledge and serve as a benchmark report for those interested in advancing the knowledge in this particular concept.

1.7 Organization of the study

This paper will have five chapters, chapter one comprise background of the study, statement of the problem, objective of the study, significance of the study, scope and limitations of the study. Chapter two discuss about the literature review regarding the research area of International Financial Reporting Standard and therefore it will serve as theoretical foundations for the research. The third chapter sets the methodological approaches adopted in the study while the fourth chapter presents the results and discussions. Finally, conclusion and recommendations will be presented in the fifth chapter.

Chapter Two

Literature Review

This chapter deals with theoretical foundation of the study. Accordingly, the first subsection deals with the theoretical review while the second subsection dealt with the empirical review relating to the study topic.

2.1 Theoretical review

2.1.1 Concept of Projects

According to (PMI 2000) “a project is a temporary endeavor undertaken to create a unique product, service, or result.” In other words, a project is a sequence of tasks bounded by time, resources and required results; has a defined outcome and deliverables; has a deadline; and has a budget limiting number of people, supplies and capital. Merna and Al-Thani (2008) also define project “as a unique investment of resource to achieve specific objectives, such as production of good or service, in order to make a profit or provide service for community”. The most comprehensive definition of project is forwarded by (Tuman 1983), A project is an organization of people dedicated to a specific purpose or objective. Projects generally involve large, expensive, unique, or high risk undertakings which have to be completed by a certain date, for a certain amount of money, with some expected level of performance.

Gittinger (1982) explains that generally projects form a clear and distinct portion of a larger, less precisely identified program. The whole program might, possibly be analyzed as a single project, but by and large it is better to keep projects rather small, close to the minimum size that is economically, technically, and administratively feasible. If a project approaches program size, there is a danger that high returns from one part of it will mask low returns from another. Project is an activity for which money will be spent in expectation of returns and which logically seems to lend itself to planning, financing, and implementing as a unit. It is a specific activity, with a starting point and a specific ending point, intended to accomplish specific objectives. Usually it is a unique activity noticeably different from preceding, similar investments, and it is likely to be different from succeeding ones, not a routine segment of ongoing operations. It will have a well-defined sequence of investment and production activities, and a specific group of benefits, that can be identify, quantify, and usually determine a money value for. Projects most of the time, possess independent or certain source of finance to be carried out.

As stated in (Pinto &Slevin1988), and accepted by numerous academicians, a project can be defined as possessing the following characteristics:

- Specified time of completion
- Performance expectations (that exceed the investing amount)
- A series interlinked or interrelated activities
- Initially stipulated budget

Projects in nature described as complex and difficult task, on the other hand Information technology projects are subjected even to higher uncertainty, little success story and composed of highly complex activities. According to (Kerzner, 2013) Information system projects are the provision of a service to implement systems and solutions, including a variety of hardware and software products. Information System Projects are characterized by high uncertainty, need to use state-of-the-art system, rapid changes, a high need for interpersonal skills; high importance of organizational structure; customers who are not familiar with the system, large number of request changes during the project life cycle, high use of virtual teams, high importance of group learning and high influence of matrix organization structure. Information Technology and Systems Project Performance (ISPP) is claimed to be below expectation and concerns are reported. The blame generally falls on project managers for not having effectively managed the Critical Success Factors (CSFs).

Projects are indistinct with project management; successful completions of project relied on effective use of project management techniques. According to (PMI 1994) “project management involves applying knowledge, skills, tools, and techniques to project activities in order to meet or exceed stakeholder needs and expectations. It is the art of directing and coordinating human and material resources throughout the life of a project to achieve project objectives within specified constraints.”

Project management is the process by which projects are defined, planned, monitored, controlled and delivered such that the agreed benefits are realized. Projects bring about change and project management is recognized as the most efficient way of managing such change. Project management involves project planning, monitoring and includes such items as: Project definition of work requirements, definition of quantity and quality of work, description of resources needed, project monitoring, tracking progress, comparing actual outcome to predicted outcome, analyzing impact, making adjustments (Kerzner 2013).

Further elaborated, (Seymour et al.1992) stress that, project management is a central strategy in the changes that many organizations are undergoing as they adapt from a stable, machine like model to a more dynamic one in face of environmental turbulence and change. Project managers face difficult task of both fostering flexibility, adaptability and the acceptance of change as a permanent state, and providing support for team members to enable them to live with a process they may experience as stressful and disorientating.

2.1.2 IFRS Standard

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

IFRS is standards and rules for reporting financial information, as established and approved by the Financial Accounting Standards Board (FASB). IFRSs are issued by the International Accounting Standards Board (IASB), formerly known as International Accounting Standards Committee (IASC). The main objective of the IASB is to develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions (Epstein & Mirza, 2002).

Alistair (2010) defined IFRS as “a series of accounting pronouncements published by the International Accounting Standard Board (IASB) to help prepare financial statements throughout the world, to provide and present high quality, transparent and comparable financial information.”

IFRS Standards, Interpretations and the Framework for the Preparation and Presentation of Financial Statements set and adopted by the International Accounting Standards Board. IFRS has replaced the older term international accounting standard. Many of the standards forming part of IFRS are known by the older name of International Accounting Standards (IAS). IFRS are considered ‘principles based’ set of standards in that they establish broad rules as well as dictating specific treatments.

(Kumar 2014) The present time businesses are interlinked, as firms operate throughout the world there is interdependence on cross border trade. Economic depression and crisis that occur in one place could have consequence to other part of the world. Mutual accord or harmonization is indispensable to the contemporary globalized era. Hence, the emergence of IFRS could fulfill an objective of bringing harmonized financial reporting's. Additional objectives can also be mentioned as follows:

- To ensure transparency and accountability on financial report.
- To enhance quality financial disclosure
- To bring reasonable accord towards business beneficiaries

IFRS are designed to apply to the general purpose financial statements and other financial reporting entities. It covers broad array of topics including presentation of financial statements, revenue recognition, employee benefits, income tax, inventories, fixed assets, intangible assets, lease and so many others.

2.1.3 Historical Background of IFRS

“International Accounting Standard Committee (IASC) established in 1973 to ensure the correct, understandable, readable and true and fair view of presentation of audited accounts and financial statements” (IFRS Foundation, 2014). In year 2001, they had been reconstituted to International Accounting Standard Board (IASB). The first International Financial Reporting Standard was established by IASB in the year 2004 which the original name of IFRS as International Accounting Standard (IAS). After that (IASB) had been established Accounting Standard Advisory Forum in early 2013 to ensure the countries understands of IFRS and applied it in proper way. The aim of the IASB is to develop a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles

“IFRS standards constitute a globally recognized set of standards for the preparation of financial statements by business entities” (IFRS Foundation 2014).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 under financial statements (IFRS Foundation 2014)

“The move to follow IFRS in EU member states spurred other countries to adopt a similar regulation” (Lisa and Margaret2015).The transition to IFRS has gathered pace in the last decade, and financial reporting based on IFRS is now the norm for publicly accountable reporting entities around the world. In charting progress towards the global adoption of IFRS, the IFRS Foundation found that of 140 jurisdictions surveyed, 116 jurisdictions require the use of IFRS for all or most domestic publicly accountable entities (listed companies and financial institutions) and most of the remaining 24 jurisdictions permit IFRS use for some reporting entities. Hans Hoogervorst, the IASB Chair, has stated that there is almost universal support for IFRS as the single set of globally accepted accounting standards (Hoogervorst, 2013).Much of the work of the IASB since its formation has been focused on convergence with US Generally Accepted Accounting Practice (US GAAP). While the appetite for IFRS implementation in the US is still being debated, it is likely that more reporting entities in the US, especially those with cross-border listings may on an individual basis choose to implement internal IFRS reporting to a greater or lesser degree”(Lisa and Margaret2015).

