



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

**The Challenges and opportunities of IFRS adoption in
Ethiopia: the case of Manufacturing Industries**

By:

Guta W/senbet

Advisor:

Abebe Yitayew(PhD)

April, 2021

Addis Ababa, Ethiopia

The challenges and Opportunities of IFRS Adoption in Ethiopia: the case of Manufacturing Industries

Addis Ababa University

College of Business and Economics

MSC in Accounting and Finance

The Challenges and opportunities of IFRS adoption in Ethiopia: the case of Manufacturing Industries

A Thesis submitted to the Department of Accounting and Finance presented in partial fulfillment of the requirement for the degree of Master of Science in Accounting and Finance

April, 2021

Addis Ababa, Ethiopia

Addis Ababa University

Department of Accounting and Finance

School of Graduate Studies

This is to certify that the thesis prepared by Guta W/senbet entitled: “The Challenges and Opportunities of IFRS Adoption in Ethiopia the case of Manufacturing Industries” and submitted in partial fulfillment of the requirements for the degree of Master of Science in Accounting and Finance complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

Approved By:

Alem Hagos(PhD)

Internal Examiner

Signature

Date

Azime Adem(PhD)

External Examiner:

Signature

Date

Abebe Yitayew(PhD)

Advisor

Signature

Date

Chair of Department or Graduate Program Coordinator

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Statement of Declaration

I, Guta W/senbet, hereby declare that the thesis entitled “The Challenges and Opportunities of IFRS Adoption in Ethiopia the case of Manufacturing Industries” is my original work. I have carried out the present study independently with the guidance and support of the research advisor, Abebe Yitayew (PhD). Any other contributors or source used for the study have been duly acknowledged. Moreover, this study has not been submitted for the award of any Degree or Diploma program in this or any other institution.

Guta W/senbet

Signature

Date

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STATEMENT OF CERTIFICATION

This is to certify that Guta W/senbet has carried out his research work entitled “The Challenges and Opportunities of IFRS Adoption in Ethiopia the case of Manufacturing Industries” for the partial fulfillment of Masters of Degree in Accounting and Finance. This study is original and is not submitted for any degree in this university or any other universities and is suitable for submission of Masters in Accounting and Finance.

Confirmed by Advisor:

Abebe Yitayew (PhD)

Signature

Date

ACKNOWLEDGMENT

First and foremost, I would like to express my deepest and sincere gratitude to Almighty God for his lifelong support and for successfully completing my research work. I also thank the Blessed Virgin Mary, the Mother of God, and to the Martyrs of Holy Righteous, as God honors them.

I would like to express my sincere gratitude to my Advisor Dr. Abebe Yitayew for his devotion, advices, invaluable guidance and technical supports throughout this research. For what he gave me, I am extremely thankful.

I am very grateful to my parents for their moral encouragement, caring, sacrifices and support in all my academic achievements. I am also thankful for all manufacturing companies' employees especially for Finance and IFRS implementation teams who have shown their sincere cooperation in filling out my questionnaires and timely responding it. My thanks and appreciations also go to Accounting and Audit board of Ethiopia (AABE), and ASGB consulting group especially Mr. Gezahegn Worku willingly helped me with their ability. Furthermore, I would like to express my special thanks to Ato Abera Bayera for showing me the direction throughout my academic achievement, my brother Diriba W/senbet for moral and financial support. Last but not least, I would also want to extend my appreciation to those who could not be mentioned here but have well played their role throughout my research work.

ACRONYMS

AABE:	Accounting and Audit Board of Ethiopia
ACCA:	Association of Chartered Certified Accountants
EU:	European Union
FDI:	Foreign Direct Investment
GAAP:	Generally Accepted Accounting Principles
IAS:	International Accounting Standard
IASC:	International Accounting Standards Committee
IASB:	International Accounting Standard Board
IFRS:	International Financial Reporting Standards
IPSAS:	International Public Sector Accounting Standards
MOR:	Ministry of Revenue
PIE:	Public Interest Entities
SME:	Small and Medium Enterprises
Stata:	S tatistics and d ata software
UAE:	United Arab Emirates
UK:	United Kingdom
USA:	United States of America
WTO:	World Trade Organization

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ABSTRACT

The implementation of international financial reporting standards (IFRS) is considered to reduce the cost of information between countries and to be an effective way to facilitate trade and investment. The study focuses on identifying the challenges and opportunities of IFRS implementation in manufacturing industries of Ethiopia. As a result, it is preferable to view the problem and opportunities in the light of developing countries in order to enrich and expand one's awareness of International Financial Reporting Standards and the issues surrounding their first implementation. The study used mixed research approach to achieve the research objectives. To achieve this objective, both primary and secondary data were collected from IFRS implementation team of manufacturing industries who were selected purposively based on their role and involvement in the implementation process. Primary data were collected through questionnaire and interview whereas secondary data were collected through literature review. The questionnaire data were analyzed using descriptive statistics and data from interview and empirical review were interpreted qualitatively. The results show that IFRS implementation provide a number of important benefits to different stakeholders. Providing better information for decision making, improves access to international market, attracts investment, promotes cross border investment, provides full & detail disclosure than the previous standard, improves understandability of financial statements. On the other hand, the challenges faced during implementation of IFRS was the lack of commitment of management during the implementation of IFRS, the knowledge gap between the various stakeholders, the lack of asset valuers, cost of asset valuers, cost of IFRS implementation is expensive, shortage of qualified professionals, cost of audit fee increased due to implementation of IFRS, the implementation road map developed by AABE does not take into account the capability and readiness of reporting entities are some listed challenges. The study suggests that empowering manpower, professionals, minimizing knowledge gap, training, creating conducive work environment for employees will help for successful implementation of IFRS.

Keywords: challenges, IFRS adoption, opportunities, manufacturing Industries, Implementation

CHAPTER ONE

Introduction

1.1 Back ground of the study

International Financial Reporting Standards (IFRS) have been known long time ago under the name International Accounting Standard (IAS). IAS was issued since 1973-2000 by International Accounting Standards Committee (IASC). IAS was issued in order to fix the global accounting standard thus there would be better financial understanding of all companies. However, on April 1, 2001 International Accounting Standard Board (IASB) replaces the IASC and took over responsibility to build international accounting standard and named it IFRS (IFRS Foundation, 2010). IFRS has been a trending topic since the European Union (EU) decides to convergence their financial reporting standard to IFRS, leaving the US Generally Accepted Accounting Principles (US GAAP) (Latifah, Asfadillah, & Sukmana, 2012).

The increasing growth in international trade and investment has brought to the fore the craze for adoption of International Financial Reporting Standards (IFRS) by both the developed and developing countries. A number of African countries including Nigeria, Ghana, Sierra Leone, South Africa, Kenya, Zimbabwe, and Tunisia among others, have adopted or declared intentions to adopt the standard (Owolabi & Iyoha, 2012). This is a welcome development considering the fact that the quality of financial reporting is essential to the needs of users who require useful accounting information for investment and other decision-making purposes (Owolabi & Iyoha, 2012). Information emanating from financial reporting is regarded as useful when it faithfully represents the ‘economic substance’ of an organisation in terms of relevance, reliability and comparability [Spiceland et al., (2001), p.36]. Thus, high-quality financial reports which IFRSs have the potential to support should produce financial information that report events timely and faithfully in the period in which they occur (Owolabi & Iyoha,2012).

A country can change its existing accounting system to a globally recognized accounting standard called IFRS either by totaling replacing or customizing it with IFRS over time. The first approach is known as adoption or ‘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

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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. Converging a few local standards to IFRSs each year can allow local preparers and auditors to learn a few topics at a time rather than immersing themselves in the full set of IFRSs and convergence approach can also allow time for necessary changes in local legal frameworks (IFRS Foundation Guide, 2013) as cited in (Teferi & Pasricha, 2016).

The adoption of International Financial Reporting Standards (IFRSs) in Europe and around the world represents perhaps the most important accounting regulatory change in recent years. The use of IFRSs as a universal financial reporting language is gaining momentum across the globe as more countries are adopting IFRS or converging their local standards with it (Odia & Ogiedu, 2013). On 28 July, 2010 Nigeria sets in motion to adopt IFRS between January 2012 and 2014. All public listed entities were made to mandatorily adopt IFRS on 1st January, 2012(Odia & Ogiedu, 2013).

The government of Ethiopia passed a financial reporting law in 2014(Proclamation No.847/2014 & Regulation No. 332/2014) to establish a sound, transparent, and understandable financial reporting system applicable to entities in both private and public sectors. According to Proclamation No.847/2014 Article 5(1), the financial reporting standards to be used when preparing financial statements shall be: a) International Financial Reporting Standards; or b) International Financial reporting Standards for Small and Medium Enterprises; and c) International Public Sector Accounting Standards Applicable to Charities and Societies issued by International Accounting Standards board or its successor or issued by International Public sector Accounting Standards Board or its successor as adopted, adapted or amended by the Board. According to this proclamation, Article 1(18) of the proclamation defines Reporting entities, any entity, other than public bodies and micro enterprises, required by law to submit financial report. Article 1(17) of Proclamation No.847/2014 defines Public interest entity means a reporting entity that is of significant public relevance as the board may decide from time to time because of the nature of its business, its size or its number of employees, and includes, in particular, a company whose securities are admitted to trading on a regulated capital market, banks, insurance companies and any other financial institutions and public enterprises. Article 1(20) Small or medium enterprise means an enterprise which is a

reporting entity and does not fall under the definition given to a public interest entity under sub-article (17) of this article and other than charities and societies.

According to Article 8 of chapter one of the proclamation, any reporting entity shall submit to the board its financial report in accordance with the schedule to be set by the board. Based on the proclamation, AABE was organized the reporting entities to the adoption of IFRS in three phases as follows:

Phase 1-Significant Public Entities-Financial Institutions and Public enterprises owned by Federal or Regional Governments –the date for IFRS adoption July 8, 2017

Phase 2-Other Public Interest Entities (ECX member companies and reporting entities that meet PIE quantitative thresholds) and IPSAs for charities and societies–the date for IFRS adoption July 8, 2018

Phase 3-Small and Medium-sized Entities - the date for IFRS adoption July 8, 2019

Based on the road map developed by AABE, the reporting entities has adopted IFRS. Phase 1 and 2 has fully implemented the IFRS and issued audit report, however phase 3 has going to issue audit report by 2020. However, the challenges faced and opportunities utilized by those entities during their operations are not sufficiently identified in different sector even in the same industry. So that, the researcher initiated to identify the challenges and opportunities of IFRS adoption from selected reporting entities that report on second phase according to AABE road map specifically manufacturing sector.

1.2 statement of the problem

A number of studies have explored the different aspects of the adoption and implementation of IFRSs in various developed countries, and some studies are being carried out in developing countries. According to Jain (2011) many countries are replacing their national standards with IFRSs while some other countries have adopted this approach of first reviewing the IFRSs, ensure their suitability with their economic, political and social conditions and then adopt these IFRSs verbatim or with minor changes.

In the past few years, many developed and developing countries have adopted International Financial Reporting Standards (IFRSs) as their basis for financial reporting. The European Union (EU) took the lead when all listed companies in the European Union to start the adoption and implementation of the IFRS in their financial reporting since 2005(Odia et al. 2013)

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Some of the studies in Ethiopia on the adoption of IFRS were carried out on theoretical justification prior to the adoption of IFRS at national level. Tesfu (2012) Studies the Benefits and Challenges of adopting IFRS in Ethiopia and found that need for training, complexity of IFRS and lack of implementation guidance are the major challenges of IFRS adoption. This study did not clarify how Ethiopia's IFRS adoption agenda was formulated, adopted, and mandated for official adoption by legal framework in 2014. Teferi and Pasricha (2016) conducted a research on IFRS Adoption Progress in Ethiopia and finds that shortage of qualified professionals, knowledge gap, resistance to change and lack of preparedness are the major challenges of IFRS adoption. Firdawok (2017) investigates Challenges and Prospects of International Financial Reporting Standards (IFRS) implementation in Ethiopia and the finding shows that a lack of coordination, training, and enforcement of IFRS are some of key challenges facing the transition to IFRS.

Hache (2019) investigates the challenges and opportunities in adopting IFRS by private commercial banks and the investigation shows prevalence of knowledge gap, lack of competent training, lack of competent or sufficient asset valuers in the country and lack of IFRS compliant accounting software are some of major challenges facing during IFRS adoption.

Most of existing studies on IFRS adoption focused mainly on European and other developed countries. The European Union (EU) took the lead when all listed companies in the European Union to start the adoption and implementation of the IFRS in their financial reporting since 2005 (Odia et al. 2013). Relatively few studies have been conducted on the data from developing countries. A number of African countries including Nigeria, Ghana, Sierra Leone, South Africa, Kenya, Zimbabwe, and Tunisia among others, have adopted or declared intentions to adopt the standard (Owolabi & Iyoha, 2012).

Regardless of the research studies conducted on challenges and opportunities of IFRS adoption, most of the research studies was focused on financial institutions and Public Enterprises. As per the knowledge of the researcher, only one study was conducted on the challenges and opportunities of IFRS adoption in manufacturing sector of Ethiopia. Furthermore, the Ethiopian climate differs from that of developed countries, where the accounting profession is more developed and there is a specific set of accounting regulations as well as an independent standard setting body. As a result, it is preferable to view the problem and opportunities in the light of developing countries in order to

enrich and expand one's awareness of International Financial Reporting Standards and the issues surrounding their first implementation in manufacturing industries of Ethiopia.

1.3. Objectives of the research

General Objective:

The general objective of this study is to identify the challenges and opportunities of IFRS adoption in Ethiopia a case of manufacturing industries in the accounting process.

Specific Objectives of the Research:

The specific objectives of the research include the following:

1. To assess adequacy of transition period given by accounting and auditing board of Ethiopia for manufacturing industries during IFRS implementation.
2. To examine that conversion cost is a challenge to IFRS implementation in manufacturing industries.
3. To assess that asset valuation is a challenge to IFRS implementation in manufacturing industries.
4. To examine the required training and education for the implementation of IFRS is a challenge in manufacturing industries of Ethiopia.
5. To assess whether the implementation of IFRS attracts foreign direct investment & financial support for manufacturing industries of Ethiopia.
6. To assess whether the implementation of IFRS bridges the communication gap with stakeholders.
7. To examine whether the implementation of IFRS will bring uniformity of accounting language.

1.4. Research Questions

This study tries to find answers to the following basic research questions:

1. Will valuation of asset, asset valuations and cost of asset valuation be a challenge to implement IFRS in manufacturing industries of Ethiopia?
2. Is transition period given by accounting and audit board of Ethiopia sufficient enough for manufacturing industries during IFRS implementation?
3. Will conversion cost be a challenge to implement IFRS in manufacturing industries of Ethiopia?

4. Is there inadequacy of professional bodies, training and education regarding the implementation of IFRS in manufacturing industries of Ethiopia?
5. What are the opportunities of implementing IFRS in manufacturing industries of Ethiopia?

1.5. Significance of the study

The finding of this study is expected to provide better understanding about challenges and opportunities of IFRS implementation by manufacturing industries. This study would be useful in providing information for the manufacturing industries to effectively implement IFRS and prepare comparable, open, and fully disclosed financial statements, allowing the sector to be globally competitive and allowing the country's economic structure to be transformed into a developed economy. The analysis would also be useful for accountants and auditors in understanding how IFRS will be effectively implemented in the manufacturing sector, allowing them to generate internationally comparable financial statements and provide consultations. It would also make the regulatory body, especially the higher responsible body, and company managements aware of the challenges and opportunities of International Financial Reporting Standards and provide guidance on how to most effectively implement these international standards. Preparers and experts will be able to build IFRS curriculum at the university and other levels, as well as adapt accounting preparation and education to improve society's awareness and prepare globally recognized financial reporting. It's also important for consumers of financial statements to be able to quickly compare financial statements of different organizations by lowering information costs. The results of this study can be used by the government to aid in policy formulation and creation of a mechanism for improving the implementation of IFRS practices in relation to financial report quality across the country. The results of this study may also be useful to companies that do not currently meet the AABE requirements but may in the future, as well as new companies entering the industry.

Finally, this study will serve as a foundation for academics to undertake additional research in order to raise awareness about the adoption and implementation of IFRS in the country as a whole.

