



**OPPORTUNITIES AND CHALLENGES OF INTERNATIONAL  
FINANCIAL REPORTING STANDARDS (IFRS) IMPLEMENTATION BY  
PRIVATE COMMERCIAL BANKS OF ETHIOPIA**

**BY:**

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**SUMMITTED TO ADDIS ABABA UNIVERSITY COLLEGE OF  
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**ADDIS ABABA, ETHIOPIA**

**Addis Ababa University**  
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This is to certify that this thesis prepared by Fantaw Biyargo, entitled; “**challenges and Opportunities of IFRS implementation by Private Commercial Banks of Ethiopia**” 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.

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**STATEMENT OF DECLARATION**

I, Fantaw Biyargo , hereby declare that this research work entitled; “Opportunities and challenges of IFRS implementation by Private Commercial Banks of Ethiopia ” submitted by me for the award of the Degree of Master of Science in Accounting and Finance, is my own original work and that all sources of materials used for the study have been duly acknowledged.

Fantaw Biyargo

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Signature

Date

**ENDORSEMENT**

This thesis Submitted to the School of Graduate Studies of Addis Ababa University College of Business and Economics for examination with my approval as a university advisor

Abebaw Kassie (PhD). \_\_\_\_\_

Signature

Date

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## **ABSTRACT**

*The implementation of IFRS increases the organizations' competency and creates a unified accounting language internationally. The aim of this study is to assess the opportunities and challenges of International Financial Reporting Standards implementation by private commercial banks of Ethiopia. In order to answer basic research questions, the study employed both quantitative and qualitative (mixed) approaches. The Primary data sources were used for the study and collected by initializing the self-administered (structured) questionnaires and semi-structured interviews of the IFRS implementation team. From the total population of 76 IFRS teams 63 samples are selected. Simple random sampling techniques used in this study, and the collected data analyzed through descriptive statistics, using SPSS software Version 20. The findings of the study reveal that implementation of IFRS has opportunities that enhance consistency and verify the effectiveness of the company's financial statements, give reliable financial information, management able to understand the financial position of the bank, and detailed employee benefits. However, there are challenges that the finding confirms mainly; high consulting fees, continuous staff training, insufficient practical knowledge and experience, the preparation of IFRS financial statements are more complicated, the banking IT system has not yet integrated with the IFRS process, local regulatory body (AABE) does not provide a financial report review, the absence of the stock market brings the fair value measurement problems due to this reason, there is difficulty exactly measure the fair value of equity investment. Finally, the researcher recommends that Private banks should reduce costs of consultancy by outsourcing new qualified and well-experienced employees, Should design software that enhances a financial report integrating with IFRS system, should make sure financial statements be relevant and comply with disclosure requirements, develop employees' capabilities and potential to provide regular practical training, and private banks should clearly communicate relevant information with a local regulatory body.*

**Keywords:** *International Financial Reporting Standards (IFRS), Private Banks, Implementation, Opportunities, Challenges.*

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## LIST OF ACRONYMS

<b>IFRS</b>	International Financial Reporting Standards
<b>IAS</b>	International Accounting Standard
<b>IASB</b>	International Accounting standards Board
<b>GAAP</b>	General Accepted Accounting Principles
<b>IASC</b>	International Accounting Standard Committee
<b>DPOC</b>	Due Process Oversight Committee
<b>AABE</b>	Accounting and Auditing Board of Ethiopia
<b>BOD</b>	Board of Director
<b>ACCA</b>	Association of Chartered Certified Accountant
<b>CPA</b>	Certified Public Accountant
<b>CMA</b>	Certified management Accountant.
<b>NGO's</b>	Non-Governmental Organization
<b>FVA</b>	Fair Value Accounting
<b>IT</b>	Information Technology
<b>SME</b>	Small and Medium Enterprise
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>NBE</b>	National Bank of Ethiopia
<b>FDI</b>	Foreign Direct Investment
<b>ICAG</b>	Institute of Chartered Accountants Ghana
<b>EU</b>	European Union
<b>ERCA</b>	Ethiopian Revenues and Customs Authority
<b>MOR</b>	Ministry of Revenue
<b>SPSS</b>	Statistical package for social science
<b>KPMG</b>	Klynveld Peat Marwick Goerdeler