2.1.4 The Need for IFRS

The need for IFRS directly linked with reducing accounting diversity and in fact the need to have worldwide comparable financial statement as it's necessary for the globalization of capital markets. The process of adoption received a significant boost when in 2002 the European Union (EU) adopted a regulation requiring public companies to convert to IFRSs beginning in 2005. The major objective of the requirement to adopt IFRSs' is the harmonization of accounting standards for listed companies in Europe.

Conversion to IFRS gaining momentum mainly by the claim of conviction that having similar reporting standard smoothen the comparability of the entities operate across sectors and expecting potential foreign investment to improved (PricewaterhouseCoopers, 2007).

IFRS create opportunity for studies and arguments are still undergoing weather the benefit gained from the standard surpass the associated cost. Some scholars have argued that international harmonization in accounting can improve capital-market efficiency: a common set of international accounting standards can reduce the information processing and auditing costs to market participants. Other academics argue that accounting standards evolve in the context of domestic cultural, legal, and other institutional features (including auditing): international harmonization in accounting, if it is not accompanied by changes to related capital market institutions, can be costly (Lisa and Margaret2015).

“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 through improved accountability and quality disclosure of financial report” (Shil et al. 2009).Harmonized accounting system is a blessing to the contemporary business worlds; financial experts, Auditors, policy makers provided with similar data's. Embargoes, tariffs and trade control mechanisms can be managed in a better way and risk associated with can also minimize significantly.(Shil et al. 2009).

Parvathy (2017) Point out that the following factors could reason out the conversion to International Financial Reporting Standard.

- to make a common platform for better understanding of accounting;
- to ensure effective and well understood financial statements;
- to synchronize the accounting standards across the globe;
- to increase and improve foreign investments;

- to increase the industrial growth; and
- to remove information flow barriers.

Apostolic et al., (2010) growing international markets and international investing opportunities, the advantages of uniform worldwide accounting standards as a global language of financial information have become more and more apparent. Another proponent of harmonization of the standard, for instance, (Barth 2007), the standards reduce information costs to an economy, particularly as capital flows and trade become more globalized: It's more appropriate and useful for financial experts to be well acquainted with standard where its applicability is not limited to some specific countries.

Kumar (2014) the global trend demands an effective and globally understandable and comparable financial reporting standard. IFRS can potentially fill the global demand. In this regard, International Financial Reporting Standards (IFRS) is a blessing come forth to firms around the world. Especially, to cross border firms around the globe.

In countries where the quality of extant governance institutions is relatively high, IFRS adoption is likely to be less attractive. High quality institutions represent high opportunity and switching costs to adopting international accounting standards. The opportunity costs arise because in adopting IFRS, countries forgo the benefits of any past and potential future innovations in local reporting standards specific to their economies. On the other hand, for countries where local governance institutions are not well developed, the prediction on IFRS adoption is more nuanced. On one hand, opportunity and switching costs in these countries are lower, so the chance to adopt an externally developed body of accounting standards presents an advantage. On the other hand, such countries are likely to suffer from corrupt, slow-moving, or ineffectual governments that are resistant to or incapable of change (La Porta et al., 1999).

Owolabi (2011) noted that the accounting and auditing practices in majority of African countries, suffer from institutional weaknesses in 'regulation, compliance and enforcement of standards and rules. From such stand point one may advise developing nations to adopt IFRS as their local standard has too many drawbacks and switching cost is minimum and the forego benefit is likely none, while getting in mind cost-tradeoffs.

Karthik and Ewa (2009) the regional trend in IFRS adoption, i.e., a country is more likely to implement IFRS if other countries in its geographical region are IFRS adopters. Also find there is evidence that a country is more likely to adopt IFRS if its trade partners are IFRS adopters. Mainly due to two different reasons 1) it suggests countries internalize the network effects of IFRS in their adoption decisions; and (2) it suggests that as the network benefits from IFRS get

large, countries may adopt the international standards even if the direct benefits from such standards are inferior to those from locally developed standards.

At extreme, the decision whether to adopt IFRS standard is influenced by political factors. Nations usually considered as powerful are unlikely to adopt the International Financial Reporting Standard (IFRS). China, and U.S can be a good example; they are unwilling to over give their standard-setting authority to the IASB. It's entirely not possible to any standard to be equally suited to nations around the world. (Leuz and Wysocki, 2008).

2.1.5 Prospect of Implementing IFRS

Contemporary businesses are not limited to borders, capitals flew across borders. Currently significant portion of the world financial activities take place throughout borders, and financial forecasts anticipate this number to voraciously increase. Similar financial reporting standard like IFRS enhance the world financial transactions, whereas, relying on home grown standard where the applicability is limited to a specific country leads to wrong financial reports calculated on entirely varied basis. Which create inconsistency and IFRS standard address this challenges by providing high quality, internationally recognized set of accounting standard that bring transparency, accountability and efficiency to financial market around the world. Which create inconsistency and IFRS standard address this challenges by providing high quality, internationally recognized set of accounting standard that bring transparency, accountability and efficiency to financial market around the world.

Effective, well recognized and widely acceptable financial reporting reduce the cost of capital significantly and enable shareholders to build confidence and make better decision. 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).

Gordon (2008) listed the benefits from adaptation of IFRS over the world to include: better financial information for shareholders and regulators, enhanced comparability, improved transparency of results, increased ability to secure cross-border listing, better management of global operations and decreased cost of capital. Studies conducted from 21 countries by (Barth et. al. 2008) IFRS standard enhance credibility of the financial reporting and potentially obscure possible misleading on the financial report. As stated in (Temesgen, 2018) Because IFRS demands higher disclosure levels, quality measurement and recognition rules, financial statements are more transparent and reflects the economic position, information asymmetries between firms and their shareholder is also reduced.

According to many studies there is a wide agreement on some of the benefits IFRS would bring. IFRS standard enhance transparency by the international compatibility and quality of financial information, enabling investors and other market participants to make informed economic decision. In addition, (Warrell 1999) there are many potential benefits of IFRS adoption for companies. Numerous studies in this aspect inclined to assume IFRS standard likely stimulate the contemporary world business and enhance organizational efficiency of the firms

Daske and Gebhardt (2006) Revealed that quality financial report significantly improved under International Financial Reporting Standard and through adopting IFRS transparency and accountability towards firm potentially assured.

According to Jermakowicz (2004) the adoption of IFRS will increase comparability of consolidated accounts as well as levels of transparency for many companies, e.g. through expanded segment disclosures, reporting unfunded pension obligations and the recognition of derivatives on balance sheets at fair value. As stated in (Jamal 2007) (DeFond2011) reported that Proponents of IFRS of Point out that adopting similar reporting standard enable to make fair comparison to the investor so in turn will help to raise capital.