1.6. Scope of the study

Based on the Proclamation No.847/2014, AABE was organized the reporting entities to the adoption of IFRS in three phases and shall submit to the board its financial report in accordance with the schedule to be set by the board. Therefore, this study targets to identify the major challenges and opportunities of adopting IFRS in Ethiopia a case of manufacturing industries operating in Addis

Ababa city which are at corporate level as it will be difficult to identify and examine the whole reporting entities of Ethiopia due to size, time and resource constraints. Therefore, the scope of this research paper is limited to the entities that implement IFRS in manufacturing industries. Based on this, the researcher assumed that most of the reporting entities are located in Addis Ababa and it is better to conduct this study to identify the major challenges and opportunities of implementing IFRS in Addis Ababa. So that, the reporting entities outside Addis Ababa can use it as a reference to know the major challenges and opportunities in implementation of IFRS.

1.7 Limitations of the study

The major limitation of the study was lack of full cooperation of respondents in filling the questionnaires and lack of empirical studies on the research topic in Ethiopian context.

1.8 Organization of the study report

The research report has five chapters. The first chapter discusses the background of the study, statement of the problem it intended to address, research questions, objective of the study, significance of the study, scope and limitations of the study. The second chapter tries to highlight review of theoretical and conceptual literature review and review of empirical literature related to the subject matter to give background and context to the study. Methodology of the study, which includes research design, target population, sampling technique, sample size, data collection method and instrument, data analysis method and reliability test used in the study was presented in chapter three. In the fourth chapter, the data collected was analyzed; interpreted and the findings presented accordingly. Finally, in chapter five, after summary of findings and conclusion, the study recommends a kind of action to be taken to overcome the challenges, what opportunities to be used.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Introduction

There are a number of studies that have examined the various aspects of IFRS adoption and implementation in developing countries (Irvine & Lucas, 2006). IFRS are standards and interpretations adopted by the International Accounting Standards Board (IASB). The research constitutes an extension of the study conducted by Jacob and Madu (2009) recognized IFRS as a single set of high-quality, globally accepted accounting standards that can enhance comparability of financial reporting across the globe. This increased comparability of financial information could result in better investment decisions and ensure a more optimal allocation of resources across the global economy (Jacob & Madu, 2009). Cai and Wong (2010) added that a single set of accounting standards with global acceptance will annihilate the need to reaffirm financial statements and also ensure accounting diversity across countries. In this manner, a greater integration of global financial markets and cross-border movement of capital will be enhanced. Furthermore, Sunder (2010) proposes six bases for decision as: involvement to wealth and prosperity of society, inclusion of pertinent information from all parts of the economy, stability over time, and adaptability to changes in economic environment, strength against manipulations, and confrontation to capture by narrow interest groups (Mohammad, Salim, & Safiuddin, 2015).

In the past few years, many developed and developing countries have adopted International Financial Reporting Standards (IFRSs) as their basis for financial reporting. The European Union (EU) took the lead when she mandated all listed companies in the European Union to start the adoption and implementation of the IFRS in their financial reporting since 2005(Odia et al. 2013). In fact, the year 2005 to 2009 was regarded by the IASB to provide a stable platform for EU companies that started implementation in 2005. Presently over 120 countries are reported to have adopted or converged with IFRS1. IFRSs are a set of accounting principles that is rapidly gaining acceptance on a worldwide basis. They are published by the London-based International Accounting Standards Board (IASB). IFRS is more focused on objectives and principle based. They purport to be a set of rules that ideally would apply equally to financial reporting by public companies worldwide. The adoption of IFRS as issued by the International Accounting Standards Board (IASB) is expected to result in

the application of a common set of financial reporting standards within and between countries in Europe and many other countries that require or permit application of IFRS. However, comparability is unlikely to arise from IFRS adoption (Ball, Robin & Wu, 2000, Christensen Lee & Walker 2008, Sunders, 2010). Specifically, Ball (1995, p29) concludes that “internationalization will reduce some or much of the diversity in accounting rules and practices across nations, it will not eliminate it. Nor should it”. Ball (2006) expresses concerns that the application of IFRS will not be uniform and that this will affect the reporting and perception of IFRS quality by users (Odia and Ogiedu, 2013).

Many countries have adopted the IFRS as their official domestic accounting standards. Each country adopting IFRS undergoes a transition process in the year of adoption. This process may be fairly disruptive for users of financial statements as accounting treatments of similar items may vary, and impair comparability and trend analysis. The IFRSs provide provision to remove allowable accounting alternatives (that existed in most countries under their respective local GAAPs) and requires accounting measurements that better reflect a firm’s economic position and performance (Taibat & Adikwu, 2018).

2.2. Theoretical and Conceptual Literature Review

2.2.1. History and development of IFRS

The history of IFRS extends over 40 years. The first set of IASs was issued in 1971 by the International Accounting Standards Committee (IASC), which was subsequently restructured to form the International Accounting Standards Board (IASB). The IASB has vastly reshaped the map of financial reporting on a global basis, clearly evidenced by the large number of countries that have adopted IFRS. This holds true even when one excludes its adoption in the EU, which provided the initial impetus for a more global acceptance of IFRS.

In the EU, most companies with securities traded on regulated markets have been required to prepare consolidated accounts in accordance with IFRS (as endorsed by the European Commission [EC]) for financial years starting on or after 1 January 2005. However, a delayed adoption was allowed for companies that had only debt and not equity securities traded publicly. Several other jurisdictions such as Hong Kong and Australia chose to adopt IFRS around the same period with several others following suit in subsequent years (George, Xi, & Shivakumar, 2016).

The adoption and implementation of the IFRS in the EU and over 120 other countries are associated with a lot of challenges for countries (developing and developed) which are contemplating IFRS

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adoption or faced with the problems of whether to and why, when and how to converge or adopt IFRS. On 28 July, 2010 Nigeria sets in motion to adopt IFRS between January 2012 and 2014. All public listed entities were made to mandatorily adopt IFRS on 1st January, 2012(Odia & Ogiedu, 2013).

The increasing growth in international trade and investment has brought to the fore the craze for adoption of International Financial Reporting Standards (IFRS) by both the developed and developing countries. A number of African countries including Nigeria, Ghana, Sierra Leone, South Africa, Kenya, Zimbabwe, Tunisia among others, have adopted or declared intentions to adopt the standard. This is a welcome development considering the fact that the quality of financial reporting is essential to the needs of users who require useful accounting information for investment and other decision-making purposes. Information emanating from financial reporting is regarded as useful when it faithfully represents the ‘economic substance’ of an organization in terms of relevance, reliability and comparability [Spiceland et al., (2001), p.36]. Thus, high-quality financial reports which IFRSs have the potential to support should produce financial information that report events timely and faithfully in the period in which they occur (Owolabi & Iyoha, 2012).

2.2.2. Approaches to IFRS Adoption

According to IFRS Foundation Guide (2013) as cited in (Teferi & Pasricha, 2016) a country can change its existing accounting system to a globally recognized accounting standard called IFRS either by totally replacing or customizing it with IFRS over time. The first approach is known as adoption or ‘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. Converging a few local standards to IFRSs each year can allow local preparers and auditors to learn a few topics at a time rather than immersing themselves in the full set of IFRSs and convergence approach can also allow time for necessary changes in local legal frameworks (IFRS Foundation Guide, 2013).

2.2.3. IFRS 1- First time adoption of Financial Reporting Standard

First-time Adoption of International Financial Reporting Standards sets out the procedures that an entity must follow when it adopts IFRSs for the first time as the basis for preparing its general-purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.

A restructured version of IFRS 1 was issued in November 2008 and applies if an entity's first IFRS financial statements are for a period beginning on or after 1 July 2009.

During the lead up to 2005, entities in many jurisdictions would adopt International Financial Reporting Standards for the first time. The problems faced by an entity that adopts an entire accounting regime for the first time are somewhat different from those faced by an entity that adopts an individual change in an existing body of accounting standards. Some IASB constituents, including public accounting firms and entities in Europe, have expressed concerns about the complexity of this task and the existing guidance on first-time adoption (FTA). The Board plans to review the existing guidance with an eye to developing an approach that is both workable and conceptually sound.

In [SIC-8](#) *First-time Application of IASs as the Primary Basis of Accounting*, the Standing Interpretations Committee concluded:

In the period when IASs are applied in full for the first time as the primary accounting basis, the financial statements of an enterprise should be prepared and presented as if the financial statements had always been prepared in accordance with the Standards and Interpretations effective for the period of first-time application. Therefore, the Standards and Interpretations effective for the period of first-time application should be applied retrospectively, except when:

1. individual Standards or Interpretations require or permit a different transitional treatment; or
2. The amount of the adjustment relating to prior periods cannot be reasonably determined.

In theory, SIC-8 achieves complete comparability between enterprises, both between first time adopters of IAS and those entities already applying IAS, and across all entities using IAS.

However, the degree of comparability is subject, in part, to the availability of alternatives in some Standards and to determinations made about exemptions written into individual Standards (for example, IAS 8.49 notes that "comparative information should be restated unless it is impracticable to do so") and the overall exemption in SIC 8.3(b) that retrospective application is not required when "the amount of the adjustment relating to prior periods cannot be reasonably determined." In the

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context of some of the practical application problems raised, different enterprises converting to IAS might make very different interpretations of what is practicable or reasonably determinable, especially where the costs of compliance are very high (<https://www.iasplus.com/en/standards/ifrs/ifrs1>).

2.2.4. Leases (IFRS 16)

In 2017, the new international financial reporting standard (IFRS 16, "Leases") has introduced mandatory recognition, in the statements of the financial position, of some of the former off-balance-sheet assets and liabilities arising from operating leases. Since 2019, the IFRS 16 has become binding for all financial statements prepared by the IFRS adopters.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that have adopted IFRS 15, Revenue from Contracts with Customers.

What are the key changes?

The accounting for lessors will remain substantially unchanged. However, IFRS 16 will overhaul the accounting by lessees. The key changes for lessees are highlighted below:

1. All leases, with limited exceptions, will be recognized on the balance sheet

IFRS 16 eliminates the current requirement to classify leases as either finance leases (which are recognized on the balance sheet) or operating leases (which are only disclosed in the notes to the financial statements). Lessees will be required to recognize all leases on the balance sheet resulting in the recognition of a leased asset (i.e. right-of-use asset) and a corresponding financial liability representing its obligation to make future lease payments. Lessees will be provided an exemption for short-term leases (with a term of 12 months or less) and leases of low-value assets, which can be accounted for in a manner similar to current operating leases with expenses recognized over the lease term. This is expected to significantly impact companies operating in the retail and travel sectors as well as other companies that have significant off-balance sheet obligations for operating leases (<https://www.iasplus.com/en-ca/cfos-corner/corporate-reporting/ifrs-16-marks-the-end-of-off-balance-sheet>).

2.2.5. Ethiopian Manufacturing Industries

Manufacturing, as an industry, is responsible for the majority of a country's economic growth and development. The manufacturing sector is the most important factor in transitioning from an agriculture-based economy to an industry-based economy, particularly in developing countries.

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According to DAB DRT (2014), Ethiopia's manufacturing industry began in the 1920s with a simple processing technology that produces agriculture-based goods as a developing country. The manufacturing sector is still mostly focused on producing semi-processed goods. Even though there are impediments to the development of a stronger manufacturing base in Ethiopia, Ethiopia has the potential to overcome these obstacles through the use of a cheap labor force, as well as well-educated, trainable, and affordable labor and utility supplies. Furthermore, according to the DAB DRT survey (2014), Ethiopia's policy framework has been established in order to boost this sector, and it proposes to drive manufacturing growth through vertical and horizontal ties to the country's abundant agricultural and mineral resources. According to DAB DRT (2014), the Ethiopian government launched a new drive to make the framework conducive to economic and social growth, as a result of which the International Monetary Fund (IMF) ranks Ethiopia as one of the world's five fastest growing economies. After a decade of continuous expansion (with real GDP growth averaging 10.8% per year), the economy expanded for the 11th year in a row in 2013/14, posting 10.3% growth. Agriculture is the backbone of Ethiopia's economy, accounting for 40.2% of GDP, 60% of export earnings, and 80% of total jobs. The manufacturing sector generates 14.3% of GDP, 9.5% of total jobs, and 21.2% of export revenue. The service sector generates 46.2% of GDP. The manufacturing industry in Ethiopia contributes to export, jobs, and national production. 70 percent of the manufacturing sector is made up of this group. Manufacturing is a wealth-creating sector of the economy, according to CSA (2012), and is closely linked to engineering and industrial design, as well as providing essential material support for national infrastructure. It entails transforming materials or substances into new products by mechanical or chemical means. It uses manual labor or machines to create goods from raw materials, and it is typically done in a systematic manner with a division of labor. Manufacturing, in a broader context, is the large-scale manufacture or assembly of parts into finished products. As a result, this massive sector of the economy necessitates the production of high-quality financial reports. The adoption and implementation of IFRS in this sector would allow Ethiopia's manufacturing sector to compete on a global scale. Foreign direct investment would increase significantly if the sector produces open and comparable financial statements. Multinational corporations in this field will also generate integrated financial statements with a list expense and will be able to efficiently deploy their workforce across multiple jurisdictions. In

general, the implementation of IFRS in this field would have a significant impact on Ethiopia's economic growth.

2.2.6. Challenges of Adopting IFRS

According to Bareil (2013), resistance to change can be viewed from two perspectives: the traditional, which views resistance as an issue that needs to be solved, and the new, which views resistance as a form of input for those attempting to enact change. Resistance, according to Giangreco and Peccei (2005), is an attitude that opposes the reforms that are being introduced. According to Camila Pereira Boscov (2016), Delassus, Vandellanotte, and Lorraine (2014) argue that resistance stems from people's fearful and counterproductive perceptions of change. According to Ball (2006), another obstacle in implementing IFRS is the cost of training and education for investors, accountants, auditors, preparers, and consumers of financial reports, as well as the implementation of IFRS curriculum at the university and other levels, and the adaptation of accounting training and education to include IFRS, when it comes to tax matters and other legal applications, the legal framework must be up to date with the latest IFRS guidelines. Implementation challenges of IFRS include timely interpretation of requirements, continuous adjustment to IFRS, accounting skills and experience possessed by financial statement consumers, preparers, auditors, and regulators (Rong-Ruey, 2006). Larson & Street (2004) described the ambiguity of some IFRSs and the tax orientation of most countries as the two most important barriers to convergence to IFRS. Shifting from one accounting norm to another, such as IFRS, incurs a significant cost, which is the biggest obstacle in putting it into effect. The cost of educating staff to understand the new standard, the cost of purchasing new accounting packages, and the cost of discarding previous accounting packages that do not comply with the IFRS are examples of costs that will be challenges in implementing IFRS (Udofia & Ikpantan 2015). As an obstacle of introducing IFRS, a managerial incentive is also included (Ball, Robin & Wu, 2003). Cultural issues, mental models, legal impediments, educational needs, and political pressures, according to Armstrong et al., (2007) and Soderstrom & Sun (2007), are obstacles that make harmonization and transitioning from one tradition to another more difficult. They also accepted that because variations in national business practices resulting from differences in institutions and cultures cannot be reconciled with a common set of accounting standards, cultural, political, and business differences would continue to be obstacles to the introduction of a single global financial communication framework. Other major factors influencing the implementation of

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IFRS such as cultural problems, mental models, legal impediments, educational needs, and political influences, are the key obstacles of effective IFRS implementation in Europe, America, and the rest of the world (Obazee, 2007).

According to Ball (2006), the key challenges of adopting and enforcing IFRS for most countries would be culture and improving regulatory and accountability structures. He also stated that countries face challenges in adopting and implementing IFRS due to cultural, language, legislative, and accounting profession challenges, as well as demands for greater transparency and broader political participation, as well as the inclusion of required political reforms. Countries face difficulties in adopting and implementing IFRS due to the requisite changes in a country's legislative, legal, and economic systems, as well as cultural adaptation to Westerners, as a result of welcoming globalization and adopting IFRS.

Some academics, on the other hand, argued against the implementation of IFRS. According to Jermakowicz & Gornik Tomszewsk (2006), the implementation of IFRS is not the only factor that affects the standard of financial reporting; other factors such as structural factors, legal factors, and cultural factors exist in different countries. They also said that inconsistency in standard implementation and weak compliance mechanisms are other factors that impact or reduce financial reporting.