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study and Organization

Accounting provides to the customers, Investors, enterprises, company's, regulators, and others through a standardized way to provide an explanation for the financial presentation and activities of their business entities. The business listed on public stock exchanges is legally required to publish financial statements according to the applicable accounting standards. This standard is named International Financial Reporting Standard (IFRS) As we have already concerned with the globalization of business, and we often refer to the world as universal village, hence, it becomes very much vital to talk about business in an international language, which is comprehensible as well as comparable a different ways IFRS is fundamentally known as only one set of accounting standards, established and presented by the International Accounting Standard Board (IASB), with the intention of those standards being accomplished to being applied on a global consist basis by developed, emerging and developing economies' standards are now mandated to be used more than 143 countries, which include European Union and by more than two-thirds of the G20 and other different global companies have reliably and take responsibility by sustain the exert effort of the board and its missions (Ismail, 2017).

The IASB has accountability to every procedural matter emerging the preparation and implementation of standards. The IASB is devoted to developing, to the public interests, a one set of high value, understandable, and enforceable worldwide the accounting standards that need easily comparable and transparent update information in general purpose financial statements widely. Moreover, the IASB work with national accounting standard-setters to attained convergence in accounting standards around the world. The IASB has adopted every current IASs and start to issue its own standards, IFRS (Elliott, 2019).

The IFRS has intend for general purpose of financial statements, and profit-oriented companies they are engaged in, industrial, commercial business, financial, and similar activities, whether in the form a company or organized or in other forms. They include organizations such as mutual insurance, and co-operative companies that provide annual dividends or other economic benefits directly and proportionately to their owners, members or participants directly or on a pro rate basis.

Although IFRSs are not intended to apply to not-for-profit activities of the private sector, public sector or government, entities engaged in such activities may consider them appropriate. The International Public Sector Accounting Standards Board (IPSASB) establish and developed accounting standards for public sector enterprises rather than government and government agencies in accordance with IFRSs. (IFRS Foundation, 2017)

According to the council of law No.332/2014 regulation to provide for the formulation and to determine the guide of the accounting and auditing board of Ethiopia proclamation No.691/2010(as amended via proclamation no.803/2013) and Article-four(1) of the Financial Reporting Proclamation No 847/2014, in accordance with this to provide for financial reporting it has ended up via to build a complete transparent, and understandable financial reporting system applicable to all entities both private and public sectors. Constancy financial reporting law improve transparency and accountability via centralizing and decentralized financial reporting structure of Ethiopia to care various building blocks of the economy and to minimized financial problem, corporate it is necessary to ensure that the provision of financial information meets internationally recognized reporting standards Whereas it is necessary to establish a body that undertakes regulatory responsibility in the financial report hence, in harmony with Article 55(1) of the constitution of Federal Democratic of Ethiopia it is hereby proclaimed as follow this proclamation cited (“Financial Reporting proclamation No 847/2014”). On the other hand, when comes to Ethiopia, implementing of IFRS is a very vital to stable “economic growth and developments”. IFRS it provides an opportunity to the investors and other users through high quality of financial reports. IFRS will enhance stability, stewardship, accountability and transparency both at the government level and institutional. It will enhance educational level of professional accountants, standards-setting bodies and improve their policies and mobilize financial resources for business investment. In general, IFRS implementation contributes to Government efforts of improving best governance so as to minimize the degree of corruption and rent-seeking activities All of these will in flip help to eliminate the key impediments to growth that are commonplace in rising economies like Ethiopia (AABE, 2015).

This research study seeks to assess with the main variables the opportunities, and challenges of IFRS implementation by private banks during and the post-implementation and the variables of the IFRS implementation are opportunities, scarce resources, regulatory body (AABE), management support, and fair value of investment property and equity investment by

simultaneously analyzing the issues and outcomes of IFRS implementation. The motivation of the researcher is to identify the theoretical aspect of IFRS and practical implementation challenges and to give a better a solution.