According to Jamal (2017), following are some of the benefits of implementing IFRS

- Ease of using one consistent reporting standard
- Better access to the global capital markets
- Higher standard of financial disclosure for national regulatory bodies.
- To remove information flow barriers.

On the other perspectives (Kumar 2014) summarized some of the benefits of implementing IFRS as follows,

- IFRS significantly improves the comparability of entities and provide more consistent financial information.
- IFRS eliminates barriers to cross border trading in securities, by ensuring that financial statements are more transparent.
- IFRS adoption may be used as a chance to make some strategic improvements to the finance systems and processes as well as to reduce costs in the longer term.
- IFRS financial statements that are universally understood and comparable can both improve and initiate new relationships with customers and suppliers across national borders.

2.1.6 Challenges of Implementing IFRS

As evidenced by the global experience, convergence with IFRS would have significant challenges common to all countries and companies. Additionally, there are also certain specific challenges that are unique to particular countries. As stated in (Worku 2018) IFRS present a challenge by way of more complex financial reporting requirements and resultant increase in costs; and availability of resources with expertise in IFRS. Similarly from an overall perspective, amendments to regulatory requirements and tax laws would be required; and impact on IT systems and compensation structures would need to be evaluated (Apostolos et al., 2010; Jermakowicz, 2004).

Arefainie (2018), Shifting of an accounting standard to any other new standard like IFRS requires a huge cost which is the main challenge of implementing it in to practice. For example the cost of training personnel to understand the new standard, cost of acquiring new accounting packages, cost of discarding former accounting packages which will not fit with the IFRS are the costs which will be challenges of adopting IFRS.

As stated in Arefainie (2018), (Obazee2007) Other than technical issues, there are other principal factors affecting the implementation of IFRS in Europe, America, and the rest of the world such as cultural issues, mental models, legal impediments, educational needs, and political influences which are the main challenges of 17 successful IFRS implementation.

According to Cairns, (2001) “even though companies claim that they are preparing IFRS compliant financial statement, there have been different levels of compliances with IFRS. The other problem is the failure of auditors to reveal their opinion about the compliance or non-compliance of IFRS. Therefore, the enforcement mechanism of IFRS will be the major challenge especially in country’s enforcement agencies and institutions are weak.”

Feleke (2018) Conclude that Lack of qualified people to provide training in profession/workplace and Limited access to training material, seminars and workshop for working professionals as a core challenge in the implementation. Further elaborated by (Robyn and Graeme, 2009) as evidenced by the global experience, convergence with IFRS would have notable challenges to firms around the globe. Whereas, some countries may face challenges more difficult and unique as a result of financial culture of firms and other internal factors.

According to Alp and (Lisa, Margaret 2015) potential challenges arise from difficulties include the complex structure of the international standards, potential knowledge shortfall and other difficulties in the application and enforcement issues

“The core themes [or challenges] that emerged are lack of education on IFRS often leading to issues with ‘copying’ the actions of other reporting entities, problems caused by lack of

management support, the implications of adopting IFRS on the wider business, and difficulties in accessing the necessary information for the first IFRS-financial statements” (Lisa, Margaret 2015).

According to Lisa and Margaret (2015) the following has considered as the main challenges in the implementation of IFRS.

- Lack of Knowledge and Experience with IFRS
- Difficulties in developing accounting policies
- Lack of support and a resistance to change
- Underestimating the wider implications of the transition to IFRS for the business

2.1.7 Cost of Implementing IFRS

Average audit fee increase was 5.44% greater for IFRS adopter firms compared with non-IFRS adopters over the period 2004 – 2008(Kim, Liu, &Zheng, 2012,). “These findings are supported by a Canadian study which revealed, perhaps unsurprisingly, that the costs of transition vary proportionately with the size of the reporting entity and the complexity of the transition.” (Lisa and Margaret2015).

Kim et al (2012) which finds higher audit costs’ Such on-going costs are likely to be substantial, as spending is required on systems modifications and external consultant’s fees, as well as the incremental costs of dual reporting. The study concluded that overall the implementation of IFRS has not been an easy process. Although the financial impact has often been negligible, the cost associated with changes within organizations to their systems and processes should not be underestimated.

Probably the most obvious work required by IFRS conversion will be associated with ensuring comparative and opening balances are in compliance with IFRS (Ravlic, 2002). The preparation of these balances is likely to consume significant staff time and firm may need to employ additional staff to help with additional workload. Firm may also need to obtain outside technical advice on area of uncertainty. Such costs are likely to be ongoing because of the complexity of IFRS in comparison with prior standard (Warrell, 1999; Ravlic 2003)

IFRS standard as its new concept among first time adopters it’s quite expected for companies to train employees in order to meet the requirement of the standard, well in that case notable funds required for the purpose of training.(Macek, 2003). This cost could include the cost of sending staff to workshops, acquiring and distributing IFRS training material or obtaining the service of consultants to provide in-house training.

Companies may also need to devote significant resources to financial statement user education. This education would enable investors and creditors to distinguish changes in a firm's financial statements caused by IFRS adoption from those caused by ordinary business fluctuations (Buffini, 2002). It may be that the costs associated with converting to IFRS, as with other information processing costs, have a fixed component with large firms being able to spread this fixed component over more units. Thus, the cost of IFRS adoption is substantial and challenging, and over burdening for firms with limited financial capability. (Kirby, 2001)

Researches undertaken by (Nahom 2018, Feleke 2019, Worku 2018) also suggests cost of hiring consultants, auditing, obtaining materials and guideline, staff training and system adjustments are substantial and challenging to the extent of forcing some organizations to postpone the IFRS implementation processes.

2.1.8 Approaches to IFRS Adoption

Countries can adopt IFRS standard in two ways, either by totaling replacing or customizing it with IFRS over time. The first approach is known as big bang approach while the latter is called a convergence approach. Big bang approach 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 are adopted, all IFRS standards should be complied while preparing financial statements and the existing accounting standard should be replaced with IFRS; while in Convergence approach, gradual movement is made towards IFRS through customizing with the existing accounting standards and IFRS are applied gradually.

Nahom (2018) the big bang approach supports a “light-switch” method of adopting IFRS. Companies will be required to start reporting in IFRS on a set date, and expenses will be incurred in a shorter amount of time. While instant adoption seems more risky, in practice it would most likely cause fewer problems than the convergence /staggered approach. For example, the European Union used the big bang approach during its mandatory adoption in 2005. Because individual countries in the European Union were allowed to adopt the standards differently, many problems occurred during the transition. These problems can easily be avoided with a proper lead time for companies to prepare for the adoption. During this long lead time, companies will have the opportunity to start allocating the expenses association with adoption earlier than with the staggered approach.

Accordingly, saying this Ethiopia followed a Big Bang approach in its shift to IFRS standard by the end of July 07, 2020 to all reporting entities in the country.