Lack of technical skills and knowledge among Libyan skilled professionals, difficulties in developing existing accounting systems, and a regulatory structure to deal with economic and social growth, recent evolution in the accounting profession, including the implementation of international financial reporting standards, and insufficient accounting education and training of accountants will also be challenges of IFRS implementations in Libya (Schachler, Al-Abiyad, & Al-Hadad, 2012; Laga, 2012; Masoud, 2014). Similarly, Mohamed (2014) bolstered the preceding concept, concluding that, "weakness of the professional accounting body, lack of an independent oversight body, inconsistency of existing laws and regulatory structures of accounting in Libya with recent accounting profession creation, economic growth in Libya, lack of technical skills and inadequate knowledge of Libyan professional accountants" and implementing IFRS in Libya will face obstacles such as a lack of accounting education. Kenya, like other African countries, faces difficulties in adopting and implementing IFRS, such as a disparity between Kenyan education and the requirements of IFRS, a lack of preparation, and the failure of Kenyan accountants and professional

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bodies to keep up with the IASB's standards and finally, lack of Kenya representative in the process of establishing standards (UNCTAD, 2008).

Lack of trained accountants, lack of knowledge of the importance of audit, and the absence of professional accounting bodies and stock exchanges in all African countries to facilitate financial reporting are among the difficulties that African countries will face during the implementation of IFRS, according to Katto (2010). The key challenges Nigerian companies face in adopting IFRS are dealing with workers ethically and keeping skilled and knowledgeable employees threatened by other companies for a long time (Iyoha and Faboyede, 2011). According to Cairns (2001), Even though businesses claim to be planning IFRS compliant, financial statements there have been various levels of IFRS enforcement. The failure of auditors to reveal their opinion on IFRS compliance or non-compliance is another issue.

Similarly, Winney, Marshall, Bender, and Swiger (2011) argued that American small businesses were unprepared for IFRS because they did not see the advantages of IFRS over the GAAP they had been using. Instead of using the cost method, the IFRS uses fair value measurement. At the measurement date, fair value is the price that will be paid to sell an asset or obtained to transfer a liability in an orderly transaction between market participants. As a result of the lack of well-documented companies and the issue of measurable business transactions, asset valuation is another obstacle in implementing IFRS. There is a substantial difference in financial details discovered when applying IFRS fair value principles, especially in the case of financial instruments and business combinations (Mukti Bapna 2017). The use of fair value accounting can cause uncertainty, and it is very difficult to arrive at fair value subjectively in financial statements, and valuation experts often find it difficult to move from the historical approach to the fair value method. Furthermore, fair value changes result in gains or losses that are expressed in the income statements. It's also debatable if this should be factored into the calculation of distributable profit. In the ongoing economic crisis in the United States, which has shaken global financial markets and institutions, fair value financial reporting under International Financial Reporting Standards (IFRSs) has been jumbled. Banks and other companies will be required to use mark-to-market valuation of financial assets and investment property under fair value accounting (Preeti shrivastava, D.S Rawat & Deepti Maheswari, 2015). According to Teferi & Pasricha (2016) in their study of IFRS Adoption Progress in Ethiopia, the Challenges to Preparers and Auditor Firms are:

2.2.6.1. IFRS Knowledge Gap: Prevalence of knowledge gap in IFRS among various stakeholders such as preparers, users, academics, and professionals is one of the most important challenges. According to him “the biggest challenge is education in IFRS----- from academic institutions, preparers of financial statements, auditors, regulators. There is need to improve the level of IFRS knowledge at all these levels, which currently is still very low. There is also need to increase the number of qualified professional accountants in the country.”

2.2.6.2. Shortage of Qualified Professionals: Shortage of competent and qualified professional accountants and auditors in IFRS is another challenge identified during the interviews. For instance, according to the interviewee from HST, “there is a smaller number of Chartered accountants (almost only about 300 qualified professionals are available.)” This argument was supported by one author stating that “There are a few accountants who are graduates of ACCA-UK (The Association of Chartered Certified Accountants, United Kingdom) which provides IFRS based courses. According to ACCA - Ethiopia’s record until March 2011, there were about 270 ACCA affiliates and members and the average number of graduates is 15 per year” (Mulugeta, 2011) and on top of that, Ethiopian Universities are not offering IFRS Courses. According to one interviewee from private audit firm “because of different reasons, almost half of the qualified ACCA professionals have already left the country and others joined international organizations from where they are getting high payment which the country can’t afford to pay them.”

2.2.6.3. Resistance to Change: Resistance from organizations who are benefiting from or comfortable with the existing non-enforced and non-regulated accounting and auditing system in the country, and various groups of people who might not cope up with IFRS because of different reasons. The interviewees pointed out that there will be resistance because of two basic reasons. First, IFRS is even complex for countries whose native language is English and who have had experiences in using standards for long period. Moreover, as IFRS is developed having capital market economy in mind, understanding and applying it will be difficult. Second, Ethiopians are practicing accounting where there is no standard and enforcement, and they are new to standards but, now, when monitoring and follow up with actions are going to be taken on non-compliant, challenges are expected.

2.2.6.4. Management Knowledge Gap: There is a gap in the management (both Board members and Executive Officers) of corporate organizations as they have little or no understanding of accounting and financial reporting. Moreover, they are not giving their attention to accounting and

financial reporting related issues and there will be shortage of experienced managers in accounting who are expected to play key role in implementing IFRS in their respective entities.

2.2.6.5. Costs: IFRS materials are available in foreign currencies and the materials are updated regularly. Moreover, training costs are there as trainers are from abroad who will be paid in hard currency as enough Ethiopian trainers will not be there. One audit professional interviewee indicated his view stating that “*World Bank and IMF don’t want to give opportunity to Ethiopian Professionals due to the reasons known to them and they are bringing trainers either from Kenya or Tanzania or Europe and they don’t want capacitate Ethiopian professionals,*” and generally, there will be high costs in acquiring and disseminating IFRS materials, promoting, training of stakeholders (preparers, users, professionals, academics) on IFRS implementation. Even some interviewees asked “who will bear this huge amount of cost?” and according to them, the money required to implement IFRS in Ethiopia will be a great challenge.

2.2.6.6. Absence of Professional Institutions: Since no work has been done to have well-organized professional body, as the existing one are club of professionals, the accountancy professions fail to contribute what it was purported to contribute for economic growth and development of the country. Non-existence of such institutions in the country will enforce the Board to play extra roles (such implementing, training, setting standards, compliance monitoring roles) besides regulating the accountancy professions and enforcing IFRS implementation. Having well established professional institutions in the near future is invisible and it will be another challenge to the accounting profession.

2.2.6.7. Emergence of Unfair Competition among Professionals: The summary of responses from the interviewees revealed that before IFRS is adopted and implemented in accordance with the proclamation No 847/2014, the board should equip itself with the capacity (both human capital and logistic) to enforce the provisions of the proclamation. Otherwise, unfair competition will emerge and the audit service quality will not improve as some audit firms seriously work to implement IFRS while others may not worry and engage in auditing with less audit fee. This may push the committed professionals to leave auditing business industry and shift to areas where IFRS is not a mandatory requirement and earn high income (e.g. engaging in auditing of group companies, NGOs, etc...).

2.2.7. Opportunities of Adopting IFRS

Companies that convert their accounting systems to IFRS reap many advantages because they are no longer operating in a vacuum. As a result, in this era of globalization, preparing their financial

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statements in accordance with international reporting standards would assist them in streamlining their financial reporting, lowering reporting costs, producing equivalent financial statements, having easy access to foreign capital, and being able to trade stocks and shares on global stock exchange markets (Ikpefan & Akande, 2012).

Rechard,(1991) stated that having different accounting standards for countries with different environmental influences is natural and acceptable. Differences in economic status among countries may also be influencing factors in the implementation of an effective accounting system. However, as has been shown in various countries, the adoption of IFRS aids in the preparation of a straightforward, equivalent, and comparable financial statement. Financial statements that are accountable and have a low cost of capital, resulting in increased globalization and increased investment attractiveness across borders.

According to World Bank Consultant to AABE, the adoption of IFRS in Ethiopia may provide opportunities as under:

“Ethiopia is among the fastest growing countries in Sub-Saharan Africa and it has managed to sustain that growth over decades. This growth needs to be supported by high quality financial reporting and IFRS offers that. There is also the advantage arising from the high level of support to financial reporting reforms by the Government. In summary, if Ethiopia lags behind in implementation of IFRS, it may lose out in terms of attracting international investment capital which is necessary for investment. Successfully implementing the adopted IFRS will make Ethiopia part of the global world in terms of high-quality financial reporting which is one of the key contributors to sound business environment, necessary to attract investment.” (Teferi & Pasricha, 2016).

Odia & Ogiedu (2013) explained on their study that Although IFRS has the potentials to facilitate cross-border comparability, increase reporting transparency, decrease information costs, reduce information asymmetry and thereby increase the liquidity, competition and efficiency of markets (Ball 2006, Choi & Meek 2005), Armstrong et al.,(2007) and Soderstrom & Sun (2007) have found that cultural, political and business differences may also continue to impose significant obstacles in the progress towards a single global financial communication system because a single set of accounting standards cannot reflect the differences in national business practices arising from differences in institutions and cultures. The perception of IFRS quality by users is critical to IFRS adoption.

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According to Varghese (2014) in his study of Convergence of GAAP to IFRS, the major Opportunities for India are listed below:

[1] Better reach to Global Capital Markets

During the last decade, India has emerged as a strong economy on the global economy map. Indian Firms are expanding. These firms are not only setting plants in other countries but also acquiring other firms across the globe. For this they need funds at cheaper cost which is available in American, European and Japanese Capital Market. To meet the regulatory requirements of these markets, Indian Companies should report their financials as per IFRS. Thus, adoption of IFRS not only helps Indian Firms in accessing global Capital Markets for funds but also availability of funds at cheaper cost.

[2] Easier Global Comparability

Across the globe, Firms are using IFRS to report their financial results. With the adoption of IFRS by Indian firms, the comparison of two becomes easier. Investors, Bankers and Lenders also find it easy to compare the two financial statements following same reporting procedure. Indian companies in the process of raising funds from overseas capital markets have to provide financial results to interested parties. Since majority of Indian Firms are accessing European capital markets, preparation and presentation of financial statements on the basis of IFRS helps firms in getting easy accessibility to these capital markets.

[3] Easy Cross Border Listing

As mentioned earlier, Indian firms require funds for their expansion plans which are not limited to the economic and political boundaries of India. Indian Firms are acquiring firms outside India also. They are also getting listed in European and American Capital Markets through raising funds from these markets. One of the major pre-requisites of getting listed on European Markets is preparation of Accounts as per IFRS requirements. A few Indian Companies which have raised funds through the European Capital Markets have started preparing their Financial Statements as per IFRS.

[4] Better Quality of Financial Reporting

[5] Adoption of IFRS is expected to result in better quality of financial reporting due to consistent application of Accounting Principles and improvement in reliability of financial statements. Among various latest trends-based concepts, IFRS follows a concept of fair value which can help Indian firms to reflect their true worth of Assets held in the financial statements. Since a single body (IASB,

London) is preparing IFRS, these are very consistent, reliable and easy to adopt ensuring better quality of financial reporting.

[6] Elimination of multiple Reporting standards

Large Business Houses in India like TATA, BIRLA, and AMBANI have firms registered in India and also firms registered outside India in European and American capital markets. Firms registered in India prepare their Accounts as per Indian Accounting Standards whereas firms registered in other countries prepare their financial statements as per the Reporting standards of the respective country. Adoption of IFRS ensures the elimination of multiple financial reporting standards by these firms as they are following single set of Financial Reporting.

According to Demaki (2013), Nigerian companies will participate in the global market place as a result of the International Financial Reporting Standards (IFRS), which will ensure transparency, accountability, and fairness in financial reporting in Nigeria, which is a prerequisite for attracting investment and achieving economic growth. Furthermore, the International Financial Reporting Standards (IFRS) would assist international investors in obtaining adequate information to enable them to make useful and relevant comparisons of investment opportunities between Nigeria and other countries. He also claims that IFRS-based financial statements make preparing consolidated financial statements easier for multinational corporations. According to Ramesha V (2016), the following are the main advantages of implementing IFRS:

Attraction of investment and financial support: Relevance, efficiency, comparability, understandability, and full transparency of underlying accounting policies are all factors that go into making an effective investment decision. IFRS-based financial statements offer a real comparative structure and attract the right investment and financial support whenever businesses need investment opportunities across countries and across industries within the world (ATU, Oghogho Gina *et. al*, 2016). They also said that investors would have no doubts about the consistency of financial statements prepared in accordance with IFRS when deciding where and when to invest and when to seek financial assistance in Nigeria, implying that a price will be paid. If the accuracy, consistency, or accountability of the rules country's financial statements is questioned, Harteneck (1997) states that prices will be paid for a short period of time with lower market values of shares, and high interest rates will be charged for their financings. The cost of raising funds is often determined by the quality of information accessible to prospective and current investors, as well as the accounting policies

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used. He also claims that if there is any uncertainty about the accuracy, continuity, or openness of their regulations, the flaws will be compensated for by lower market rates for their securities and/or higher interest rates for their financing. The cost of raising funds is often determined by the quality of information offered to prospective and current investors.

Bridge Communication gap with Stakeholders Many users need accounting and financial information for a variety of reasons; as a result, IFRS-based financial information offers complete information in a language that is easily understood by all users, including stakeholders. There is no need to converse with current and prospective investors if the language of financial report preparation is globally understandable (ATU, Oghogho Gina *et. al*, 2016). Investors and investment analysts will have faith in IFRS-based financial statements prepared and issued by Nigerian companies, according to Okpala (2012), because investors and investment analysts need quality financial information for effective communication. Financial details based on the International Financial Reporting Standards (IFRS) satisfies international disclosure criteria for stock markets across the world, as prepared by multinational corporations (Armstrong et al 2007, Covrig, Defond & Hung 2007). The implementation of the International Financial Reporting Standards (IFRS) closes the knowledge asymmetry gap with stakeholders and improves coordination.

Attraction of More Foreign Direct Investments (FDIs) The key factor in attracting foreign direct investment is a country's known and predictable risk profile, which is the product of accurate and credible financial statements. When there is a higher likelihood of profit than risk, foreign direct investment is more attractive. As a result, by making accurate financial reporting information available, risks may be affected or reduced (Abel, 2011). IFRS adoption by businesses, on the other hand, increases Nigerian foreign direct investment and thus boosts the country's economic growth, according to Okpala (2012). According to G.O.Demaki (2013), the adoption of IFRS allows for greater transparency, accountability, and integrity in financial reporting, as well as assisting Nigerian companies in participating in the global market, which is a key factor in attracting foreign direct investment and contributing to the country's economic growth. As a result, foreign investors will be able to make well-informed, useful, and practical comparisons of investment portfolios in Nigeria and other countries.

Uniformity in Accounting Language The key goal of providing internationally harmonized accounting principles is to globalize companies, finances, and investment by using standardized

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accounting languages around the world. Accounting terminologies, according to Abel (2011), are misleading due to variations in accounting languages across countries unless they are harmonized. As a result, the adoption of IFRS removes the need for overly complicated and multiple accounting languages. Multinational corporations can easily file their consolidated financial statements in uniform accounting language because IFRS offers a globally standardized financial reporting language. Furthermore, these multinational corporations' benefit from the ability to move their employees without extra training to adapt to various accounting languages in different countries.

2.3. Review of Empirical Literature

The research, titled "The Challenges Faced by Reporting Entities on Their Transition to International Financial Reporting Standards in Europe," found that the major challenges facing reporting entities on their transition to IFRS are a lack of sufficient education, training, knowledge of IFRS, and obtaining executive level support and resources (Weaver and Woods ,2015). The adoption of IFRS in GCC countries has been hampered by a lack of regulatory framework and compliance mechanisms, which has harmed the consistency of their financial results (Aljifri, 2013).

According to Dwommor (2017), a better understanding of the complexities of adoption might aid countries in planning and taking precautionary measures before implementing IFRS. However, the results on the problems of IFRS adoption are mixed and inconclusive. The challenges of IFRS adoption differ depending on the study's background. Siaga (2012) classified the challenges of IFRS adoption faced by various African countries into five categories: financial, educational, technological, administrative, and compliance challenges. He stated that adopting IFRS is expensive, which appears to have a negative impact on education and technical capability. The shortage of accounting professionals in Africa is due to a lack of coherence between educational and professional programs. This issue is exacerbated by a lack of technical expertise required to enforce the standard. In Africa, it appears that coherence between accounting authorities and government/regulatory bodies is a problem. Furthermore, Iyoha and Owolabi (2012) discovered that the most significant problems in Africa are the ethical climate and the ability to protect skilled and knowledgeable workers. They emphasized that corporate transparency is a critical component of good governance because it ensures the security of parties (both individuals and institutions) with an operational interest in financial reporting in terms of accurate and reliable information required to make well-informed economic decisions.