## **1.2. Statement of the Problems**

In Ethiopia, the non-public banking sectors (private banks) play a critical role in monetary improvement, economic growth, and development likewise it has big various contribution for the new job opportunity of local nations, business and individuals can invest to get lower investment risk, gives different financial services, and minimized risk to financial constancy, in addition to this, it provides the provision of funds to other productive sectors of the Ethiopian economies growths.

There perhaps certainly is essential for a universal set of global accounting and financial reporting standards. These standards will be understood, used, and interpreted in similar way by different people on the field. Traditionally, countries worldwide have had their own local accounting standards because of the pleasure of countrywide sovereignty. However, the preference to become worldwide players and one of the globalization movement has led companies across countrywide boundaries to understand that it is clear-sighted the business strategy. On this global, international markets, using different rules and standards of accounting for the scope of recognition, measurements, and the reporting of financial results would not help countries to achieve their goal of internationalization; rather, it would serve as a severe obstacle to smooth flows of information across borders (Mirza & Ankarath, 2013).

International Financial Reporting Standards improve accountability by narrowing the factual evidence gaps among the capital providers and to the users entrusted their liquid asset(money) The standard we give provides the data (information) needed to maintain a control account. As a similar statistical on a global scale, IFRS Standards are very important, and significant to global regulators agencies, and IFRS has a role to economic productivity with the help of supporting investors to assess benefits, opportunities, and risks all over the world, thus enhancing allocation of the resources (Trivedi, 2020). Various studies have been conducted in the past, covering the benefits, opportunities and challenges of implementing IFRS in different areas by different Countries. From these, according to the "India IFRS Implementation Study: Opportunities and Challenges" conducted by (Pawan, 2011),the survey result shows that IFRS adoption is not yet to enough, so

every internal and external interested user will not easily come together and smoothly teamwork for the adoption process of IFRS in the organizations.

According to (Zakari, 2014), a study on challenges of implementing IFRS in Libya among the finding results show that it is in consisting of existing tax law, regulatory frame work, lack of accounting profession, lack of an independent oversight body, problem of accounting education, , economic issue and culture. On the other hand as noted by (Bendovschi O. S., 2016), study conducted the survey results show that financial statements and opportunities prepared in accordance with IFRS are the best way to satisfy international investors, but lacks knowledge of professional accountants, in implementing IFRS it faces challenges to Romania.

According to (V N & Akhin, 2017) study paper of the IFRS implementation in India benefit and challenge and the result reveal that the implementation problem is implementation cost, lack of awareness about IFRS among external users example Investors and there is no a uniform for accounting guidance issued by regulators. On the other hand, as stated by (Zoubi, 2017) study show IFRS adoption needs highest competent knowledge, and skill capability to understand and interpret those given standard, and then must be used, and the existence of qualified and knowledgeable professional has a key role in the adoption process of IFRS. Besides this ethical consideration, awareness, high level of education has a role in the adoption.

As per a research report conducted by (Almansour, 2019), the challenges and opportunities brought by the adoption of IFRS in Saudi Arabia. The finding results indicate that, a view of many prepares different financial information in the country's banking sector and adoption, influenced by the lack of unskilled manpower and competent specialist

According to the research conducted by (Gelaye, 2019), the main challenges for companies to adopt IFRS have been identified, so this researcher was used in the system meta-analysis method. The research results show that financial reports are complex, training costs are high, and experienced experts are insufficient, problem of appropriate plan of financial institutions to IFRS implementation.

As noted to the research of (Shiferaw & Assefa, 2020), Ethiopia's interests and transformation challenges. The result shows that IFRS adoption has been improved the effective and efficient of financial reporting, and it provides better information for management decision making and enhance reliability and accuracy in addition to this it proves to reduce capital cost, and it encourage

and attract board investments, but there are implementations challenges rise such as educational, technical, and institutional challenges. On the other hand according to (Gibru & Aynalem, 2020) research study finding result indicated that most of the time accounting professionals training and lack of competent man power are challenges for countries to convergence of global accounting standards

Therefore, Private commercial banks are selected because of them are obliged to produce financial statement based on the standards since July 7, 2018, and all those private banks have been implemented and prepared in as per IFRS as issued by IASB and additional information required by national regulation if it has been needed.