2.2 Empirical Review

Jamal (2017) conducted a study on the title Expected benefits and challenges of adopting IFRS- A focus on Saudi Arabia. The study provides detail on the current status of implementation of IFRS in KSA. The finding of the study shows that (1) the respondents agree that ease of using one consistent reporting in subsidiaries from different countries is the most useful benefit of IFRS. (2) They also agree on the benefits enhanced competitiveness and improved internal audit. (3) Respondents are quite positive that IFRS adoption will be beneficial to the investors. (4) IFRS provide quality information for control and decision-making. (5) Training and funding is the most important challenge for the successful adoption of IFRS. (6) Retention of qualified employees found to be a challenging in the implementation.

A qualitative study on IFRS adoption: Cost and Benefits for Large, Listed Australian Companies by (Pawesey2008) give insight through the questionnaires send to finance managers of different listed companies. Accordingly, the result of the study disclose though the incurred cost throughout companies varies but it found to be substantial. “Numerous respondents identifies that IFRS adoption had involved considerable cost for their firms and very few identifying any significant benefits. Significant numbers of respondent were, at best, indifferent about the prospect for IFRS adoption to significantly improve their foreign parents, subsidiaries and/or business partners.” Overall, though, no significant relationships were detected between the firm characteristics and their perceptions toward the cost and benefits of IFRS adoption.

Yitayew (2016), as stated by (Nahom2018) attempted to examine the IFRS adoption process in Ethiopia with a view to explaining how the state, i.e., the Ethiopian government, other national actors and the transnational forces interacted in establishing the Ethiopian financial regulatory landscape as antecedent to IFRS adoption and subsequent implementation.

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

incorporate IFRS education in the curriculum as soon as possible to meet the IFRS implementation strategic objectives.

Mesfin(2019) conducted a quantitative study in International Financial Reporting Standards (IFRS), its prospect , the challenges of implementation of International Financial Reporting Standards, and implementation in selected banks, insurance and public owned enterprises in Ethiopia. The finding of the study suggests that company which is required to use IFRS in preparing their financial reports is unable to apply all the standards. In other words there is a serious compliance problem with IFRS in Ethiopia. Furthermore, the study suggests Implementation of IFRS has the benefit of more transparent financial statements to company which in turn reduce the agency problem between management and shareholders. As a result positive effect on information control and decisions making has enhanced in implementation of the IFRS.

The study also point out some challenges implementers are facing, including, high cost of implementation, complex nature of IFRS, problem related to inadequate guidance from the governing body AABE, inadequate level of technology in implementation of IFRS. In addition, inadequate technical capacity in implementation of IFRS leads to increases the risk for manipulation in interpretation of financial statements.

Worku(2018) conduct a study on the benefits and challenges of IFRS implementation in Ethiopia with practical investigation of those benefits and challenges in public owned enterprise and banks that fully used IFRS principles and standard for the preparation of yearend financial statements as of 2018. The study used questionnaire, interview and secondary documents to draw conclusions. The result shows that, challenges of implementing include significant cost of adoption of IFRS, lack of readiness to implement, lack of adequate implementation guidance and lack of enforcement capacity are some of the key challenges facing the transition to IFRS. Further, the result shows that there exists a large gap in the trained professionals required and trained professional available which is impacting the transition to IFRS unfavorably.

Meyad (2019) has conducted a qualitative study based on depth interview with 30 key informants from AABE, IFRS conversion consultants, external auditors, financial statements preparers and IFRS implementation team leaders of reporting entities. The result of the study with respect to the benefits of IFRS adoption in Ethiopia, All the respondents suggested that IFRS is by far better than the mixed standards that had been used before by reporting entities in Ethiopia. The study added there were fragmented and inconsistent financial reports among reporting entities. The inconsistent reports were because of mixed standards that reporting entities had been used in preparing financial reports in Ethiopia. In addition, the result shows that IFRS is better than any other standards for the country 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. Additionally 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; arguing that IFRS is not suitable and appropriate standards for public enterprises and private limited companies.

Meyad(2019) result also suggests lack of expertise in a country coupled with irregularities in a governing body hinder the implementation of IFRS. 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. The result also show that 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. On the other hand 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.

Chapter Three

Research Design and Methodology

Research Methodology

3.1 Research approach and Design

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 finding from the samples.

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 "Mixed methods research is an approach to inquiry that combines or associate both qualitative and qualitative 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)

Depending of the nature the data's the researcher employed both quantitative and qualitative (mixed methods) approach in this study. "Quantitative research decides what to study, asks specific, narrow questions, collects numeric (numbered) data from participants, analyzes these numbers using statistics, and conducts the inquiry in an unbiased, objective manner. On the other hand qualitative research method would be appropriate for the exploration of a given phenomenon" (Creswell 2009).

The most common used research designs are exploratory, descriptive and explanatory which are classified based on the purpose of the research. The main aim of this study is to identify prospects, challenges and cost of implementing IFRS project. Hence, in order to accurately and systematically describe the situation descriptive research design is employed. Descriptive research designs help to provide answers to the questions of who, what, when, where, and how associated with a particular research problem. Descriptive research also used to obtain information concerning the current status of the phenomena.

3.2 Data Type and Source

3.2.1. Data Type

The study has used both primary and secondary data types. Primary data were collected from the project team members, finance officers, Auditors and project steering committee through questionnaires and interview. Regarding secondary source of data annual report by the bank, document papers, and other relevant documents are consumed for this study.

3.2.2 Data Source

1. Questionnaire

Questionnaires were distributed to project team members, finance officers, and auditors, in the samples who are directly or indirectly linked to implementation of IFRS project with the aim of grasping important perspective on its implementation. The study adopt a structured questionnaire based on (Jamal 2007) and (Lisa and Margaret 2015) because the questionnaires used by the mentioned author is more closed with aim of this study and already test by different validity measurement that is applicable internationally. “On this scale a score of 5 or 4 indicates that the item is perceived to be essential while a score of 3 or 2 indicates that the item is perceived to be fairly important, but not essential, while a score of 1 indicates that the item could be disregarded for being unimportant”(Jamal 2007).

2. Interviews

The researcher conducted an interview session with project team leader and finance head (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.

3. Document Review

Annual and semi-annual report by the bank and other relevant documents concerning IFRS implementation and its likely benefit, challenges and its associated cost were consumed as a secondary source of data for this study in order to ensure validity and reliability of the study. As noted in (Meyad 2019) 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. Target populations

According to Hair, et al (2010) “target population is a specified group of people or object for which questions can be asked or observed to collect required data structures and information.”

The researcher conducted this study by using team members of IFRS implementation and direct and indirect participants in the project, i.e. Finance and Account department and Risk and Compliance section personnel’s. As the population size is not large, census survey was employed. Detail of the total number of staff assigned in each of the captioned work units is depicted in the following table.

No	Unit or Department	No of Staff’s
1	project team members	11
2	Project steering committee member	3
3	Finance and Account department	31
4	Risk and Compliance dep’t	2
	Total	47

3.4. Data analysis

Data collected using questionnaire were analyzed through statistical package for social science (SPSS) version 23 in order to get descriptive quantitative results such as percentage, frequencies, mean and standard deviation. Whereas data collected from the interview and reviews of documents interpreted qualitatively.