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Ramesha V. (2016), in his paper *Convergence of Indian Accounting Standards with IFRS – Prospects and Challenges*, attempted to see the challenges and prospects of converging IFRS in India through an analytical analysis using secondary data, with the following three objectives in mind. The first goal of the research was to look into the mechanism of IFRS adoption in India, and the second goal was to look into the various benefits that can be obtained from adopting IFRS in India. Finally, the aim of this study was to provide recommendations on how to effectively implement IFRS and how academic studies on IFRS can be performed. The study concludes that, while transitioning to IFRS is a major challenge, as a single accounting language, it is very helpful in the planning and presentation of financial statements and allows audit firms to review their programs, procedures, and practices to make them more successful and reliable. The convergence phase, however, as a major change, will not be simple and will necessitate significant resources and time, as well as good preparation, accounting team collaboration, proper strategy, and effective leadership.

G.O. Demaki (2013) conducted a study titled *Prospects and Challenges of International Financial Reporting Standards to Economic Development in Nigeria*, with the aim of evaluating the benefits of adopting IFRS to the Nigerian economy and defining the main IFRS challenges. Getting appropriate and credible IFRS-based financial statements helps to prepare well, recruit the right labor, provide effective control and leadership, recognize managerial challenges, find solutions, and make decisions, and gives power to management and entrepreneurship, according to the findings of the report. However, upgrading accounting curricula in all Nigerian training institutions, including universities and polytechnics, and harmonizing regulatory requirements by amending existing laws that may be a hindrance to IFRS are two major challenges that Nigeria must address in order to achieve long-term economic growth.

Mohamed Abulgasem Zakari (2014) conducted a study on the *Challenges of International Financial Reporting Standards (IFRS) Adoption in Libya* with the goals of determining the challenges Libyan firms would face in adopting and implementing IFRS, as well as determining the impact of legal, fiscal, accounting education, and culture systems on IFRS adoption in Libya. As a result, the study concludes that Libyan companies adopting IFRS faced some challenges, such as accounting education and economic issues. External international investors would have more confidence in Libya if the country improves its regulations, professional bodies, accounting education,

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infrastructure, and practice implementation. As a result, addressing the challenges of Libya's evolving economic market system, such as stock market growth, would benefit the population.

Mukti Bapna (2017) also conducted research on a study of IFRS and its Adoption in India – Prospects and Challenges, which had three objectives: the first was to comprehend the applicability, implications, and prospects of IFRS; the second was to understand the application, implications, and prospects of IFRS. The second aim was to cover the current situation and stages of IFRS adoption in India, as well as the difficulties faced by corporate firms in adopting IFRS. According to the findings of this report, the most important thing is to deal with the challenges and work toward fully adopting IFRS in India by following the roadmap. Indian accounting professionals' IFRS skills and expertise should be established in order to oversee the country's conversion processes. Converging the national accounting standard to IFRS is expected to improve the relevance, accountability, reliability, and comparability of financial reporting, as well as help global investors. As a result, shared international recognition of financial reporting priorities and harmonization are critical to the effective and efficient implementation of IFRS. Lawrence Udofia & Ito Ikpantan (2015) conducted a study on International Financial Reporting Standard (IFRS) Adaptation in Nigeria: Challenges and Prospects with the objective to survey literature and identify the challenges of IFRS adoption and implementation problems of IFRS in Nigeria. As a result of this research, the advantages of implementing IFRS in Nigeria include attracting foreign direct investment, lowering the cost of doing business, and cross-border listing. During the adoption of IFRS in Nigeria, Nigeria will face several challenges, including the establishment of a legal and regulatory system, an awareness campaign, and staff training. Finally, the researcher suggests that education and training be strengthened at all levels of government, that an independent agency be established to oversee, execute, and advise on accounting and auditing standards, and that effective capacity building programs be implemented to prepare various stakeholders for the impending transition and challenges are potential solutions that will aid in overcoming obstacles and ensuring the successful adoption of IFRS in the country.

According to Mohamed (2014) as cited in (Schachler *et al.*, 2012; Laga, 2012; Masoud, 2014) the implementation of IFRS in Libya faces a number of challenges and roadblocks, including a lack of technical skills and insufficient knowledge among Libyan professional accountants, the difficulty of developing existing accounting systems, and a regulatory structure to deal with economic and social growth, as well as recent changes in the accounting profession, such as international financial

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reporting standards application, and inadequate education and training of accountants (Schachler *et al.*, 2012; Laga, 2012; Masoud, 2014).

According to Mohammad *et al.*, (2015) according to their review of International Financial Reporting Standards Adoption in Bangladesh, users face numerous technological challenges when implementing IFRSs. There were numerous conflicts between local GAAP and IFRSs, especially in developing countries. With IFRS, the definitions of "current value" and "fair value" are complicated. Treatments of expenses such as premium due on debenture redemption, discount permitted on debentures, underwriting commissions charged, and so on vary from the commonly agreed approach in the IFRS system. This will result in a shift in the income statement, as well as additional complications and uncertainty. IFRS accounting principles also clash with local GAAP concepts, posing a barrier to IFRS adoption. The use of LIFO as an inventory valuation tool, for example, is prohibited by IFRS. In a rising cost setting, switching from LIFO to FIFO or weighted average cost, both agreed IFRS inventory valuation methods, usually results in higher ending inventory balances, lower cost of goods sold, and higher earnings per share (EPS).

Ovute F. E. and Eyisi A. S. (2014) conducted a study on the Problems and Prospects of Adopting International Financial Reporting Standards in Nigerian Corporate Organizations with the aim of determining why international investors are less interested in investing in Nigerian companies that follow SAS principles rather than IFRS, examining the difficulty of multinational corporations consolidating their financial statements, examining the difficulty of foreign investors tracking overseas investments and global comparability of financial statements, and assessing the level of awareness put in place in implementing the International Financial Reporting Standards were the final objectives of this review (IFRS) in a co-operate organization. In conclusion, this study shows that Nigeria will be interested in adopting IFRS, indicating that the country's financial reporting practices will welcome improvements in investment and benefit from the new financial reporting system, which has the potential to broaden and improve their access to foreign markets. As a result, a responsible committee is required to preserve this value. To that end, crucibles, accurate and equivalent financial statements based on full disclosure assist multinational companies in gaining access to less expensive funds from foreign capital markets. Preeti Shrivastava, D.S Rawat, and Deepti Maheswari (2015) conducted a study on the Challenges and Prospects of IFRS in the Indian Accounting System with the aim of understanding the consequences of IFRS' significance in the

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current situation, the mechanism of implementing IFRS, and how International Financial Reporting Standards could impact Indian corporations. As a result of more refined metrics of results and state of affairs, and improved disclosures contributing to greater transparency and comparability, the study concludes that converting India's national accounting to IFRS would help the corporate financial statements be substantially modified. Similarly, the study concludes that requiring the adoption of IFRS improves the international comparability of financial statements.

Summary and Literature gap

Following the widespread adoption of the International Financial Reporting Standards (IFRS) by various jurisdictions around the world, this increasingly developing set of financial reporting standards has attracted a lot of research interest in recent decades. The study of the literature reveals a variety of debates and viewpoints on IFRS adoption and implementation practices based on the experiences of other countries. It represents some of the controversies, advantages, and challenges surrounding the implementation of the International Financial Reporting Standards (IFRS) by countries with varying legal, cultural, and socio-economic contexts.

In Ethiopian context, some of the studies in Ethiopia regarding IFRS adoption were conducted before the adoption of IFRS at national level based on theoretical justification. Tesfu (2012) Studies the Benefits and Challenges of adopting IFRS in Ethiopia and found that need for training, complexity of IFRS and lack of implementation guidance are the major challenges of IFRS adoption. This study did not clarify how Ethiopia's IFRS adoption agenda was formulated, adopted, and mandated for official adoption by legal framework in 2014.

Teferi and Pasricha (2016) conducted a research on IFRS Adoption Progress in Ethiopia and finds that shortage of qualified professionals, knowledge gap, resistance to change and lack of preparedness are the major challenges of IFRS adoption. Firdawok (2017) investigates Challenges and Prospects of International Financial Reporting Standards (IFRS) implementation in Ethiopia and the finding shows that a lack of adequate coordination, training, and enforcement of IFRS are some of key challenges facing the transition to IFRS. Aytenuw(2018) investigates Challenges of Practical Implementation of IFRS In Ethiopia, Evidence From Banking Sector and the study shows that weak corporate governance, poor quality of education and training, lack of supports from accountancy professional bodies, weak enforcements of regulatory body, inadequacy of transition period, improper planning, Non-availability of transparent market information are the key challenges.

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Feleke(2019) Challenges of Implementing International Financial Reporting Standards a case of Private Insurance Companies In Ethiopia and the finding shows that lack of commitment and understanding on implementation of IFRS, cost challenge, Education and training challenges are major challenges during IFRS implementation. Hache (2019) investigates the challenges and opportunities in adopting IFRS by private commercial banks and the investigation shows prevalence of knowledge gap, lack of competent training, lack of competent or sufficient asset valuers in the country and lack of IFRS compliant accounting software are some of major challenges facing during IFRS adoption.

Most of existing studies on IFRS adoption focused mainly on European and other developed countries. The European Union (EU) took the lead when all listed companies in the European Union to start the adoption and implementation of the IFRS in their financial reporting since 2005(Odia et al. 2013). Relatively few studies have been conducted on the data from developing countries. A number of African countries including Nigeria, Ghana, Sierra Leone, South Africa, Kenya, Zimbabwe, and Tunisia among others, have adopted or declared intentions to adopt the standard (Owolabi & Iyoha, 2012).

Regardless of the research studies conducted on challenges and opportunities of IFRS adoption, most of the research studies was focused on financial institutions and Public Enterprises. As per the knowledge of the researcher, only one study was conducted on the challenges and opportunities of IFRS adoption in manufacturing sector of Ethiopia. Furthermore, the Ethiopian climate differs from that of developed countries, where the accounting profession is more developed and there is a specific set of accounting regulations as well as an independent standard setting body. As a result, it is preferable to view the problem and opportunities in the light of developing countries in order to enrich and expand one's awareness of International Financial Reporting Standards and the issues surrounding their first implementation in manufacturing industries of Ethiopia.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter describes the methodology used in order to conduct the study. It describes the types of methods selected for data collection and analysis and the reasons for why these methods was chosen in comparison to the other alternative methods. It aims to help the researcher to develop a clear sense of direction early on the study, and to support in organizing, planning, and monitoring the study.

3.2. Research Design

This study targets to assess the challenges and opportunities of IFRS adoption in Ethiopia a case of selected manufacturing industry. Research approach refer to the methods of data collection, methods of data analysis, interpretation, methods of communicating findings, validation and the questions to be addressed, the selected strategy of inquiry equally determines the research methods. As a result, in order to accomplish this goal and answer the research questions, the researcher employs a mixed method approach, which combines qualitative and quantitative approaches. The quantitative data would be used to help and substantiate the qualitative data that would be obtained using various data collection methods and tools. Combining qualitative and quantitative analysis approaches allows the researcher to consolidate, triangulate, and cross-check the data obtained, allowing for the formulation of a comprehensive interpretive structure for the study. According to Bryman (2006), mixed methods analysis offers a wealth of data and allows researcher to discover unexpected results (as cited Saunders , 2009).

3.3. Research Approach

According to Creswell (2003), there are three methods to undertaking a research project. There are three types of testing methods: quantitative, qualitative, and mixed. The construction of quantitative data is the primary focus of the quantitative analysis method, and quantitative data is a structured record that consists of numbers constructed by researchers using calculation and imposing structure (Kent, 2007). The quantitative research approach employ measurement that can be quantifiable while qualitative cannot be measured (Bryman & Bell, 2007). In mixed research approach inquirers draw liberally from both qualitative and quantitative assumptions (Creswell, 2009).In this paper the

researcher used mixed research approach; the rationale for combining both quantitative and qualitative data is to better understand a research problem by combining both numeric values from quantitative research and the detail of qualitative research and to neutralize limitations of applying any of a single approach. According to Creswell (2009) the mixed research approach uses separate quantitative and qualitative methods as a means to offset the weaknesses inherent within one method with the strengths of the other method.

3.4. Population of the study

This study targets to identify the major challenges and opportunities of adopting IFRS in selected reporting entities operating in Addis Ababa city which are at corporate level as it is difficult to identify and examine the whole reporting entities of Ethiopia due to size, time and resource constraints. Based on the data obtained from AABE, there are 50 manufacturing companies prepared and filed their finance report by full IFRS in Addis Ababa City on 2019.

3.5. Sampling Technique

The research was focused on employees in IFRS implementation teams who have been working at selected reporting entities. Purposive sampling technique was used for this study as it focuses on selected groups working for IFRS implementation project team because they are believed to be very knowledgeable about IFRS. In addition to that, the researcher conducted an interview with concerned members of regulatory & enforcement bodies and other professionals of IFRS to incorporate their view through in depth conversation in strengthening the information gathered through questionnaires.

3.6. Sample Size Determination

To determine the sample size of the study, the total populations of the selected entities have been taken. Based on the sampling technique and the target population the study was selected 33 companies from 50 reporting entities.

To determine the sample size of the study, the total populations of the selected entities have been taken with the confidence level of 95% and then sample size was determined based on the formula from Akanni et al. (2008) cited in Saleh (2014) Solomon (2018), designed to include a sufficient number of participants to adequately address the research question.

$$\text{sample size} = \eta = \frac{n'}{\{1 + n'/N\}}$$

Where,

η = sample size

n' = sample size from infinite population = $S^2/V^2 = 100$

N = total estimated population;

The V = standard error of the sampling distribution = 0.05 and the confidence level is equal to 95%

S^2 is the variance of the population elements and V is a standard error of sampling population. (Usually, $S = 0.5$ and $V = 0.05$) (Cohen,1988).

Hence, the sample size for 50 companies,

$\eta = 100 / [1 + (100 / 50)] = 33$ samples

3.7. Source of Data

In this study, both primary and secondary sources of data was used as important sources of data.

Primary source of data obtained from each respondent using structured questionnaires and interview whereas secondary sources of data obtained from different published books, internet websites, journals, previous research papers and archive documents.

3.8. Data Collection Instruments

This study used both primary and secondary data. Primary sources of data include interview and questionnaire, whereas secondary sources data generated through a review of relevant documents.

3.8.1. Questionnaire

Questionnaires was distributed to finance officers and accountants of the selected companies. Finance officers and accountants selected as respondents because they are deemed to be knowledgeable about IFRS and could provide important perspective on its adoption. The research evidence was gathered by using both close-ended and open-ended questionnaires. Mixed questionnaires have many merits; the most important of this advantage is its considerable flexibility (McNabb, 2005). These closed ended questions are intended to measure the respondents 'attitude towards the challenges and opportunities of IFRS implementation and to assess their perception about this global standard. The close- ended questions, the respondents asked to indicate their level of agreement on a five-point Likert scale with the following ratings. Strongly agree (SA; or 5), agree (A; or 4), neutral (N; or 3), disagree (D; or 2), and strongly disagree (SD; or 1). 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.

3.8.2. Interview

Semi structured interviews with interested members of regulatory and compliance bodies, as well as other IFRS practitioners, were conducted to obtain their perspectives on the challenges and opportunities of IFRS adoption in order to corroborate data gathered through the questionnaire. It gave the researcher some leeway during the interviewing process to pursue an unexpected line of inquiry that came up as the analysis progressed. The interview checklist's questions were derived from a study of the literature. The questionnaires and interview guides were created based on a literature review applicable to the issue and the basic goals during the process of planning, defining, and using the instruments.

3.8.3. Document Review

The researcher was able to gain a better understanding of the organizations' main facts thanks to the document analysis. The records were examined using the most up-to-date details from authorized documents and various studies. Annual reports, legislations, directives, Ethiopia's five-year strategic plan accounting and audit board, and other documents relevant to the challenges and opportunities of IFRS adoption were used. The data obtained through the questionnaires and interviews was triangulated using document reviews.