Based on the above previous research studies, the implementation of IFRS has its own opportunities and challenges. Hence, this study has proven critical in bridging the knowledge gap by identifying and filling that not observed by other researcher related opportunities and challenges of IFRS implementation in private commercial banks of Ethiopia by raising the question and answering the question about IFRS during implementation and post-implementation of the variable issues in relation to the challenge of IFRS implementation and identifying the opportunities that not observed by other researchers.

### **1.3. Research Questions**

The research questions are emanated from research problems and to achieve the objective. This study tried to find answer the following research questions

- 1) What are the opportunities for private commercial banks of Ethiopia to implement IFRS?
- 2) How does scarcity of resources affect IFRS implementation in Private Commercial Banks of Ethiopia?
- 3) What is the role of providing Management support for Private Commercial Banks of Ethiopia to implement IFRS?
- 4) What is the Contribution of the regulatory body (AABE) to the IFRS implementation by Private commercial banks of Ethiopia?
- 5) How does the fair value of investment property and equity investment determine the implementation of IFRS by Ethiopia Private Commercial banks?

## **1.4. Objectives of the Study**

This research intends to address two distinct objectives namely general objective and specific objectives that aimed to be meet the final research study needs.

### **1.4.1. General Objective**

The General objective of the study is to assess the opportunities and challenges of IFRS implementation by Private Commercial Banks of Ethiopia.

### **1.4.2. Specific Objective**

- To assess the opportunities of IFRS implementation in private commercial banks of Ethiopia
- To assess the resources in implementation of IFRS
- To assess management support for IFRS implementation
- To examine the contribution of the regulatory body (AABE) to the implementation of IFRS
- To assess the fair value of investment Property and Equity Investment to the IFRS implementation

## **1.5. Significance of the Study**

Many countries have studied the implementation of IFRS in different commercial institutions, but this study provides more results for the relevant literature in Ethiopia The study has many benefits and provide a better understanding about of the opportunities and challenge of IFRS implementation to prepare quality financial statements with full disclosure to all users such as, management, officers, auditors Investors, Shareholders, local regulatory body (AABE), practitioners, and Academicians by assessing the issues that challenges to the IFRS implementation to provide adequate, useful financial information about theoretical and actual opportunities issues. It is also important for stakeholders to provide evidence and to enhancing confidence by improving the accuracy of financial information, improve the decision-making capacity, to enhance the value of financial statement reporting, and moreover, it improves forecasting competitors to actual and potential investors about the future income of the organization. What's more, it will help researchers to promote more research interests and to acquire basic experience regarding several issues in this field of study.

## **1.6. Scope of the Study**

The general aim of the study to assess the implementation of IFRS in Ethiopia limited area of 16 private commercial bank headquarters that practically implemented IFRS. In these private bank sector, for this research study researcher has easy access to vital study resources and respondent. Government owned Commercial Bank of Ethiopia is omitted from this study due to its large size and complexity. Therefore, this research study limits the opportunities and challenges of Private Commercial Banks of Ethiopia.

## **1.7. Limitation of the study**

This study has conducted only on Private commercial banks in Ethiopia that actually or practically implemented since June 30, 2018- June 30, 2020 G..C and hence the researcher did not incorporate other financial institutions such as commercial banks of Ethiopia, Insurance companies, and large tax payers of private limited companies, therefore the research finding result not generalized as a whole.

## **1.8. Organization of the study**

The thesis has organized into five chapters: the first chapter has an introduction for the studies which states the general introduction. The second chapter focus on reviewing the literature theoretical, conceptual, and empirical literature related to the research area of International Financial Reporting Standards, and its implementation and also refers to previous studies. The Third chapter covered research design and methodology. The fourth chapter devoted to data result presentation, analysis, interpretation, and discussion. The fifth chapter has covered result summary of findings, conclusion, and recommendations.

# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.1. Introduction**

This chapter presents a review of literature it covers theoretical and empirical review part, and it focus on International Financial Reporting Standards (IFRS), and various issues relating to opportunities and challenges of IFRS implementation. Theoretical review consists of International Financial Reporting Standards, harmonize accounting standard, standard setting body's, and accounting standards and regulations followed by empirical study of related to opportunities and challenges of IFRS implementation. At last, it will summarize the review literature and identify the knowledge gap with the current literature and conceptual framework.