3.5 Validity and reliability

Validity is defined as how much any measuring instrument measures what it is intended to measure. Using multiple sources of evidence is suggested as the way to maintain validity. The study used multiple sources of data’s including document reviews to cross validate the data. In

addition, the researcher adopted an instruments developed by (Jamal 2017) and (Lisa and Margaret 2015) because it's closed with aim of this study and already tested by different validity measurement that is applicable internationally. In addition, the researcher consulted with experts in the professional and academic world in order to triangulate the real world knowledge, practice and facts against the findings of the study to cross check the reliability of the result. Furthermore to ensure reliability, Cronbach's Coefficient alpha reliability statistics tested to ensure reliability of the result. Cronbach's Alpha is used to ensure internal consistency among the items included in each of the scale, accordingly 0.7 and above Cronbach's Alpha is acceptable.

Reliability Statistics

Cronbach's Alpha	N of Items
.729	16
.722	14
.701	8
.715	8

Chapter Four

Results, Analysis and Discussion

4.1 Introduction

This chapter describes the discussion and analysis of the finding of the study. Out of 44 questionnaires distributed to the project members, finance officers and risk and compliance section 38 (86%) of them returned. Out of the returned 38 questionnaire 35 (92%) were functional; hence, generally it make the total response rate (80%). The finding from the interview and from secondary data source presented and discussed qualitatively. Whereas the response of the questionnaire analyzed through descriptive analysis as mentioned in chapter three coded with SPSS version 23.

4.2 Demographic Information

Demographic information's of the respondents i.e. age, academic status and work experience has presented below to shows the basic information of the respondents of the questionnaire or the study group.

Table 4.1 Respondent's age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18-30 years	24	68.6	68.6	68.6
31-50 years	6	17.1	17.1	85.7
Above 50 years	5	14.3	14.3	100.0
Total	35	100.0	100.0	

Source: survey 2020

The survey result shows that the majority of the respondents fall under the age between 18-30 years with percentage value of 68.6% and 17.1% of the respondents between the age 31-50 and 14.3% found to be above 50 years.

Table 4.2 Respondent's academic status

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid BA	29	82.9	82.9	82.9
Masters	6	17.1	17.1	100.0
Total	35	100.0	100.0	

Source: Survey 2020

Most of the respondents hold BA degree depicted with 82.9%, and the remaining 17.1% tend to have an MA degree; no Diploma or PhD degrees possessed by the respondent's.

Table 4.3 Respondent's work experience

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 0-5 years	15	42.9	42.9	42.9
6-10 years	11	31.4	31.4	74.3
11-15 years	4	11.4	11.4	85.7
Above 15 years	5	14.3	14.3	100.0
Total	35	100.0	100.0	

Source: Survey 2020

Regarding work experience of the respondent's 42.9% of them has only 0-5 years, whereas 31.4% possess an experience between 6-10 years and 11.4% of them have an experience between age 11-15 and the remaining 14.3% have an experience of more than 15 years.

4.3 Prospect of IFRS implementation project

Berhan Bank as mentioned in the 2017/18 fiscal year report, undertake a conversion project in order to adopt IFRS standard as issued by the international accounting standard board (IASB) contracting PWC which is contracted by Ethiopian Bankers Association to assist its adoption. The 2018/19 annual report of the bank states that the implementation of IFRS standard will enhance the credibility of the financial reporting especially with international business community. The result from the interviews confirms what stated in the annual report. The result shows that there is an overall agreement with respect to the potential benefit the project would bring. From the perspective of the institution they believe possible future merger between banks better handled in the IFRS standard. Since each followed a uniform reporting standard they can easily determine the assets of each banks and the shareholders' value they possess after the merging completed. Berhan Bank has already adhered to the IFRS standard; last two years annual reporting's prepared based on this standard. In relation to this the interviewees mentioned International business operation, i.e. relation with correspondent banks showed progress. The numbers of transaction that tend to reversed due to error in recording significantly reduce as both banks tend to record at the same time and because they both use similar measurement.

They mentioned IFRS standard will definitely improve the quality of the financial disclosure, further mentioning the financial sector is sensitive and subjected to malpractice and this standard they assume would provide solution to irregularities that appears in reporting. In addition, they

assume transparency and accountability better ensured in IFRS standard. They further elaborated that exact picture of the bank financial position better reflexed in IFRS than the previous US GAAP reporting. One of the interviewee put it as follows;

“Potential benefits are highly likely but we cannot say with total assurance. But despite all, the idea of creating uniformity is worth. It’s totally invalid to use different reporting standard while operating in the same country and in similar business environment. Further mentioning as a nation we are lagged behind time in execution of the IFRS standard.”

Generally, the finding of the study discloses that there is appreciation by respondent’s in the usefulness of IFRS implementation. Arguing that the benefits are likely to sustain for longer time whereas, the challenges and the costs are something that does not sustain after initial implementation.

Table 4.4 Prospect of implementing IFRS project

	Mean	Std. Deviation	N
IFRS Project is worth taking	3.97	.857	35
Implementation of IFRS project is fulfilling management expectation	3.89	.718	35
IFRS project increase efficiency of internal audit	2.89	.676	35
IFRS project reduce the time, effort, and expense of preparing multiple reports	3.03	.857	35
IFRS improve standard of financial disclosure	4.54	.701	35
IFRS ensure timely financial reports	3.63	.646	35
IFRS ensure transparency and accountability	4.43	.655	35
IFRS enhance flexibility in reporting	3.51	1.067	35

Source: Survey 2020

The result from the questionnaire as depicted in the above table shows that higher mean value of 4.54 for the statement IFRS improve standard of financial disclosure shows that there is strong agreement in this regard. Followed by IFRS ensure transparency and accountability by mean

value of 4.43 showing transparency and accountability sustain in the IFRS based reporting's. IFRS Project is worth taking accompanied by mean value of 3.97 showing strong support to the project. Respondents agreed with mean value of 3.89 for the statement Implementation of IFRS project is fulfilling management expectation.

Ensuring timely financial report has greater role in the business operation. In this regard there is an assent regarding weather adhering to IFRS standard ensure timely report.

Prospect of IFRS implementation project

Table 4.5 Prospect of implementing IFRS project.... Cont'd

	Mean	Std. Deviation	N
IFRS standard financial reports are reliable and provide clear picture of the bank performance	4.23	.490	35
Financial report based on IFRS resolve ambiguities and difficulties	3.66	.998	35
IFRS enhance effectiveness of monitoring and controlling process	3.74	.657	35
IFRS helps to better managed resources and create a higher return on equity.	3.60	.812	35
Implementation of IFRS by all financial institution create uniformity; hence, enable shareholders to make better decision	4.37	.547	35
Adoption of IFRS standard throughout the country by all entity will help to make fair comparison to the investor so in turn will help the bank to raise capital	4.43	.655	35
Popularity of IFRS throughout the world will enable the bank to improve international business operation	4.46	.505	35
Implementation of IFRS by all financial institution will enable the bank to reduce information cost	4.37	.808	35

Source: Survey 2020

Continued from the above, as depicted on the above table higher mean value of 4.46 showed for Popularity of IFRS throughout the world will enable the bank to improve international business operation. Followed by mean value of 4.43 for statement adoption of IFRS standard throughout the country by all entity will help to make fair comparison to the investor so in turn will help the bank to raise capital

Mean value of 4.37 showed for two statements, Implementation of IFRS by all financial institution create uniformity; hence, enable shareholders to make better decision and Implementation of IFRS by all financial institution will enable the bank to reduce information cost.