3.9. Method of Data Analysis

The data collected through questionnaire is descriptively analyzed using statistics and data tools (Stata). Percentages, mean values, frequencies, and standard deviations are all calculated for it. The information gathered through interviews and document reviews is evaluated qualitatively. The mean, frequency, and standard deviation were used in the descriptive analysis. In addition, the data was provided using statistical methods such as tables. To analyze the quantitative data obtained through a quantitative approach, five-point Likert scale rating questionnaires were used. Furthermore, secondary data was used to supplement and analyze the primary data.

3.10 Ethical consideration

All participants included in the study duly informed about the purpose of the study, the kind of participation required, how the collected information is going to be utilized and an approximation of how much time is required for interview given to the participants and their willingness and agreement

were secured before filling up the questionnaire and conducting interview. The process of ethical consideration started with official letters written to respective organizations by Addis Ababa University. Every person involved in the study entitled to the right of privacy and dignity of treatment, and no personal harm were caused to subjects in the research. Information obtained held in strict confidentiality by the researcher. All assistance, collaboration of others and sources from which information drawn were acknowledged.

3.11. Validity and Reliability of the study

The degree to which the analysis adequately represents the particular idea that the researcher seeks to measure or explain is referred to as validity. The researcher should be concerned with both external and internal validity in order to maintain the study's validity. Internal validity refers to the degree to which the researcher may show that the argument is supported by credible and sufficient evidence (Grix, 2004). External validity applies to the degree to which a conclusion may be applied to the whole population (Yin, 1994). Multiple sources of proof are used to ensure construct authenticity, according to (Yin, 1994). To cross-validate the data, this analysis uses various sources of data, including a questionnaire, an interview, and a document review. In addition, to improve internal and external validity, the questions are checked for consistency and understandability by professionals in the field. In order to keep the validity, the researcher chooses respondents which are familiar with the issue and experts in the field which enhance the external validity of the result. Cronbach's alpha reliability coefficient normally ranges between 0 and 1. The closer Cronbach's alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale (Gliem & Gliem,2003). George and Mallery (2003) provide the following rules of thumb: "> 0.9 – Excellent, >0.8 – Good, > 0.7 – Acceptable, >0.6 – Questionable, >0.5 – Poor, and < 0.5 – Unacceptable" (p. 231). Based on this reliability test was made on 69 items and the result is shown in the below table.

Table: 3.1 Reliability of Items of the study

Cronbach's Alpha	Number of items in the scale
0.9980	66

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1. Introduction

The results of findings based on the study of data collected from manufacturing industries are explained and discussed in this chapter. The outcomes of the analysis are explored by summarizing the various sources of the questionnaire data. The discussion aims to complete the study's goals and answer the research questions. A total of 84 questionnaires were released for this report. There was a total of 76 questionnaires collected. As referred to in section three, all the questionnaire respondents were located in Addis Ababa. To this end, the results obtained from the questionnaire are evaluated using statistics and data tools through descriptive statistics and statistical analysis (Stata).

4.2. Demographic Characteristics of the Respondents

4.2.1. Gender of Respondents

Table: 4.2.1

Gender	Freq.	Percent	Cum.
Female	36	47.37	47.37
Male	40	52.63	100
Total	76	100	

Source: research data (2020)

The demographic data for gender showed that there were 40 male and 36 females out of the 76 respondents. Table 4.2.1 revealed that the majority of the target sample were the male respondents, with a proportion of 52.63%, while 47.37 % were female respondents. This ensures that the distribution of sex in certain industries is more or less balanced.

4.2.2. Age of Respondents

Table: 4.2.2

Age	Freq.	Percent	Cum.
21-30 Year	41	53.95	53.95
31-40 Year	28	36.84	90.79
Above 40 Year	7	9.21	100
Total	76	100	

Source: research data (2020)

A total of 76 respondents, 41 (53.95%) were found at the age range of 21-30 years, 28 (36.84%) were found at the age range of 31-40 years, as shown in table 4.2.2.2. 7(9.21%) were above the 40-year age group of the remaining respondents. This result indicates that the majority of respondents are in the productive age group, which is advantageous to the transition process because the productive age group are dominant with technology and change for effective conversion process of IFRS.

4.2.3. Educational Qualification

Table: 4.2.3

Education Level	Freq.	Percent	Cum.
Degree	53	69.74	69.74
Diploma	1	1.32	71.05
Masters	22	28.95	100
Total	76	100	

Source: research data (2020)

The respondents have a number of educational credentials, from diploma to master's degree, as shown in table 4.2.3. The majority of respondents hold a first degree of 53 (69.74 percent), 22 (28.95 percent) of respondents hold a Master's degree, and 1 respondent (1.32 percent) holds a diploma. And since nearly all respondents possesses the required educational credentials to carry out the IFRS

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implementation process, it can be inferred that in the questionnaires, all respondents are able to understand and answer the questions.

4.2.4. Tenure of Respondents

Table: 4.2.4

Experience	Freq.	Percent	Cum.
1-5 Year	29	38.16	38.16
11-15 Year	9	11.84	50
6-10 Year	31	40.79	90.79
Above 15 Year	7	9.21	100
Total	76	100	

Source: research data (2020)

As can be seen from table 4.2.4, for 1-5 years, 29 (38.16 %) respondents worked in the manufacturing industries. For 11-15 years, 9(11.84%) respondents have worked, 31(40.79 %) of them for 6-10 years. For more than 15 years, the other 7(9.21%) respondents worked. The above outcome means that, because the majority of respondents have 6-10 years of experience, they will make a positive contribution to the implementation of IFRS and have ample experience to apply critical recommendations.

4.2.5. Work Position of the respondents

Table: 4.2.5

Work Position	Freq.	Percent	Cum.
Administration & Finance Manager	1	1.32	1.32
Assistant Finance Manager	1	1.32	2.63
Cost and budget division Head	3	3.95	6.58
Finance & Economy Manager	1	1.32	7.89

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Finance Manager	13	17.11	25
Internal Auditor	4	5.26	30.26
Junior Accountant	17	22.37	52.63
P+P Team leader	1	1.32	53.95
Payment Head 2	1	1.32	55.26
RTR-Bank Reconciliation Admin	1	1.32	56.58
Senior Accountant	31	40.79	97.37
Senior Business Analyst	1	1.32	98.68
Treasury Manager	1	1.32	100
Total	76	100	

Source: research data (2020)

31(40.79%) of respondents are senior accountants, 19(25.02%) of respondents are at managerial level, 17(22.37%) of respondents were junior accountants, as shown in table 4.2.5 above, of 76 respondents. The remaining 9(11.86%) of respondents were at various levels of position. This indicates that because much of the knowledge obtained was from senior accountants and executives, the researcher assumes that the information is truthful and appropriate for the study.

4.2.6. Professional Membership/Certification

Table: 4.2.6

Certification	Freq.	Percent	Cum.
ACCA	4	5.26	5.26
Dip IFRS	1	1.32	6.58
Kaplan	2	2.63	9.21

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None	69	90.79	100
Total	76	100	

Source: research data (2020)

As shown in Table 4.2.6, 4(5.26%) of respondents are ACCA certified out of the total respondents, 1(1.32%) respondent has a certificate in Dip IFRS, 2(2.63%) of respondents were Kaplan certified, while the remaining 69(90.79%) of respondents are not certified as professional accountancy.

4.2.7. Respondents IFRS Training

Table: 4.2.7

IFRS Training	Freq.	Percent	Cum.
No	13	17.11	17.11
Yes	63	82.89	100
Total	76	100	

Source: research data (2020)

The respondents were asked whether they had undergone IFRS training during the process of implementation. The outcome indicates that 63(82.89%) of respondents received IFRS training, while the remaining 13(17.11%) did not receive IFRS training. This means that, without taking IFRS instruction, some of the respondents were interested during the IFRS implementation process.

4.2.8. Adequacy of IFRS Training

Table: 4.2.8

Adequacy of Training	Freq.	Percent	Cum.
Adequate	40	52.63	52.63
Neutral	21	27.63	80.26
Not Adequate	15	19.74	100
Total	76	100	

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Source: research data (2020)

The respondents were asked about the adequacy of the IFRS training. As the above table shows, 40(52.63%) of respondents were told that it was adequate to answer the question, 21(27.63%) of respondents were not sure or in between. In comparison, the remaining 15(19.74%) of respondents suggested that the training was not adequate. Therefore, during IFRS implementation, inefficiency of training was a problem for some of the respondents.

4.2.9. Do you think that Implementing of IFRS will be challenging?

Table: 4.2.9

Challenging	Freq.	Percent	Cum.
No	16	21.05	21.05
Yes	60	78.95	100
Total	76	100	

Source: research data (2020)

The respondents were asked whether implementing IFRS were challenging or not. As the above table shows, 60(78.95%) of respondents were said it was challenging, 16(21.05%) of respondents were answered it was not challenging.

4.3. Challenges in IFRS Implementation

This study attempted to resolve the whole issue of the complexities of implementing IFRS in the manufacturing industries of Ethiopia and the questionnaire obtained from the IFRS implementation teams was revealed as a result. Therefore, with regard to the challenges of the implementation of IFRS, the mean values for the questions range from 2.68 to 4.06, showing the results that respondents agree with the challenges listed in the implementation of the standard, with less than one standard deviation and about one suggesting that the interpretation of the respondent was similar to each other.

Table: 4.3.1 Adequacy of Transition Period

No	Questions	SD	D	N	A	SA	Total	Mean	Std. Dev.
1	The preparation & transition period of 18 months given by AABE is not adequate for conducting the IFRS transition process	2	14	21	29	10	76	3.41	1.02
		2.63%	18.42%	27.63%	38.16%	13.16%	100%		
2	The national IFRS implementation Road map doesn't take in to consideration the capacity and readiness of reporting entities	4	19	19	22	12	76	3.25	1.15
		5.26%	25.00%	25.00%	28.95%	15.79%	100%		
3	Implementation of IFRS is a complex process that requires extensive preparations	1	18	10	29	18	76	3.59	1.13
		1.32%	23.68%	13.16%	38.16%	23.68%	100%		
4	Lack of enough time to assess relevant professional accountancy organizations	6	8	15	32	15	76	3.55	1.15
		7.89%	10.53%	19.74%	42.11%	19.74%	100%		

Source: researcher's own survey, 2020

As shown in Table 4.3.1, the result of the survey obtained from the manufacturing firms for the first questions shows that 2.63% says strongly disagree, 18.42% respondents say disagree, 27.63% respondents reply to the question neutral, 38.16% responds agree and the remaining 13.16% responds strongly agree. The outcome shows that 51.32% of the respondents agreed the planning & transition period of 18 months provided by AABE was a challenge for the IFRS transition phase to be carried out.

For the second question on national road map for IFRS implementation, the researcher asked the respondents to share their degree of agreements or inconsistencies with the road map established by AABE. The respondents reply 5.26% says strongly disagree, 25% says disagree, 25% & 28.95% of respondents replied neutral and agreed respectively, the remainder strongly agree with 15.79%. Around 44.74% of them decided, based on the overall opinion of the respondent that the implementation road map does not take into account the capability and readiness of reporting entities.

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1.32% of respondents strongly disagreed with the survey on question three, 23.68% respondents say they disagree, 13.16%, 38.16% & 23.68% responds neutrally, agree and strongly agree respectively. 61.84% of the total respondents agreed that the implementation of IFRS was a complex process that requires extensive preparations.

We can see that 7.89% of respondents strongly disagreed with the lack of enough time to assess relevant professional accountancy organizations during implementation of IFRS from table 4.3.1, 10.53% responds disagreed, 19.74% of respondents said neutral, 42.11% respondents agreed lack of enough time to assess relevant professional accountancy, 19.74% strongly agreed.

The findings of this study is in line with, Weaver & Woods, (2015) shown that insufficient time and resources to adequately plan for the transition was a challenge for IFRS transition in Europe. Similarly, Madawaki (2012) argued that the time between the decision date and the actual implementation date is insufficient for Nigeria to be ready for IFRS implementation. Furthermore, due to the complexity of the standards, a considerable amount of time was taken to issue the first IFRS reports in Malaysia (Yaacob & Che-Ahmad, 2011), and in the United Kingdom, most organizations' impact assessments and comprehension of the new standards took far longer than anticipated (NAO,2008)

Table: 4.3.2 Capacity and Strengths of the Financial reporting regulatory Body (AABE)

No	Questions	SD	D	N	A	SA	Total	Mean	Std. Dev.
5	Lack of adequate workshops, seminars, forums etc. are challenges for smooth transition & successful implementation of IFRS	2	12	12	32	18	76	3.68	1.08
		2.63%	15.79%	15.79%	42.11%	23.68%	100%		
6	The IFRS transition road map developed by AABE is not realistic and not takes into account the capacity and readiness of the nation in general the entities in particular	7	18	17	26	8	76	3.13	1.17
		9.21%	23.68%	22.37%	34.21%	10.53%	100%		
7	Quantitative threshold set by AABE is	6	20	16	27	7	76	3.11	1.14

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	challenging to identify and implement the IFRS	7.89%	26.32%	21.05%	35.53%	9.21%	100%		
8	There is no effective monitoring and process review of IFRS implementation process by AABE	5	15	16	25	15	76	3.39	1.2
		6.58%	19.74%	21.05%	32.89%	19.74%	100%		

Source: researcher’s own survey,2020

As shown in Table 4.3.3, the results of the survey obtained indicate that 2.63% says strongly disagree with the 5th question, 15.79% respondents say disagree, 15.79% respondents answer the question neutral, 42.11% responds agree and the remaining 23.68% strongly agree. The outcome indicates that 65.79% of the respondents accepted that there was lack of appropriate conferences, seminars, forums are challenges for smooth transition and successful implementation of IFRS.

The respondents assessed the six-question response as follows, the respondents replied 9.21 % strongly disagree, 23.68 % says disagree, 22.37 % & 34.21 % of respondent’s responded neutral and agreed respectively, the remaining 10.53 % responds strongly agree. Overall response for this question shows 44.74% of respondents agreed that the road map produced by AABE does not takes into account the capacity and readiness of the company in particular and at national level in general. 7.89% of respondents strongly disagreed with the survey on question seven, 26.32% respondents say they disagree, 21.05%, 35.53% & 9.21% respond neutrally, agree and strongly agree respectively. 44.74% of the total respondents accepted that the quantitative threshold set by AABE during implementation of IFRS was another obstacle.

we can see that 6.58% of respondents strongly disagreed with the lack of successful monitoring and process analysis by AABE during the implementation of IFRS from table 4.3.2, 19.74% responds disagreed, 21.05% of respondents said neutral, 32.89% respondents agreed that there was a lack of monitoring by AABE during implementation of IFRS, 19.74% responds strongly agreed. Total response for this question indicates 52.63% of respondents agreed there was lack of successful monitoring by AABE during implementation of IFRS.

The finding of this result is consistent with Kassa et al. (2015), Simegn (2015), Deyuu and Pasricha (2016), an obstacle for IFRS adoption was a lack of proper instruction and guidance from the regulatory body, as well as insufficient laws and poor compliance mechanisms. This also found consistent with (Aljifri, 2013) revealed that IFRS adoption in GCC countries has been hampered by

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a lack of regulatory framework and compliance mechanisms, which has harmed the consistency of their financial results. In a similar vein, a study conducted in Kenya and South Africa found that strict IFRS compliance at the national level is difficult to achieve due to a lack of adequately resourced enforcement institutions and adequate coordination mechanisms among relevant institutions (UNACTED, 2008). The lack of coherence in the regulatory system, according to this assessment, leads to severe misunderstandings and inefficiency in the application of IFRS. Many studies have found that having a large and powerful regulatory body leads to companies complying with IFRS requirements, while having a weakly regulated or subjected to little regulation leads to non-compliance with IFRS requirements. Masoud, 2014, Nobes, 2013) (Daske et al., 2008, Nobes, 2013, Masoud, 2014, Nobes, 2013).

Table: 4.3.3 Professional Accountancy (Associations) Bodies

No	Questions	SD	D	N	A	SA	Total	Mean	Std. Dev.
9	The engagement & consultation of professional bodies are a challenge for successful implementation of IFRS	2	15	14	35	10	76	3.47	1.03
		2.63%	19.74%	18.42%	46.05%	13.16%	100%		
10	Shortage of Qualified Professionals are a challenge for successful implementation of IFRS	2	9	8	36	21	76	3.85	1.04
		2.63%	11.84%	10.53%	47.37%	27.63%	100%		
11	unfair competition was emerged among professionals during implementation of IFRS and affected the quality of the report		12	19	27	18	76	3.67	1.01
		0.00%	15.79%	25.00%	35.53%	23.68%	100%		
12	The accountancy professional bodies fail to contribute for the successful implementation of IFRS	6	24	14	22	10	76	3.07	1.2
		7.89%	31.58%	18.42%	28.95%	13.16%	100%		

Source: researcher’s own survey,2020

As shown in Table 4.3.3, the survey results obtained shows that for the ninth question, 2.63% says strongly disagree, 19.74% respondents say disagree, 18.42% respondents respond neutrally to the

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question, 46.05% responds agree and the remaining 13.16% responds strongly agree. This result shows that 59.21% of the respondents agreed on this statement and indicates that there is lack of involvement and consultation of professional bodies was becoming a challenge for successful implementation of IFRS.