### **2.2. Theoretical Review**

#### **2.2.1. International Financial Reporting Standards (IFRS)**

According to the IFRS ,the American institute of Certified Public Accountants (AUCPA) is “International Financial Reporting Standard are a set of single accounting standards, that established by the International Accounting Standard board (IASB),that is becoming the worldwide standard for the report of Public organization financial statements” (Surtikantj , 2020). IFRS are a set of IASs stating how particular categories of transactions and different events must be reported in financial statement. IFRS are issued by the International Accounting Standards Board, and they specify exactly how accountants have to maintain and report their accounts. IFRS were established in order to have a common accounting language, so business and financial records can be understood from company to organization and country to country IFRS Standards are evolved by way of the board, the standard-setting body of the IFRS Foundation a public-interest organization with award-winning levels of transparency and of involvement stokehole's. 150 London-based staff are from almost 30 exclusive countries. The Board's, twelve members are selected and supervised by 22 trustees from around the world, who are in turn accountable to a monitoring board of public authorities. The factors of IFRS is to continue constancy and transparency for the duration of the international financial aspect. This allows companies sand

individual investors to make educated financial decisions making, as they are able to see precisely what has been occurring in the organization in which they want to make invest (Ismail, 2017).

Users of financial statements such as Investors, creditors, financial specialists, and others user would welcome to the adoption of a truly comprehensive established accounting standards that provide transparent and comparable quality information. A known mutual set of standards is required, otherwise it is difficult to compare financial information prepared by entities located in different parts of the world (unless the financial information also includes reconciliations under different standards, which is a very expensive proposition for international conglomerates that operate in several countries). Therefore, in an increasingly global economy, it is imperative to use a single set of high-quality accounting standards, which facilitates investment and other economic decisions across borders, increases the international market efficiency, and reduces the cost of capital. IASB emphasizes the development of standard based on concrete and clearly well-defined principles that need interpretations sometimes referred to as principle-based. This is in contrast to sets of standards like the U.S.A Generally accepted accounting principles (GAAP) a US accounts standard that contain a much larger implementation guide. These standards are rules-based standards, but that is really a misnomer as U.S. standards depend on principles, they just contain more application guidance (or rules) in addition IFRS is generally not a light line that distinguishes the circumstance in which different accounting requirements are desired it. The International Accounting Standards Committee (IASC), the predecessor of IASB, was established in 1973 and entered into force under an agreement among professional accountants from Australia, Canada, France, Germany, Japan, Mexico, Netherlands, United Kingdom and Ireland, and America. The purpose to establish the IASC was to maintain, in the public interest, and accounting standards that would be acceptable internationally in order to produce a better financial reports (Mirza & Ankarath, 2013)

### **2.2.2. Why it is IFRS Necessary?**

According to (Adhana, 2020) studies IFRS are necessary to all Countries in different ways because it bring transparency in the financial statement of the companies to help the investors to take better economic decisions, thus standards strength accountability by removing the bridge between the people who invest the capital and the person whom money is given, it improve the economic efficiency of the companies, it helps the companies to identify the business opportunity and risk

associated with the business, there is a use of single accounting language over the globe, and it lowers the capital cost and reduces reports cost to regulate affairs across all over the world.

### **2.3. Theoretical Framework of IFRS**

According to (Chukwutem, 2016) Globally, differential financial reporting has been implemented in various paperwork by different countries. Before the emanate from International Financial Reporting Standards (IFRS), countries adopt different reporting standards, which either are a local standard or borrowed from the existing IAS, form of reporting. IFRS adoption according to (Amanamah, 2017) is believed to enhance greater transparency and disclosures in financial statements. This will eventually lead to the harmonization of financial statement across borders. IFRS are more objective and principal based, the other researchers (Shabana and Samant,2011) also argue for the necessary of single accounting standard for favor of the global convergence of accounting standards asserting that convergence in accounting standards is very positive development as it contributes to the free global investment and achieve substantial benefits.