Financial report's need to be impartial and not misleading; unless, it cannot be reliable and provide exact performance of a company. In this regard respondents firmly believe IFRS standard financial reports are reliable and provide clear picture of the bank performance by high mean value of 4.23 whereas, standard deviation stood 0.49 suggesting that there is less variability in respondent's perception in this point.

The result of the questionnaire tends to be similar to finding of the interview. It suggests there is similar opinion among the project steering committee and project members and officers incorporated in this study.

4.4 Challenges of Implementing IFRS project

It's possible to say no project is immune from challenges, project by its nature is comprise of challenging activities; adding to this the IFRS implementation project passed through numerous challenges. The bank in its 2018/19 annual report mentioned that IFRS standard had impact on comparative figure as well as opening balance of the previous year. Proper assessment and recognition of the impact have been key audit issue and difficult task. In addition, the preparation of financial statement in conformity with IFRS requires the use of certain critical accounting estimate; hence, require modification in the Bank accounting policy which is found to be challenging.

The result of the interview also shows that knowledge gap is a core challenge the project face. Before the mandatory adoption of the IFRS standard no body in the Bank know certainly what exactly IFRS standard is, as one of the interviewee put it "we start from the scratch" adding "there was no single local firm that can facilitate the transition to IFRS". In such situation the difficulties arise out of it is quite expected.

Another challenging task in this project has been the task of data collection; IFRS standard is principle based approach, as a result it requires detailed data. Interviewees claim that the data recording of the bank prior to IFRS standard was very poor, to that effect organizing data's were too time consuming and hectic task that challenge the success of the project.

Lack of guidance and support from the regulatory body were the main source of confusion; it's surprising not receiving any support from the regulatory body. As one interviewee describe the situation

“Accounting and Auditing Board of Ethiopia (AABE) is the organization that its existence is to provide guidance, direction and support. We don’t know why exactly failed AABE to rendered its guidance and play its role; and it play discouraging role to the project”

Additional challenges that emerged from integration of the system to accommodate IFRS requirement, the rush process followed and its complex nature of the project can be stated as a main challenges the project pass through

Table 4.6 Challenges of implementing IFRS project

	Mean	Std. Deviation	N
Implementation of IFRS project is a complex process	4.23	.843	35
Implementation of IFRS project is time consuming and require extensive expertise skill	3.66	.873	35
Retention of key employees put adverse effect on the implementation	2.91	.562	35
Lack of cooperation between IFRS project team members create inconvenience in its implementation	3.34	1.056	35
Lack of support and follow up from project steering committee make the project implementation difficult	3.00	.642	35
Lack of knowledge and experience with IFRS in the governing body create inconsistency in the implementation	4.06	.802	35
Governing body reluctancy in the implementation of IFRS create lack of commitment in the project	3.57	.655	35

Source: Survey 2020

Higher mean value of 4.23 shows in agreement on the complexity of IFRS project; followed by mean of 4.06 is agreement on the statement Lack of knowledge and experience with IFRS in the governing body create inconsistency in the implementation. Complex project is expected to require extensive expertise skill as we as time, in this regard mean value of 3.66 result in agreement of the statement. Governing body has vital role in facilitating the transition to IFRS standard, failure to do so certainly impact the project unfavorably. Respondent’s shows agreement to the statement of governing body reluctancy in the implementation of IFRS create lack of commitment in the project by mean value of 3.57.

Lack of cooperation between project team members described in mean of 3.34 with highest standard deviation indicating some respondents are in agreement, others disagreed.

The role of the management in executing the project to deliver its final goal is unquestionably the biggest one, lack of support from the management definitely have an adverse impact on the final goal of the project. To the question whether Lack of support and follow up from project steering committee make the project implementation difficult a mean value of 3.00 is shown suggesting the respondents are in mild agreement in this regard.

Table 4.7 Challenges of implementing IFRS project...Cont'd

	Mean	Std. Deviation	N
IFRS implementation is a costly process	4.54	.657	35
Lack of proper trainings on IFRS hinder its successful implementation	4.43	.558	35
Lack of resilience and ethical environment in the project affect implementation of the IFRS project	2.89	.867	35
Management resistance to change makes IFRS implementation a challenging task	2.54	.817	35
Integrating the IFRS standard with the current IT system of the bank a lay negative impact in the successful implementation	4.31	.583	35
Lack of know how in implications of the transition to IFRS sum up to its complexity in implementation	3.29	.957	35
Developing accounting policies and guideline to fit IFRS standard is also another issue that challenge its implementation	4.20	.677	35

Source: Survey 2020

Projects always require resources; in comparison some projects require more extensive resource than the other. A mean value of 4.54 in agreement to the statement IFRS project is a costly. Followed by a mean of 4.43 with smallest standard deviation regarding whether lack of training affect its implementation, reflecting similar perception, that training is not sufficiently provided to the respondent's, and hence affect implementation of project.

Another challenge includes integrating the standard to the IT system of the bank to accommodate the requirement of the standard as shown in the table a mean value of 4.31. Mean value of 4.2 as

shown in the table for the statement developing accounting policies and guideline to fit IFRS standard is also another issue that challenge its implementation.

Lack of know how in implications of the transition to IFRS sum up to its complexity in implementation as depicted in the table represented by mild agreement mean value of 3.29 and Lack of resilience and ethical environment in the project affect implementation of the IFRS project shows a mean value of 2.89 in concurrence to some extent.

4.5 Cost of implementing IFRS project

Any project is an investing activity; the final outcome depends on what has been spent. Projects usually demand strong financial capability and most projects halted prior to fulfilling their aim mainly as a result of finance. The bank in its annual report of 2018/19 point out IFRS implementation project found to be costly in the eyes of the interviewee; stating that all this cost now the bank incurring is something new and which has not been an issue in the prior reporting's.

According to Interviewees there was no single local firm that can facilitate the transition to IFRS. As pinpointed in the annual report of the bank, Berhan bank hires Price Waterhouse Coopers a UK based accounting firm in association with other private bank under bankers association facilitation with due amount of USD 800,000.00.

Training costs increased significantly as members of the project and finance officers sent to different training seminars, despite the general perception regarding the lack of proper training. In addition, updating “Rubikon” the current system of the bank also requires additional payment to the vendors.

Table 4.8 Cost of implementing IFRS project

	Mean	Std. Deviation	N
Auditing fees increase under IFRS	4.06	.639	35
Cost of hiring consultant is high	4.63	.490	35
Cost of providing training is high	4.14	.494	35
Integrating IFRS to the current information system a costly process	3.91	.562	35
preparing new guideline and policy that fit IFRS standard is costly	3.60	.736	35
IFRS guiding materials are expensive	2.97	.891	35
Rush process followed by AABE make the project more expensive	4.26	.561	35
Costliness of the transition to IFRS is challenging the project success.	3.17	.822	35

Source: Survey 2020

As it has been learned from the interview, the result of the questionnaire confirm with mean value of 4.63 in agreement to the statement cost of hiring consultant is high with least standard deviation showing high agreement on this point. The second ranked factor that makes the project costly is the rush process followed by AABE, followed by the cost of providing training by mean value of 4.14. As a shown in the table its evident auditing fees increase under IFRS standard.