The 10th question response from respondents evaluated as follows, the respondents reply 2.63 % says strongly disagree, 11.84 % says disagree, 10.53 % & 47.37 % of respondents replied neutral and agreed respectively, the remaining 27.63 % responds strongly agree. The Overall answer to this question indicates that 75% of respondents agreed that a lack of skilled professionals is an obstacle for successful implementation of IFRS.

15.79% of respondents disagreed, 25% respondents say neutral, 35.53% & 23.68% responds agree and strongly agree, respectively, from the survey on question eleven. This result shows that 59.21% of the respondents agreed to this statement and indicates that during implementation of IFRS, unfair competition between professionals occurred and influenced the quality of the report.

we can see from table 4.3.3 that 7.89% of respondents strongly disagreed with the issue that accounting professionals did not contribute to the effective implementation of IFRS, 31.58% responds disagreed, 18.42% of respondents say neutral, 28.95% respondents agreed, 13.16% responds strongly agreed.

Similarly, (Schachler, Al-Abiyad, & Al-Hadad, 2012; Laga, 2012; Masoud, 2014) & Mohamed (2014) bolster the above argument, concluding that the absence of a competent accounting body, the lack of an independent oversight body, and the inconsistency of current accounting laws and regulatory mechanisms in Libya with the recent growth of the accounting profession all contribute to the above conclusion. According to this (UNCTAD, 2008), African countries face challenges in adopting and implementing IFRS, such as the gap between education and the requirements of IFRS, a lack of training, and the inability of accountants and professional bodies to keep up with the IASB's standards. In addition to this, the finding also consistent with Katto (2010), Lack of trained accountants, lack of knowledge of the importance of audit, and the absence of professional accounting bodies in all African countries to facilitate financial reporting are among the difficulties that African countries will face during the implementation of IFRS.

Table: 4.3.4 Education and Training

No	Questions	SD	D	N	A	SA	Total	Mean	Std. Dev.
13	Gap between the accounting education thought in Ethiopian Higher education and IFRS requirement is a challenge to get competent accountants	3	5	7	30	31	76	4.06	1.06
		3.95%	6.58%	9.21%	39.47%	40.79%	100%		
14	Inadequacy of training institutions and facilities with an affordable cost is a challenge to fill skill gaps of IFRS implementing teams	5	7	7	37	20	76	3.78	1.13
		6.58%	9.21%	9.21%	48.68%	26.32%	100%		
15	There was limited training on IFRS prior to its implementation	5	10	7	40	14	76	3.63	1.12
		6.58%	13.16%	9.21%	52.63%	18.42%	100%		
16	Lack of adequate technical capacity building schemes is a challenge for IFRS implementation	1	6	9	45	15	76	3.88	0.86
		1.32%	7.89%	11.84%	59.21%	19.74%	100%		
17	Limited availability of training materials at an affordable cost is a challenge for IFRS implementation	5	11	10	39	11	76	3.52	1.11
		6.58%	14.47%	13.16%	51.32%	14.47%	100%		

Source: researcher's own survey,2020

The thirteen-question response from respondents evaluated as follows, the respondents reply 3.95 % says strongly disagree, 6.58 % says disagree, 9.21 % & 39.40 % of respondents answered neutral and agreed respectively, the remainder strongly agree with 40.79 % . 80.19% of the total respondents accepted that there was gap between Ethiopian higher education and IFRS requirement is an obstacle for successful implementation of IFRS.

As shown in Table 4.3.4, the survey results obtained shows for the fourteen question, 6.58% says strongly disagree, 9.21% respondents say disagree, 9.21% respondents replied to the question neutral, 48.68% responds agree and the remaining 26.32% responds strongly agree. The overall answer to the question indicates that 75% of the respondents agreed that there was Inadequacy of

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training institutions and facilities with an affordable cost to fill skill the gaps of IFRS implementing teams during implementation of IFRS was another obstacle.

6.58% of respondents strongly disagreed, 13.16% respondents say disagree, 9.21%, 52.63% & 18.42% responds neutral, agree and strongly agree, respectively, from the survey on question fifteen. 71.05% of the total respondents accepted that there was limited training on IFRS prior to its implementation, this was another obstacle for successful implementation of IFRS.

we can see from table 4.3.4 that 1.32% of respondents strongly disagreed with the issue that lack of adequate technical capacity building schemes, 7.89% responds disagreed, 11.84% of respondents say neutral, 59.21% respondents agreed, 19.74% responds strongly agreed.

For the question number seventeen, 6.58% of respondents strongly disagreed, 14.47% disagreed, 13.16% says neutral, 51.32% respondents said agree, the remainder strongly agree with 14.47%. This result indicates that 65.79% of respondents agreed that there was Limited availability of training materials at an affordable cost during implementation of IFRS is another challenge.

Similarly this finding is consistent with, Ball (2006), Armstrong et al., (2007), Soderstrom & Sun (2007), and (Rong-Ruey, 2006) found that training and education for investors, accountants, auditors, preparers, and consumers of financial reports, as well as creation of IFRS curriculum at the university and other levels, and modification of accounting training and education to integrate IFRS are all challenges of implementing IFRS.

Table: 4.3.5 Cost of IFRS Implementation

No	Questions	SD	D	N	A	SA	Total	Mean	Std. Dev.
18	Cost of Staff training is expensive	4	16	14	32	10	76	3.36	1.11
		5.26%	21.05%	18.42%	42.11%	13.16%	100%		
19	Cost of IFRS Implementation is expensive	5	11	15	26	19	76	3.56	1.2
		6.58%	14.47%	19.74%	34.21%	25.00%	100%		
20	Small number of professionals who are technically competent in implementing IFRS increased the consultancy fees	3	12	15	34	12	76	3.52	1.06
		3.95%	15.79%	19.74%	44.74%	15.79%	100%		

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21	Cost of Updating accounting system is expensive		11	20	27	18	76	3.68	0.99
		0.00%	14.47%	26.32%	35.53%	23.68%	100%		
22	Cost of Purchasing IFRS Guiding Materials is expensive	6	22	16	23	9	76	3.09	1.17
		7.89%	28.95%	21.05%	30.26%	11.84%	100%		
23	Cost of audit fee increased due to the Implementation of IFRS	3	10	12	29	22	76	3.75	1.13
		3.95%	13.16%	15.79%	38.16%	28.95%	100%		

Source: researcher's own survey, 2020

The respondents evaluated the eighteen-question response as follows, respondents answer 5.26% strongly disagree, 21.05% disagree, 18.42% & 42.11% of respondents responded neutral and agreed, respectively, the remainder 13.16% strongly agree. 55.27 % of respondents acknowledged that the cost of staff training is becoming a problem for effective staff training.

As shown in Table 4.3.5, for the nineteen question, the survey results obtained shows that 6.58% strongly disagree, 14.47% disagree, 19.74% respondents respond neutrally to the question, 34.21% disagree and the remaining 25% strongly agree. This outcome shows that 59.21% of respondents agreed on this argument and indicates that the cost of implementing IFRS is becoming a challenge for successful implementation of IFRS.

3.95% of respondents strongly disagreed, 15.79% of respondents say disagree, 19.74%, 44.74% & 15.79% respond neutral, agree and strongly agree, respectively, from the survey indicated on question 20. This result shows that 60.53% of respondents acknowledged that the rise in consulting fees was another obstacle to implement IFRS.

We can see from table 4.3.5 that 14.47% of respondents disagreed with the question that the cost of upgrading the accounting system is costly, 26.32% answered neutral, 35.53% of respondents said they agreed, 23.68% strongly agreed.

With respect to the issue Cost of Buying IFRS Guiding Materials is costly, 7.89% of respondents strongly disagreed, 28.95% disagreed, 21.05% of respondents said neutral, 30.26% of respondents agreed to the question, 11.84% remain firmly in agreement.

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For the question number twenty-three, 3.95% of respondents strongly disagreed, 13.16% disagreed, 15.79% says neutral, 38.16% & 28.95% of respondents say agree & strongly agree respectively. Overall response for this question shows 67.11% of respondents agreed that Cost of audit fee increased due to the Implementation of IFRS. So that, this was another challenge for IFRS implementation.

3.95% of respondents strongly disagreed with the question number twenty-three, 13.16% disagreed, 15.79% said neutral, 38.16% and 28.95% of respondents said they agreed and strongly agreed. The overall response to this question indicates that 67.11% of respondents agreed that due to the introduction of IFRS, the cost of the audit fee grew. So, for IFRS implementation, this was another challenge.

Indicating that respondents' perspectives on this topic are consistent with (Udofia & Ikpantan 2015), (Teferi Deyuu Alemi, J.S. Pasricha 2016), and Ball (2006), the conversion expense of IFRS is the biggest obstacle to its adoption. Furthermore, IFRS training materials are not readily available at reasonable prices to train such a large community, posing a significant barrier to IFRS adoption. Because of the foreign currency issue, the key challenges of implementing IFRS in Ethiopia are IFRS training materials, which are revised on a regular basis. According to the respondents, the key obstacle of implementing IFRS in Ethiopia's manufacturing sector would be the cost of conversion. Similarly, Larson & Street (2004) described the ambiguity of some IFRSs and the tax orientation of most countries as the two most important barriers to convergence to IFRS. Shifting from one accounting norm to another, such as IFRS, incurs a significant cost, which is the biggest obstacle in putting it into effect.

Table: 4.3.6 Management Support

No	Questions	SD	D	N	A	SA	Total	Mean	Std. Dev.
24	Lack of Management's understanding of accounting and financial reporting standards	5	8	14	33	16	76	3.61	1.13
		6.58%	10.53%	18.42%	43.42%	21.05%	100%		
25	Experience of managers in implementing IFRS is not sufficient enough	1	12	15	31	17	76	3.67	1.03
		1.32%	15.79%	19.74%	40.79%	22.37%	100%		
26	Lack of Commitment and understanding of	1	18	13	25	19	76	3.56	1.14

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	the executive on timely and successful implementation of IFRS	1.32%	23.68%	17.11%	32.89%	25.00%	100%		
27	Management's IFRS Knowledge Gap	3	11	12	33	17	76	3.65	1.1
		3.95%	14.47%	15.79%	43.42%	22.37%	100%		
28	Lack of cooperation with IFRS implementation teams	2	14	17	30	13	76	3.5	1.06
		2.63%	18.42%	22.37%	39.47%	17.11%	100%		

Source: researcher's own survey,2020

6.58% say strongly disagree with question number twenty-four, 10.53% say disagree, 18.42% & 43.42% of respondents replied neutral and agreed, respectively, the remainder 21.05% strongly agree. The overall answer to this question indicates that 64.47% of respondents acknowledged that the lack of management's knowledge of accounting and financial reporting principles was becoming a problem for IFRS to be effectively implemented.

As shown in Table 4.3.6, the survey findings show that for question twenty-five, 1.32% strongly disagree, 15.79% disagree, 19.74% neutral, 40.79% agree, and the remaining 22.37% strongly agree. This finding reveals that 63.16% of respondents agreed on this assertion and indicates that there was a lack of familiarity with managers.

1.32% of respondents strongly disagreed from the survey indicated on question twenty-six, 23.68 % respondents say disagree, 17.11%, 32.89% & 25% respond neutral, agree and strongly agree, respectively. This outcome reveals that 57.89% of respondents acknowledged that the CEO's engagement and comprehension of the timely and effective implementation of IFRS was missing.

we can see that from table 4.3.6, 3.95% of respondents strongly disagreed with respect to the question management's IFRS Knowledge gap, 14.47% responds disagree, 15.79% of respondents say neutral, 43.42% & 22.37% responds agree and strongly agree respectively.

With respect to the lack of cooperation with IFRS implementation teams, 2.63% of respondents strongly disagreed, 18.42% disagreed, 22.37% said neutral, 39.47% agreed with the issue, 17.11% strongly agreed with the question.

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As can be seen in the table above, higher support indicates a positive impact for IFRS implementation, while lower support indicates a management support issue. In terms of value, a higher mean indicates a lack of support, while a lower mean indicates a lack of perceived value. As a result, a lack of management support is a challenge that manufacturing organizations face when implementing IFRS in practice. According to Weaver and Margaret (2015), the International Financial Reporting Standards (IFRS) were not given the support they needed by senior management in Europe.

Table: 4.3.7 Employee’s resistance to change

No	Questions	SD	D	N	A	SA	Total	Mean	Std. Dev.
29	IFRS is negatively perceived by employees and owners	13	20	15	22	6	76	2.84	1.24
		17.11%	26.32%	19.74%	28.95%	7.89%	100%		
30	Employees do not need to shift & accept the new standard	15	23	13	21	4	76	2.68	1.22
		19.74%	30.26%	17.11%	27.63%	5.26%	100%		
31	People by nature is resistant to change	6	12	14	31	13	76	3.43	1.18
		7.89%	15.79%	18.42%	40.79%	17.11%	100%		
32	Employees do not perceive the benefit of IFRS	7	15	16	33	5	76	3.18	1.11
		9.21%	19.74%	21.05%	43.42%	6.58%	100%		
33	Work and burden of an accountant increased due to implementation of IFRS	6	7	14	29	20	76	3.65	1.19
		7.89%	9.21%	18.42%	38.16%	26.32%	100%		
34	IFRS has increased complexities in preparing financial statements thereby increased the risk of errors and omissions	5	16	22	25	8	76	3.19	1.09
		6.58%	21.05%	28.95%	32.89%	10.53%	100%		
35	Disclosures for each entry is challenging	6	11	11	31	17	76	3.55	1.21
		7.89%	14.47%	14.47%	40.79%	22.37%	100%		

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36	De-recognition of financial and non-financial asset is challenging	6	9	19	29	13	76	3.44	1.14
		7.89%	11.84%	25.00%	38.16%	17.11%	100%		

Source: researcher’s own survey,2020

As seen in the table above, respondents respond to question twenty-nine as follows, 17.11% strongly disagree, 26.32% disagree, 19.74% & 28.95% of respondents replied neutral and agreed, 7.89% remain strongly agree. The overall answer to this question indicates that 43.43% of respondents did not agree that workers and owners viewed IFRS negatively. This suggests that during IFRS implementation, it was not a problem.

As shown in Table 4.3.7, 19.74% of respondents strongly disagree, 30.26% disagree, 17.11% of respondents respond to the question neutral, 27.63% respond agree, and the remaining 5.26% strongly agree with the question thirty. This finding reveals that 50% of the respondents not agreed on this assertion and indicates that it was not a challenge during implementation of IFRS.

7.89% of respondents strongly disagreed, 15.79% of respondents disagree, 18.42%, 40.79% & 17.11% respond neutrally, agree and strongly agree, respectively, from the survey reported on question thirty-one.

We can see from table 4.3.7 that 9.21% of respondents strongly disagreed with the issue that workers do not consider the value of IFRS, 19.74% disagree, 21.05% of respondents say neutral, 43.42% & 6.58% agree and strongly agree respectively.

With respect to the work of the accountant's burden increased due to IFRS implementation, 7.89% of respondents strongly disagreed, 9.21% disagreed, 18.42% of respondents said neutral, 38.16% of respondents agreed to the question, 26.32% strongly agreed. This implies that 64.48% of respondents agreed to the issue, and during the implementation of IFRS, it was a challenge.

The researcher asked the respondents to share their level of agreements or disagreements on the issue with respect to question number thirty-four about IFRS increased complexities in the preparation of financial statements. 6.58% say strong disagreed, 21.05% say disagreement, 28.95% & 32.89% of respondents replied neutral and agreed, 10.53% remain strongly agreed.

7.89% of respondents strongly disagreed, 14.47% of respondents say they disagree, 14.47%, 40.79% & 22.37% respond neutral, agree and strongly agree, respectively, from the survey reported on

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question thirty-five. Of the total respondents, 63.16% of accepted disclosures for each entry during IFRS implementation are difficult.