### **2.4. Process of IFRS Standard Setting**

In order to implement the due process of IFRS, the IASB has its own procedures, in due process which are currently stipulated in IFRS Foundation Due process hand book issued in February 2013 by the Due process oversight committee (DPOC), and updated in June 2016 include the final IFRS Taxonomy due process. The DPOC is responsible for reviewing regularly together with IASB and the IFRS foundation staff the due process activity of the standard-setting activates of IASB, reviewing and proposing updates to insure that IASB Procedures are best practices, reviewing the composition of the IASB's consultative groups, responding to a correspondent from third parties about due process matter, monitoring the effectiveness of IFRS advisory council and at last making recommendation to the trustees about the constitutional amendment or change The due process comprises six-stage thus are (1) setting the agenda (2) project planning (3) developing and publishing a discussion paper (4) developing and publishing an exposure draft (5) developing and publishing the IFRS, and (6) procedures after an IFRS is issued. The procedures additionally it consists of discussion of staff papers, outstanding the principal issues, and analysis of comments, and other exposure drafts (Salim, et al., 2020).

## **2.5. Accounting Principles and applicability of IFRS**

The IASB standard has the authority to set IFRS and to approve interpretation of those standards. IFRS is intended to be applied by profit-oriented entities. These entities financial statements gave information about performance position and cash flow that is necessary to a range of users in making financial decision these users include primary users, existing and potential investors, lenders, and other creditors, and other users' employee, suppliers, customers, governments, and their agencies, regulators and public might find general purpose more useful the financial report. The concept underlying accounting practices under IFRS are set out in the IASB's conceptual framework for Financial Reporting issued in March 2018 (framework) the main section of the framework is the status and purpose of the conceptual framework, the purpose of general financial reporting. Valuable financial information, quality characteristics of financial statement and reporting entities, financial status, components of financial statement, confirmation, recognition and no recognition, measurement, presentation and disclosure, and concept of capital and maintain of capital. (PwC | IFRS overview, 2019).

The World bank has played a largely unnoticed, but very influential, role in persuading the accounting profession and governments in developing countries and in countries with emerging economies to move towards the adoption and implementation of standards issued by the IASB, called International Financial reporting standards (IFRS) with the vital collaboration of the inter-American development financial institution (bank), the World bank succeeded in bringing most of the countries in Latin America on board with IFRS. Banks expect that, by the using IFRS to replace the typical flawed national accounting codes, companies in these countries will make important business decisions. (Praquin, 2016).

## **2.6. Adoption of International Financial Reporting Standards in Ethiopia**

According to proclamation No 847/2014, on December 5, 2014, directing all entities both Public and private to adopt uniform reporting in accordance with article 55(1) of the constitution of Federal Democratic of Ethiopia. This Financial Reporting proclamation establishes the Accounting and Auditing Board of Ethiopia (AABE), determines the financial reporting and auditing standards, sets an obligation for the audit of financial statements, and requires registration of financial statements. The Role of AABE among other entity embrace Issue standards and directive relating to financial reporting and auditing, conducting inquire and investigation set

criteria to distinguish reporting, receive and register a yearly financial statement of reporting entities and monitor compliance IFRS for SME, but public entities are not allowed to use this standard, International public Sector accounting standard applicable to government sector bureaus and charities and societies(NGO's)reporting entities shall submit their financial report to the board. The board will determine the timing schedule, submit reports to other competent public bodies in accordance with other laws these reports should be the same. Moreover, Auditing Financial statements of reporting entities should be audited, the reporting entity other than public bodies and micro enterprise. The audit should be conducted in accordance with International standards on Auditing copies of financial statement and auditors report should be delivered to the board for registration within 20 working days from the date of financial statements (Negarit Gazette, 847/2014).