4.6 Status of the project and lesson learned

The proclamation for mandatory adoption of IFRS to financial institution set to complete by the end of June 2018. Financial institution required to adopt IFRS standard under phase one of its adoption plans. As stated below three phases has been forward to the adoption of IFRS standard in Ethiopia.

Phase 1: Public Interest, financial Institutions and Publicly owned Entities by both Federal and Regional Governments

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

Phase 3: Small and Medium-sized Entities

To this end, as stated in the (2017/18) annual report of the Bank, in order to meet the deadline in July 2017 Berhan bank formed a project with stipulated objectives to confirm the date of the mandatory adoption. Respondents believe it was a rush process the bank followed as the deadline was approaching. Currently, the project is in the stage of project close-out, where final risk assessment, project final report and evaluation are now undergoing.

The lesson learned is the knowledge gained in conducting a project; that is useful both within a particular project and other projects as well. The main point is to repeat the positive aspects and not to repeat the negative one. One of the project steering committees says “as we formed the project in a rush way it was difficult to be in this stage of the project if not due the lesson learned session member of the project has in various time.”

The data from the respondents of the questionnaire is quite positive to the result found from in the interview. The discussion of the result from the questionnaire depicted below on table 4.9

Table 4.9 Status of the project and lesson learned

	Mean	Std. Deviation	N
The current status of the project lagged behind scheduled	2.86	.648	35
The current status of the project is moving as intended	3.11	.718	35
No change or modification needed for the project to achieve its final goal.	3.14	.494	35
The current status of IFRS project enable Berhan Bank to fully transitioned to IFRS standard	3.49	.702	35
Challenges are tackled in the project as a result of lesson learned from the previous reporting	3.89	.530	35
The learned lesson minimize the costliness of the IFRS project	3.66	.539	35
The project is showing progress because too much lesson learned so far	3.86	.648	35
The lesson learned so far can be considered as significant	4.17	.514	35

Source: Survey 2020

From Table 4.9, it is observed through formalized documentation process the project has benefited largely from lessons learned process the members of the project undertake. As depicted in table 4.9 respondents believe challenges are tackled in the project as a result of lesson learned from the previous reporting. Again, a mean value of 3.86 showed in agreement that project is progressed as a result of the lesson learned. The results presented in Table 4.9 show that respondents believe the current status of the project will enable Berhan Bank to fully transition to IFRS standard.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The study was conducted with main objective of examining prospect, challenges and cost of implementing IFRS project. To achieve this objective both qualitative and quantitative research approach used. Thirty five (35) respondents from questionnaire and two respondents for interviewee involved in the study.

The result of study show the opinions hold in the study group both in terms of potential prospect that IFRS project will significantly improve their ability to communicate and coordinate activities though with wide agreement regarding the challenges and indeed how costly is the implementation. The information gathered through questionnaire, interview and document reviews result in a number of important intakes.

Despite the challenges and costs of IFRS, significant number of the respondent sought potential benefit IFRS will bring in the near future. It is vague whether Berhan Bank is currently sow any advantage but both interviewees seems to agree; stating that the last two years reporting disclose the exact stand of the bank; plus, the way the data's organized and recorded in the adoption of the IFRS enable the bank to better organize the data documentation. Adding the knowledge absorbed in the process through training and seminars has an immerse effect in developing human resource capacity.

Overwhelming proportions of the respondents believe that Berhan Bank will receive potential benefits out of the project. Accordingly, the most common prospect of IFRS appears to be the benefits of using one consistent and uniform reporting standard, mainly related with having quality reporting and the ability to evaluate financial statements and assuming, it reduce the uncertainty and confusion that appear to have in GAAP standard since it allow personal judgments. Again there is a general agreement among the respondents IFRS standard potentially bring more confidence in the information presented in the financial statements. Similarly, shareholders and partners are able to get financial information potentially acceptable, understandable and comparable across sector; consequently enabled them to make well informed decisions. Likewise, there is a strong agreement regarding reports prepared under IFRS standard ensure transparency and accountability. Monitoring and controlling activity also identified to be improved in the IFRS standard. Operation and relationship with correspondent banks also likely to smoothen as most of the correspondent banks rely on IFRS, transaction easily performed in a correct manner as a result operation in the international banking expected to grow.

Number of challenges also faced in the implementation of IFRS project. It's well known projects by nature are challenging task and IFRS implementation project is no different; however, there are specific challenges the IFRS project face. The result of the study shows that Lack of support and guidance from the regulatory body AABE, whose existence is mainly to provide guidance is considered to be the most pressing issue. The reason can be related with lack of practical knowledge and institutionalized capacity or reluctance of performing their duty. Organizing necessary data's was a challenging task that linked to poor documentation of the bank throughout the years. There is also a general agreement among responders regarding the complexity of the IFRS implementation process. Similarly, the main reason for its complexity is the nature of the project that required extensive expertise skills, inadequacy of proper training, and the related knowledge gap. The integration of the IFRS standard with the information system currently used by the bank is another challenging task that consumed significant time of the project. Preparing guideline and accounting policy and procedures to accommodate IFRS standard is too complex and impacted the project negatively also consumed considerable time of the project.

Respondents believe hiring consultants require strong financial capacity, the study found out that the main reason for costliness of project linked with difficulty of getting local consultants and foreign consultants require substantive payment. Training related costs rise in the implementation of the project. Even though, modest number of trainings provided by the consulting company under the agreement made in the contract; that is found to be insufficient. As a result members of the project sent to different trainings conducted by local auditing firms and independently by bankers associations; that leads to increase the cost of IFRS project. Other significant costs increased in the implementation of the IFRS project include auditing fees and integration of the standard to the current information system of the bank can be mentioned. As the system is not home grown it is expected of the vendors to demand additional payment for any additional feature request. Additionally, the rush process followed by the AABE exuberate the cost of the project. But, despite all the costs respondents inclined to agree that the success of the project doesn't threatened by its costliness. That mainly attributed to the fact the financial capability of the bank; the case might be quite different in other private entities.

The project is now in its close out stage where validation and documentation, final risk assessment, project final report and evaluation are now undergoing. Considerable portion of the respondents believe the project success affected by complex nature of the project and due to lack of sufficient support from the regulatory body. But in fact the project has plausible experience of conducting lesson learned session to strengthen the weak areas of implementation during the project, which enabled them to improve throughout the project life. The result of the primary and secondary data gathered shows the prospect exceed the challenges and cost invest on it, Hence it direct us to conclude the IFRS project is a worth taking.

5.2 Recommendations

Some of the challenges does not directly linked within the bank domain, especially challenges related with AABE (accounting and auditing board of Ethiopia) and lack of expertise skill in the country is external and does not fall under the control of the bank. Though, embarking rigorous IFRS capacity building program will have positive impact in building institutional capacity.

The study recommends trainings, consultations, and awareness creation required to acquaint all employees regarding the prospect of the IFRS and its implication towards the bank for better collaboration and effectiveness.