As shown in Table 4.3.7, 7.89% of respondents strongly disagree, 11.84% disagree, 25% of respondents respond to the question neutral, 38.16% respond agree, and the remaining 17.11% strongly agree with the question thirty-six. This finding reveals that 55.27% of the respondents agreed on this assertion and indicates that it was a challenge during implementation of IFRS.

Table: 4.3.8 Asset valuation

No	Questions	SD	D	N	A	SA	Total	Mean	Std. Dev.
37	Lack of Asset Valuator	8	9	13	22	24	76	3.59	1.32
		10.53%	11.84%	17.11%	28.95%	31.58%	100%		
38	Cost of Asset Valuator is expensive	2	4	15	25	30	76	4.01	1.02
		2.63%	5.26%	19.74%	32.89%	39.47%	100%		
39	Registering and estimating use life year of fixed asset are challenging	4	8	7	35	22	76	3.82	1.12
		5.26%	10.53%	9.21%	46.05%	28.95%	100%		
40	The required documents to revalue assets are not available	4	13	10	27	22	76	3.65	1.21
		5.26%	17.11%	13.16%	35.53%	28.95%	100%		
41	The fair value measurement can bring a lot of volatility and subjectivity in financial statements	2	10	13	40	11	76	3.63	0.97
		2.63%	13.16%	17.11%	52.63%	14.47%	100%		
42	Difficult to access fair value for all assets	2	4	15	37	18	76	3.85	0.93
		2.63%	5.26%	19.74%	48.68%	23.68%	100%		
43	Observable market transaction or market information is not available	1	14	15	20	26	76	3.73	1.15
		1.32%	18.42%	19.74%	26.32%	34.21%	100%		

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44	Measuring non-financial assets is difficult	2	9	9	32	24	76	3.88	1.07
		2.63%	11.84%	11.84%	42.11%	31.58%	100%		
45	Complying with IFRS standards requires a number of significant changes in the way that finance departments collect, classify and present financial data.	3	17	38	18	76	3.93	0.78	
		0.00%	3.95%	22.37%	50.00%	23.68%	100%		

Source: researcher's own survey,2020

As seen in the table above, respondents respond to question thirty-seven as follows, 10.53% strongly disagree, 11.84% disagree, 17.11% & 28.95% of respondents replied neutral and agreed, 31.58% remain strongly agree. The overall answer to this question indicates that 60.53% of respondents acknowledged that there was lack of asset valuator. This suggests that during IFRS implementation, it was a problem.

As shown in Table 4.3.8, 2.63% of respondents strongly disagree, 5.26% disagree, 19.74% of respondents respond to the question neutral, 32.89% respond agree, and the remaining 39.47% strongly agree with the question thirty-eight. This finding reveals that 72.36% of the respondents agreed on this assertion and indicates that it was a challenge during implementation of IFRS.

5.26% of respondents strongly disagreed, 10.53% of respondents say they disagree, 9.21%, 46.05% & 28.95% respond neutral, agree and strongly agree, respectively, from the survey reported on question thirty-nine. Of the total respondents, 75% of accepted registering and estimating useful life of fixed asset during IFRS implementation are difficult.

We can see from table 4.3.8 that 5.26% of respondents strongly disagreed with the issue that the required documents to revalue assets are not available, 17.11% disagree, 13.16% of respondents say neutral, 35.53% & 28.95% agree and strongly agree respectively.

With respect to the volatility and subjectivity in financial statement due to lack of fair value measurement, 2.63% of respondents strongly disagreed, 13.16% disagreed, 17.11% of respondents said neutral, 52.63% of respondents agreed to the question, 14.47% strongly agreed. This implies that 67.10% of respondents agreed to the issue, and during the implementation of IFRS, it was a challenge.

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The researcher asked the respondents to share their level of agreements or disagreements on the issue with respect to question number forty-two about difficult to access fair value for all assets. 2.63% say strong disagreed, 5.26% say disagreement, 19.74% & 48.68% of respondents replied neutral and agreed, 23.68% remain strongly agreed.

1.32% of respondents strongly disagreed, 18.42% of respondents say they disagree, 19.74%, 26.32% & 34.21% respond neutral, agree and strongly agree, respectively, from the survey reported on question forty-three.

As seen in the table above, respondents respond to question forty-four as follows, 2.63% strongly disagree, 11.84% disagree, 11.84% & 42.11% of respondents replied neutral and agreed, 31.58% remain strongly agree. The overall answer to this question indicates that 73.69% of respondents acknowledged that there was difficulty of measuring non-financial assets. This suggests that during IFRS implementation, it was a problem.

complying with IFRS standards indicated on question number forty-five, the researcher asked the respondents to know their degree of agreement or inconsistencies, 3.95% of respondents disagreed, 22.37% responds neutral, 50% say agree, remain 23.68% respondents strongly agreed

Asset valuation is a challenge in implementing IFRS, according to (Mukti Bapna 2017) and (Preeti Shrivastava, D.S Rawat, and Deepti Maheswari 2015), because businesses are not well-known and there is a problem with observable business transactions. Since it is difficult to arrive at a fair value in financial statements subjectively, and valuation experts also find it difficult to move from the historical approach to the fair value method, the use of fair value accounting can create confusion. In addition, adjustments in fair value result in gains or losses that are reported in the income statements.

4.4. Opportunities in IFRS Implementation

With regard to the opportunities of the implementation of IFRS, the mean values for the questions range from 3.43 to 4.31, showing the results that respondents agree with the opportunities listed in the implementation of the standard, with less than one standard deviation and about one suggesting that the interpretation of the respondent was similar to each other.

Table 4.4.1 Attraction of more foreign direct investment & financial support

No	Questions	SD	D	N	A	SA	Total	Mean	Std. Dev.
1	Implementation of IFRS improves comparability of financial statements		4	8	34	30	76	4.18	0.82
		0.00%	5.26%	10.53%	44.74%	39.47%	100%		
2	Implementation of IFRS improves credibility of financial statements		2	13	36	25	76	4.1	0.77
		0.00%	2.63%	17.11%	47.37%	32.89%	100%		
3	IFRS Implementation result in reduced cost of capital	2	8	32	23	11	76	3.43	0.95
		2.63%	10.53%	42.11%	30.26%	14.47%	100%		
4	IFRS provides better information for investors in decision making	1	4	8	28	35	76	4.21	0.92
		1.32%	5.26%	10.53%	36.84%	46.05%	100%		

Source: researcher's own survey,2020

As shown in Table 4.4.1, 5.26% of respondents disagreed with the survey on first question, 10.53% respondents said neutral, 44.74% & 39.47% responds agree and strongly agree respectively. 84.48% of the total respondents agreed that the implementation of IFRS improves the comparability of financial statement.

We can see that 2.63% of respondents disagreed with implementation of IFRS improves the credibility of financial statement from table 4.4.1, 17.11% responds neutral, 47.37% of respondents said agree, 32.89% respondents strongly agreed.

The 3rd question response from respondents evaluated as follows, the respondents reply 2.63 % says strongly disagree, 10.53 % says disagree, 42.11% & 30.26 % of respondents replied neutral and agreed respectively, the remaining 14.47 % responds strongly agree.

With respect to the implementation of IFRS provides better information for investors in decision making, 1.32% of respondents strongly disagreed, 5.26% disagreed, 10.53% of respondents said neutral, 38.64% of respondents agreed to the question, 46.05% strongly agreed. This implies that

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84.69% of respondents agreed to the issue, and implementation of IFRS provides better information for investors in decision making.

As a result, this result is consistent with the findings of Okpala (2012), (Abel, 2011), Harteneck (1997), Demaki(2013), and Irvane & Lucas (2006), who concluded that adopting IFRS provides comparable and accurate financial statements, improves the country's access to international markets, and simplifies investor decision-making. They also came to the conclusion that adopting the International Financial Reporting Standards (IFRS) reduces capital costs and promotes cross-border investment. Based on this, it's fair to assume that the above-mentioned advantages of adopting IFRS will help them retain existing shareholders and attract foreign direct investment. As a result, manufacturers will be able to file financial statements that meet the international standard. As a result, the financial statements are reliable and credible, which is the most important factor in attracting foreign direct investment, and the country's risk profile is established and predictable, which is important since foreign direct investment is more enticed when there is a high probability of benefit versus risk. The manufacturing sector's adoption of the International Financial Reporting Standards (IFRS) boosts Ethiopian foreign direct investment, boosting the country's economic growth. As a result, foreign investors will be able to compare investment portfolios in Ethiopia in a more educated, useful, and realistic manner.

According to the accounting and audit board of Ethiopia response with regard to IFRS implementation, IFRS eliminates some obstacles to financial information comparability between countries and decreases information asymmetry between domestic and foreign investors. In comparison to national accounting principles, IFRS has certain features that investors prefer. For example, IFRS emphasizes more comprehensive descriptions of accounting entries, which promotes clarity and would be useful to investors when making investment decisions. As a result, reaching and maintaining Ethiopia's economic growth potential requires the implementation of high-quality International Financial Reporting Standards (IFRS). The Ethiopian government passed the Financial Reporting Proclamation in 2014, recognizing the value of high-quality financial reporting and its contribution to the strengthened business climate needed to attract investment.

The main aim of providing globally harmonized accounting standards is to use standardized accounting languages all over the world to globalize businesses, finances, and investments. The adoption of IFRS eliminates the need for various accounting languages that are unnecessarily

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complex. Since IFRS provides a globally standardized financial reporting language, multinational companies can conveniently file their consolidated financial statements in uniform accounting language. Furthermore, these multinational companies benefit from the opportunity to transfer their workers around countries with other some training to adapt to different accounting languages.

Table 4.4.2 IFRS bridges the communication gap with stakeholders

No	Questions	SD	D	N	A	SA	Total	Mean	Std. Dev.
5	Implementation of IFRS provides financial reporting transparency		6	11	31	28	76	4.06	0.91
		0.00%	7.89%	14.47%	40.79%	36.84%	100%		
6	IFRS based financial statement is better understandable by stakeholders		10	13	32	21	76	3.84	0.98
		0.00%	13.16%	17.11%	42.11%	27.63%	100%		
7	IFRS provides full & detail disclosure than the previous standard			10	32	34	76	4.31	0.69
		0.00%	0.00%	13.16%	42.11%	44.74%	100%		
8	Implementation of IFRS reduces agency problem	1	5	33	24	13	76	3.56	0.89
		1.32%	6.58%	43.42%	31.58%	17.11%	100%		
9	Implementation of IFRS reduces communication barriers with stakeholders	2	8	17	34	15	76	3.68	0.99
		2.63%	10.53%	22.37%	44.74%	19.74%	100%		

Source: researcher’s own survey,2020

As shown in Table 4.4.2, the result of the survey obtained from the manufacturing firms for the 5th question shows that 7.89% respondents say disagree, 14.47% respondents reply to the question neutral, 40.79% responds agree and the remaining 36.84% responds strongly agree. The outcome shows that 77.63% of the respondents agreed that implementation of IFRS provides financial reporting transparency, it was an opportunity.

For the 6th question on IFRS based financial statement, the researcher asked the respondents to share their degree of agreements or inconsistencies with the issue. The respondent’s reply 13.16% says disagree, 17.11% & 42.11% of respondents replied neutral and agreed respectively, the remainder

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strongly agree with 27.63%. Of the total respondents, 69.74% of them agreed that implementation of IFRS based financial statement is better understandable by stakeholders.

13.16% of respondents neutral with the survey on question seven, 42.11% & 44.74% responds agree and strongly agree respectively. 86.85% of the total respondents agreed that the implementation of IFRS provides full and detail disclosure than the previous standard.

We can see that 1.32% of respondents strongly disagreed with implementation of IFRS improves the agency problem from table 4.4.2, 6.58% responds disagreement, 43.42% replied neutral, 31.58% of respondents said agree, 17.11% respondents strongly agreed.

The 9th question response from respondents evaluated as follows, the respondents reply 2.63 % says strongly disagree, 10.53 % says disagree, 22.37% & 44.74 % of respondents replied neutral and agreed respectively, the remaining 19.74 % responds strongly agree.

(ATU, Oghogho Gina et al., 2016). (Armstrong et al 2007, Covrig, Defond & Hung 2007), discovered similar result, if the language used to prepare financial statements is universally understandable, there is no need to consult with existing and potential investors. For a number of purposes, many consumers need accounting and financial data. IFRS-based financial data provides complete information in a language that is accessible to a broad range of users, including stakeholders. Since current and potential investors around the world understand the language of planning, no additional translation is needed. The adoption of the International Financial Reporting Standards (IFRS) would increase foreign investors' and investment analysts' trust in Ethiopian manufacturing companies' financial statements. It will help multinational corporations comply with global stock exchange disclosure requirements and allow them to prepare financial statements for all entities using a common set of standards.

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Table 4.4.3 Uniformity of accounting language

No	Questions	SD	D	N	A	SA	Total	Mean	Std. Dev.
10	IFRS avoids confusion resulting from using different reporting standards		6	12	31	27	76	4.03	0.91
		0.00%	7.89%	15.79%	40.79%	35.53%	100%		
11	IFRS improves understandability of financial statements		6	11	35	24	76	4.01	0.88
		0.00%	7.89%	14.47%	46.05%	31.58%	100%		
12	Implementation of IFRS could help to prepare single set of financial statements to different types of users		3	22	28	23	76	3.93	0.86
		0.00%	3.95%	28.95%	36.84%	30.26%	100%		
13	Accounting professionals can be employed everywhere in the world	1	4	22	27	22	76	3.85	0.94
		1.32%	5.26%	28.95%	35.53%	28.95%	100%		
14	Decreases confusing terminologies of business languages	1	9	20	25	21	76	3.73	1.03
		1.32%	11.84%	26.32%	32.89%	27.63%	100%		

Source: researcher's own survey, 2020

As shown in Table 4.4.3, the result of the survey obtained from the manufacturing firms for the 10th question shows that 7.89% respondents say disagree, 15.79% respondents reply to the question neutral, 40.79% responds agree and the remaining 35.53% responds strongly agree. The outcome shows that 76.32% of the respondents agreed that implementation of IFRS avoids confusions from using different reporting standards, it was an opportunity.

For the eleven question on understandability of financial statement for IFRS implementation, the researcher asked the respondents to share their degree of agreements or inconsistencies with the issue. The respondent's reply 7.89% says disagree, 14.47% & 46.05% of respondents replied neutral and agreed respectively, the remainder strongly agree with 31.58%. Of the total respondents, 77.63% of them agreed that implementation of IFRS improves understandability of financial statement.

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3.95% of respondents disagreed with the survey on question twelve, 28.95% respondents said neutral, 36.84% & 30.26% responds agree and strongly agree respectively. 67.10% of the total respondents agreed that the implementation of IFRS provides uniformity in preparing financial statement for users.

We can see that 1.32% of respondents strongly disagreed with implementation of IFRS create an opportunity for accounting professionals to be hired everywhere in the world from table 4.4.3, 5.26% responds disagreed, 28.95% replied neutral, 35.53% of respondents said agree, 28.95% respondents strongly agreed.

The 14th question response from respondents evaluated as follows, the respondents reply 1.32 % says strongly disagree, 11.84 % says disagree, 26.32% & 32.89 % of respondents replied neutral and agreed respectively, the remaining 27.63 % responds strongly agree.

Similarly, the finding result consistent with Choi (1998) (ATU, Oghogho Gina, RAPHAEL, Igbinsa Adeghe, ATU, Omimi- Ejoor Osaretin Kingsley 2016) and Abel (2011) Because of the differences in accounting languages between countries, accounting terminologies are unclear unless they are harmonized. As a result, the implementation of IFRS eliminates the need for various accounting languages that are excessively complex. The adoption of the International Financial Reporting Standards (IFRS) will result in global accounting language uniformity, which is a prerequisite for the globalization of business, finance, and investment, with the primary goal of removing the unnecessary uncertainty that exists when different reporting languages are used.