As matter urgency the management of the bank should focus on building internal capacity so that trainings can be provided internally, hence, cost associated with trainings can be minimized significantly.

The study further recommends by taking the advantage of ensured transparency and accountability to boost organization performance for better execution of remaining task of the project and to deal future complex projects as well.

It's advisable for the Bank to update its way of maintaining and recording documents as IFRS standard demand comprehensive data's. A virtual way of documentation is a way forward to better safeguard and to easily access the necessary documents.

It has learned to some extent the project is affected by lack of cooperation between project team members; the management of the bank must extend their engagement to assure open communication to share challenges and problems, in this manner playing in one team can be entailed.

As the project is now about to finalize as a matter of urgency the bank need to have proper guidelines that can be easily understandable and procedures need to have updated in order to accommodate changes that occur in operation as a result of the implemented IFRS standard.

Even though the project is in the close out stage still works needed to be done. The management needs to extend the support and commitment to the project until its completion. Successful transition cannot be maintained without proper close out of the project; hence, the management needs to be aware of this fact and need to continue their engagement and commitment to the project.

Finally, the bank pulls its resource, time and effort in the project in expectation of benefits that outweigh its investment; as a result the management should act quickly to prepare or ensure readiness of all the stakeholders in the transition to IFRS project into daily operation.

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APPENDIX: 1 Questionnaire

Addis Ababa University School of Commerce

Post Graduate Program

As a graduate student I'm conducting a research on the title "Prospect, Challenges and Cost of Implementing IFRS Project" in Berhan Bank S.C. This questionnaire is prepared to collect data on IFRS project implementation for partial fulfillment of the requirements for the Master of Arts Degree in Project Management. The data's collected are merely used for the study purpose. Hence, you are pleased to fill this questionnaire to the best of your knowledge.

Part I: Profile of Respondents

Note, please provide your answer by putting (√) on the (mark (√)) section

No	Description	Measurement	Mark (√)
I.	Age	18-30	
		31-50	
		Above 50	
II.	Academic Status	Diploma	
		BA Degree	
		MA Degree	
		PhD	
III.	Work Experience (Cumulative)	0-5 Years	
		6-10 Years	
		11-15 Years	
		Above 15 Years	

Part 2 Prospect of IFRS

Please tick (✓) mark on scale ranging from Strongly Agree to Strongly Disagree. Where, SD = Strongly Disagree, DA=Disagree, N=Neutral, A=Agree, SA=Strongly Agree.

No	Description	SD	D	N	A	SA
1	IFRS project is worth taking					
2	Implementation of IFRS project is fulfilling management expectation					
3	IFRS project increase efficiency of internal audit					
4	IFRS project reduce the time, effort, and expense of preparing multiple reports					
5	IFRS improve standard of financial disclosure					
6	IFRS ensure timely financial reports					
7	IFRS ensure transparency and accountability					
8	IFRS enhance flexibility in reporting					
9	IFRS standard financial reports are reliable and provide clear picture of the bank performance					
10	Financial report based on IFRS resolve ambiguities and difficulties					
11	IFRS enhance effectiveness of monitoring and controlling process					
12	IFRS helps to better managed resources and create a higher return on equity.					
13	Implementation of IFRS by all financial institution create uniformity; hence, enable shareholders to make better decision					
14	Adoption of IFRS standard throughout the country by all entity will help to make fair comparison to the investor so in turn will help the bank to raise capital					
15	Popularity of IFRS throughout the world will enable the bank to improve international business operation					
16	Implementation of IFRS by all financial institution will enable the bank to reduce information cost					

Part 3 Challenges of implementing IFRS project

No	Description	SD	D	N	A	SA
1	Implementation of IFRS project is a complex process					
2	Implementation of IFRS project is time consuming and require extensive expertise skill					
3	Retention of key employees put adverse effect on the implementation					
4	Lack of cooperation between IFRS project team members create inconvenience in its implementation					
5	Lack of support and follow up from project steering committee make the project implementation difficult					
6	Lack of knowledge and experience with IFRS in the governing body create inconsistency in the implementation					
7	Governing body reluctancy in the implementation of IFRS create lack of commitment in the project					
8	IFRS implementation is a costly process					
9	Lack of proper trainings on IFRS hinder its successful implementation					
10	Lack of resilience and ethical environment in the project affect implementation of the IFRS project					
11	Management resistance to change makes IFRS implementation a challenging task					
12	Integrating the IFRS standard with the current IT system of the bank a lay negative impact in the successful implementation					
13	Lack of know how in implications of the transition to IFRS sum up to its complexity in implementation					
14	Developing accounting policies and guideline to fit IFRS standard is also another issue that challenge its implementation					

Part 4 Cost of Implementing IFRS project

No	Description	SD	D	N	A	SA
1	Auditing fees increase under IFRS					
2	Cost of hiring consultant is high					
3	Cost of providing training is high					
4	Integrating IFRS to the current information system a costly process					
5	preparing new guideline and policy that fit IFRS standard is costly					
6	IFRS guiding materials are expensive					
7	Rush process followed by AABE make the project more expensive					
8	Costliness of the transition to IFRS is challenging the project success.					

Part 5 Status of the project and lesson learned

No	Description	SD	D	N	A	SA
1	The current status of the project lagged behind scheduled					
2	The current status of the project is moving as intended					
3	No change or modification needed for the project to achieve its final goal.					
4	The current status of IFRS project enable Berhan Bank to fully transitioned to IFRS standard					
5	Challenges are tackled in the project as a result of lesson learned from the previous reporting					
6	The learned lesson minimize the costliness of the IFRS project					
7	The project is showing progress because too much lesson learned so far.					
8	The lesson learned so far can be considered as significant					

APPENDIX: 2

Part: 6 Interviews

1. Considering you as a steering committee member for this project, can you describe your role? How can you describe your involvement?
2. Do you think IFRS implementation project is a worthy taking project?
3. Adoption of IFRS all over Ethiopia will make easier the inevitable future merger between banks?
4. IFRS standard are now popular all over the world what possible advantage would bring to the bank?
5. What benefits you sought or believed this project would bring in its completion?
6. Can you explain the challenges that you encountered during your involvement with this project? Can you priorities those challenges?
7. Were there problems or challenge or issue usually arise? Why it arises often time? How you try to handle it?
8. Why is IFRS implementation a costly process? Can you please explain why it is costly in comparison with the previous reporting standard?
9. Consultant and audit fees are expected to rise, what was your experience in this regard? Have you witnessed significant cost rise?
10. Training costs also assumed to increase, was that the case during the IFRS project implementation?
11. How costly is preparing new guideline and policy that fit IFRS standard?
12. Do the people in the project properly trained? If yes, does that make a difference in the implementation? If no, do you think things would be changed by now if they are trained?
13. How do you explain the role of the regulatory body, their support and competencies?
14. So far customer of the bank has not yet required to bring IFRS based statement when they request loan or guarantee service; how that did not create inconsistency?
15. IFRS standard has not yet integrated in the current IT system; why is that? Is it also another challenge or the project phase not yet delivered to that stage?
16. How do you describe the current status of the project and its progress in the process?
17. Berhan Bank already prepares its annual report using IFRS standard, considering that what lessons learned so far?