Table 4.4.4 Benefits for policy makers (management)

No	Questions	SD	D	N	A	SA	Total	Mean	Std. Dev.
15	Better access to the global capital markets	1	1	14	32	28	76	4.11	0.84
		1.32%	1.32%	18.42%	42.11%	36.84%	100%		
16	Promotion of cross-border investment	1		15	34	26	76	4.1	0.8
		1.32%	0.00%	19.74%	44.74%	34.21%	100%		
17	It will improve analysis of	1		12	37	26	76	4.14	0.77

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	information for decision making	1.32%	0.00%	15.79%	48.68%	34.21%	100%		
18	Accuracy and reliability of accounting information will be enhanced	1	1	13	40	21	76	4.03	0.79
		1.32%	1.32%	17.11%	52.63%	27.63%	100%		

Source: researcher’s own survey,2020

As shown in Table 4.4.4, the result of the survey obtained from the manufacturing firms for the fifteen question shows that 1.32% says strongly disagree, 1.32% respondents say disagree, 18.42% respondents reply to the question neutral, 42.11% responds agree and the remaining 36.84% responds strongly agree. The outcome shows that 78.95% of the respondents agreed that implementation of IFRS provides access to have better global capital markets, it was an opportunity.

For the sixteen question on promotion of cross border investment for IFRS implementation, the researcher asked the respondents to share their degree of agreements or inconsistencies with the issue. The respondents reply 1.32% says strongly disagree, 19.74% & 44.74% of respondents replied neutral and agreed respectively, the remainder strongly agree with 34.21%. Of the total respondents, 78.95% of them agreed that implementation of IFRS provides cross border investment for the company.

According to the accounting and audit board of Ethiopia response with respect to the question IFRS implementation promotes cross border investment, the promotion of the International Financial Reporting Standards (IFRS) in different countries would improve its comparability across borders that have adopted the IFRS set of standards. As companies migrate from several domestic accounting standards to a common set of standards, the introduction of IFRS improves financial information comparability.

1.32% of respondents strongly disagreed with the survey on question seventeen, 15.79% respondents said neutral, 48.68% & 34.21% responds agree and strongly agree respectively. 72.89% of the total respondents agreed that the implementation of IFRS will improve analysis of information for decision making.

We can see that 1.32% of respondents strongly disagreed with implementation of IFRS enhanced the accuracy and reliability of accounting information from table 4.4.4, 1.32% says the disagree,17.11% responds neutral, 52.63% of respondents said agree, 27.63% respondents strongly agreed.

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Table 4.4.5 Benefits for creditors

No	Questions	SD	D	N	A	SA	Total	Mean	Std. Dev.
19	Better information for decision making			10	33	33	76	4.3	0.69
		0.00%	0.00%	13.16%	43.42%	43.42%	100%		
20	More confidence in information presented		2	10	33	31	76	4.22	0.77
		0.00%	2.63%	13.16%	43.42%	40.79%	100%		
21	Better understanding of risk and return		3	14	30	29	76	4.11	0.84
		0.00%	3.95%	18.42%	39.47%	38.16%	100%		

Source: researcher's own survey, 2020

As shown in Table 4.4.5, the result of the survey obtained from the manufacturing firms for the 19th question shows that 13.16% respondents reply to the question neutral, 43.42% responds agree and the remaining 43.42% responds strongly agree. The outcome shows that 86.84% of the respondents agreed that implementation of IFRS provides better information for decision making.

For the 20th question, more confidence in information presented due to IFRS implementation, the researcher asked the respondents to share their degree of agreements or inconsistencies with the issue. The respondent's reply 2.63% says disagree, 13.16% says neutral, 43.42% & 40.79% of respondents replied agree and strongly agreed respectively. Of the total respondents, 84.21% of them agreed that implementation of IFRS increase confidence for the information presented.

3.95% of respondents disagreed with the survey on question twenty-four under table 4.4.5, 18.42% respondents said neutral, 39.47% & 38.16% responds agree and strongly agree respectively. 77.63% of the total respondents agreed that the implementation of IFRS provides better understanding of risk and return.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

Ethiopia has made progress towards being one of the fastest growing economies in Africa and continues to register impressive economic growth. One of the government ambitions which was planned is to make Ethiopia middle level income country in the year of 2025. In GTP II, the move to the manufacturing sector will require the mobilization of huge financial resources for investment, both from domestic resources and from FDI. Therefore, there is a need to strengthen the investment environment to keep the inflow of FDI maintained. High-quality financial reporting, focused on a robust account, is among other prerequisites for sustainable growth and an enhanced market climate. Based on the road map developed by AABE, the manufacturing industries were implemented the IFRS and presented their report according to the timeline framed. Based on the survey result collected and analysis, the challenges and opportunities of IFRS implementation by manufacturing industries major findings and recommendations are presented as follows:

The outcome of this study on the challenges of the implementation of IFRS revealed that the lack of preparation, the lack of commitment of management during the implementation of IFRS, the knowledge gap between the various stakeholders, regular release of trained staff, the lack of asset valuers are challenges among companies. The other challenges during implementation of IFRS was Cost of IFRS implementation is expensive, shortage of qualified professionals, cost of audit fee increased due to implementation of IFRS, the implementation road map developed by AABE does not take into account the capability and readiness of reporting entities, lack of appropriate conferences, seminars, forums, lack of successful monitoring by AABE are challenges for smooth transition and successful implementation of IFRS. The other challenges obtained from findings shows that, lack of involvement and consultation of professional bodies was becoming a challenge for successful implementation of IFRS. The finding indicates the work of the accountant's burden increased due to IFRS implementation, Cost of Asset Valuers is expensive, registering and estimating use life of fixed asset are another challenge. On the other hand, the required documents

to revalue assets are not available in most of the companies, difficult to access fair value for all assets are challenges encountered during implementation of the IFRS by manufacturing industries.

As far as the implementation of IFRS is concerned, the finding shows that it has also created opportunities for businesses, shareholders and investors providing better information for decision making. Implementation of IFRS improves access to international market, attracts investment, promotes cross border investment, provides full & detail disclosure than the previous standard, improves understandability of financial statements.

5.2. Recommendation

The following recommendations are given on the basis of the results of the study:

1. Professional bodies' involvement and consultation are critical to the effective implementation of IFRS, so these bodies must be powerful and perform independent oversight. The Ethiopia's accounting and auditing board should take the lead in promoting and expanding the country's small number of professional bodies.
2. To ensure the strength of the regulatory body and compliance agency, adequate resources must be placed to facilitate the long-term implementation of IFRS. The government should work actively to strengthen and ensure the Board's strength and effectiveness in this manner.
3. Companies, professionals, and all regulatory bodies should take ongoing training to close the knowledge gap, as international financial reporting standards are not a one-time activity.
4. As the finding shows that the cost of implementing IFRS is high, the number of skilled professionals involved in the conversion process in the country is rare. So that, the government should improve accounting professionals to increase both in number and quality
5. The companies should fill the gap as much as possible when the trained staff leave the organization. As the companies are competing with the world market, presenting consistent and quality of financial report are expected from the company. As finding shows, the work burden of accountants increased due to implementation of IFRS. So that, the company should reduce the employee's turnover by using different techniques. In other way, when the companies hiring the new employees, they should make familiar the employees with the standard.
6. Based on finding result, there was lack of asset valuers during conversion process at country level. For fairness of financial report, all concerned stakeholders should pay attention to increase the number and internationally accepted asset valuers.

5.3. Suggestion for future studies

This study was focused on challenges and opportunities of IFRS implementation in manufacturing industry of Ethiopia. Therefore, it would be highly appropriate for future studies to be conducted on quality of financial report of reporting entities after implementation of International Financial Reporting Standards(IFRS).

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Questionnaire

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

I am an MSC Program student of Addis Ababa University currently studying Accounting and Finance courses. The purpose of this questionnaire is to collect data that is thoughts to be useful for a research work on the topic of “**Challenges and Opportunities of IFRS Adoption in Ethiopia: the case of manufacturing industries**”. It is essential for a partial fulfillment of the requirements for the degree of Master of Science in Accounting and Finance. Since the data will be used only for research purposes, your frank and sincere responses will be highly appreciated. Moreover, I guarantee you that your responses will be treated confidential and will be used only for academic purposes. There is no need to write your name. Please put only one tick mark indicating your choice for each query. Note that each choice signifies your agreement on the degree of truth. (1-Stronglydisagree; 2-Disagree; 3-Neutral; 4- Agree; 5-Strongly agree).

If you have any questions or require clarification regarding this questionnaire, please contact me through my email address: gutaw2006@gmail.com Mobile: 0913 21 90 60

Thank you so much for sharing your candid information and for giving me your precious time.

Guta W/senbet

Part I: General questions

1. Gender Male Female
2. Age under 20 but over 17 21-30 31-40 Above 40
3. Your higher academic qualification Diploma Degree Masters PHD or above
4. Professional membership certification ACCA CPA CIA N/A Other (Specify) _____
5. Year of work experience 1-5 6-10 11-15 >15
6. Current position (Job Title) _____
7. Did you have attended any IFRS related trainings? Yes No
8. If your answer is yes to Q7 how adequate is the IFRS training that you have had for implementation of IFRS in your organization? Adequate Not Adequate Neutral

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9. Do you think that Implementing of IFRS will be challenging?

Yes No

Part II: Challenges and opportunities of IFRS Implementation

The following are list of challenges and opportunities during the implementation of IFRS by Ethiopian Manufacturing Industries. Note that each choice signifies your agreement on the degree of truth. **Where: SD=Strongly disagree; D=Disagree; N=Neutral; A=Agree; SA=Strongly agree**

Challenges during implementation of IFRS

No	Questions	SD	D	N	A	SA
	I. Adequacy of Transition Period					
1	The preparation & transition period of 18 months given by AABE is not adequate for conducting the IFRS transition process					
2	The national IFRS implementation Road map doesn't take in to consideration the capacity and readiness of reporting entities					
3	Implementation of IFRS is a complex process that requires extensive preparations					
4	Lack of enough time to assess relevant professional accountancy organizations					
	II. Capacity and Strengths of the Financial reporting regulatory Body (AABE)					
1	Lack of adequate workshops, seminars, forums etc. are challenges for smooth transition & successful implementation of IFRS					
2	The IFRS transition road map developed by AABE is not realistic and not takes into account the capacity and readiness of the nation in general the entities in particular					
3	Quantitative threshold set by AABE is challenging to identify and implement the IFRS					
4	There is no effective monitoring and process review of IFRS implementation process by AABE					
	III. Professional Accountancy (Associations) Bodies					
1	The engagement & consultation of professional bodies are a challenge for successful implementation of IFRS					

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2	Shortage of Qualified Professionals are a challenge for successful implementation of IFRS					
3	unfair competition was emerged among professionals during implementation of IFRS and affected the quality of the report					
4	The accountancy professional bodies fail to contribute for the successful implementation of IFRS					
	IV. Education and Training					
1	Gap between the accounting education thought in Ethiopian Higher education and IFRS requirement is a challenge to get competent accountants					
2	Inadequacy of training institutions and facilities with an affordable cost is a challenge to fill skill gaps of IFRS implementing teams					
3	There was limited training on IFRS prior to its implementation					
4	Lack of adequate technical capacity building schemes is a challenge for IFRS implementation					
5	Limited availability of training materials at an affordable cost is a challenge for IFRS implementation					
	V. Cost of IFRS Implementation					
1	Cost of Staff training is expensive					
2	Cost of IFRS Implementation is expensive					
3	Small number of professionals who are technically competent in implementing IFRS increased the consultancy fees					
4	Cost of Updating accounting system is expensive					
5	Cost of Purchasing IFRS Guiding Materials is expensive					
6	Cost of audit fee increased due to the Implementation of IFRS					
	VI. Management Support					
1	Lack of Management's understanding of accounting and financial reporting standards					

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2	Experience of managers in implementing IFRS is not sufficient enough					
3	Lack of Commitment and understanding of the executive on timely and successful implementation of IFRS					
4	Management's IFRS Knowledge Gap					
5	Lack of cooperation with IFRS implementation teams					
	VII. Employee's resistance to change					
1	IFRS is negatively perceived by employees and owners					
2	Employees do not need to shift & accept the new standard					
3	People by nature is resistant to change					
4	Employees do not perceive the benefit of IFRS					
5	Work and burden of an accountant increased due to implementation of IFRS					
6	IFRS has increased complexities in preparing financial statements thereby increased the risk of errors and omissions					
7	Disclosures for each entry is challenging					
8	Derecognition of financial and non-financial asset is challenging					
	VIII. Asset valuation					
1	Lack of Asset Valuers					
2	Cost of Asset Valuers is expensive					
3	Registering and estimating use life year of fixed asset are challenging					
4	The required documents to revalue assets are not available					
5	The fair value measurement can bring a lot of volatility and subjectivity in financial statements					
6	Difficult to access fair value for all assets					
7	Observable market transaction or market information is not available					
8	Measuring non-financial assets is difficult					

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9	Complying with IFRS standards requires a number of significant changes in the way that finance departments collect, classify and present financial data.					
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Opportunities of IFRS implementation for the company

No	Questions	SD	D	N	A	SA
	I. Attraction of more foreign direct investment & financial support					
1	Implementation of IFRS attracts investment & financial support					
2	Implementation of IFRS improves access to international market					
3	Implementation of IFRS improves comparability of financial statements					
4	Implementation of IFRS improves credibility of financial statements					
5	IFRS Implementation result in reduced cost of capital					
6	IFRS provides better information for investors in decision making					
7	IFRS promotes cross border investment					
	II. IFRS bridges the communication gap with stakeholders					
1	Implementation of IFRS provides financial reporting transparency					
2	IFRS based financial statement is better understandable by stakeholders					
3	IFRS provides full & detail disclosure than the previous standard					
4	Implementation of IFRS reduces agency problem					
5	Implementation of IFRS reduces communication barriers with stakeholders					
	III. Uniformity of accounting language					
1	IFRS avoids confusion resulting from using different reporting standards					
2	IFRS improves understandability of financial statements					
3	Implementation of IFRS could help to prepare single set of financial statements to different types of users					

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4	Accounting professionals can be employed everywhere in the world					
5	Decreases confusing terminologies of business languages					
IV. Benefits for policy makers (management)						
1	Better access to the global capital markets					
2	Promotion of cross-border investment					
3	It will improve analysis of information for decision making					
4	Accuracy and reliability of accounting information will be enhanced					
V. Benefits for creditors						
1	Better information for decision making					
2	More confidence in information presented					
3	Better understanding of risk and return					

⇒ Do you agree IFRS implemented in your organization properly? If not, please mention the challenges.

⇒ Please provide any additional observations or comments with respect to the Implementation of IFRS by your company.

Thank You!

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<u>List of the Manufacturing Companies the study Was Carried Out on the Basis of IFRS Implementation</u>			
S. N	Company Name	Town	Remarks
1	Abem Textile Factory	Addis Ababa	
2	Abyssinia Cements PLC	Addis Ababa	
3	Abyssinia profiles PLC	Addis Ababa	
4	Alkyd Resin S.C	Addis Ababa	
5	Asku PLC	Addis Ababa	
6	Avon Industry	Addis Ababa	
7	Balezaf Alcohol and Liquors Factory PLC	Addis Ababa	
8	Bees General Trading PLC	Addis Ababa	
9	Belayab cable manufacturing PLC	Addis Ababa	
10	Berbero Petrochemical Industry PLC	Addis Ababa	
11	BGI Ethiopia	Addis Ababa	
12	Central Printing Press PLC	Addis Ababa	
13	DH Geda Blanket Factory PLC	Addis Ababa	
14	DH Geda Dyeing & Bleaching Factory PLC	Addis Ababa	
15	Ethiopian Balestra Factory S.C.	Addis Ababa	
16	Ethio-Leather Industry PLC(ELICO)	Addis Ababa	
17	Excel commerce PLC	Addis Ababa	
18	FAFFA Food Factory	Addis Ababa	
19	Heineken Breweries S.C	Addis Ababa	
20	Horizon Addis Tyre Manufacturing plc	Addis Ababa	
21	Kaliti Food Complex plc	Addis Ababa	
22	Mo-ya Food Complex plc	Addis Ababa	

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23	SA'AA Dairy Farm	Addis Ababa	
24	Shoa cotton ginning	Addis Ababa	
25	Sunny Steel Pipe Manufacturing Plc	Addis Ababa	
26	Tsehay Industry S.C kaliti metal products factory	Addis Ababa	
27	TTK plc	Addis Ababa	
28	United Beverages	Addis Ababa	
29	Universal Plastic Factory plc	Addis Ababa	
30	Bekas Chemicals PLC	Addis Ababa	Excluded from study
31	Elsewedy Cables Ethiopia plc	Addis Ababa	Excluded from study
32	Mintu Plast Plastic Raw Materials Production PLC	Addis Ababa	Excluded from study
33	Moha soft drinks Industry	Addis Ababa	Excluded from study