## **2.7.The Role of Accounting and Auditing Board of Ethiopia**

AABE is the statutory body established under financial reporting proclamation No 847/2014, whose main purpose of protect the public interest In order to achieve the goal AABE has responsibility for regulating the profession, and issue national accountancy qualification, for international recognition, setting accounting and auditing standard, review and work of professionals, and it has role to provide profession qualification training, support education and continuous professional development plan and in addition to implementing this AABE, it also implements the financial reporting law arrange road map for implementation of IFRS, and take action plan for effective implement of IFRS, review the IFRS annual financial report of Ethiopian public and private as well as non-governmental organizations (AABE,2015)

## **2.8. Harmonization, Convergence, and Adoption of IFRS**

Harmonization is the process that aims to approximate different systems and it enhance the comparable of accounting performs by setup line to the quality of variation. The concern for the harmonization new accounting standards and then, convergence in the 1990s with IFRS are due to the internationalization of the raised capital, list securities, capital market Investors now seek investment opportunities globally many business entities continue to expand their operations across national borders of their business areas. Business organizations are looking for capital at the minimum cost. Security markets are crossing national boundaries of the world's largest stock exchanges communicate each other via IT of internet used to communicate. There is a need for

their transparency in company reports so that financial users, and other users of financial information of companies could compare their activity from one country also there the transfer information that is relevant, and understandable to meet the desire of investors, for easy comparison of industry financial performance, and the decision to buying, hold or selling is made simply reduction of the difference in principles between Countries local financial reports (Odia .J.O. and Ogiedu K.O., 2013). On the other hand, according to (Phuong & Khoi, 2012) argue that globalization influence on international harmonization of accounting this means globalization is considered as big social phenomena in the history of man. It is a process that increases the communication of the world's markets and business. This process accelerated dramatically at the beginning of modernization as technological advances made it easier for humans to travel communicate, and do the businesses globally keep it. This raised a question about both the introduction globalization of and its impact on socio-economic activates all over the world.

### **2.8.1. The Process of International Harmonization of Accounting Standards**

In this ways, the harmonization of international Accounting can be defined as “the process of approximation of accounting standards in accordance with such that the financial statement of different countries is prepared according to several common principles of accounting and transparency” reconciliation can be conceived as the condition under which only a limited number of accounting methods are used. Harmonization means that deviant rules that do not exclude each other able to remain to exist next to each other. This fact that harmonization not emphasis on deduct change but on reduce rules that are in conflict with each other. Harmonization can be conceived in two dimensions thus are material and formal harmonization. Material harmonization refers to harmonization according to differences enterprises but formal harmonization is related to similarities and different between the rules of different countries or different groups (Malaj, 2020).

### **2.8.2. Concept of Convergence and Adoption of IFRS**

There are two Ways to implement of IFRS, namely Adoption and Convergence. Let us look at one by one, Adoption Means Adopting IFRS or adopting other methods. Companies making use of IFRS would be implemented in the similar way as the IASB. The Adoption of IFRS refers the standards implemented by countries are the blue print of IFRS. Whereas, Convergence means implementing IFRS with a few change or modification to IFRS (Adhana, 2020). In other way, (Emmanuel, 2016) explained that the term Adoption means that the national rules are set aside and

replaced by IFRS requirements. In a simple term, when a country or jurisdiction adopted IFRS, it means that the country shall be implemented IFRS in the same manner as issued by IASB and should 100% comply with the principles and standards issued by the IASB, and applied the given guides, and in different phrases, Convergence is then this process of converting a country's accounting Standards board when using IFRS would work together with in the IASBs to develop comparable accounting standards with the best quality throughout the time given. Convergence is then the gradual process of changing a country's accounting standards towards IFRS, for this reason it's far to all intents and shape of harmonization or standardization for new standards.

### **2.8.3. Convergence with reference to IFRS**

Convergence in there, a simple term that is to say, achieving harmonization with IFRS. Globally, we can say design, and preserve the previous local GAAP in such a way that Countries' financial statements are presented in accord with compliance of IFRS, so to make an easy comparison with international entities it is better to have common rules and regulations to prepare a financial statement by all companies internationally, and the need for convergence to all countries among these are single set accounting standard all over the world, beneficial to regulators too, as a complexity associated with understanding various reporting regimes would be reduced, the compliance burden on the companies will be reduced as they did not require preparing a separate statement to comply with statutes of each state of financial statement information (Bhatia D. A., 2014).

## **2.9. Approaches to IFRS Adoption**

As cited by (Alemi & Pasricha, IFRS Adoption Progress in Ethiopia, 2016)), a country can use IFRS for total replacement or customization over time, thereby changing its previous accounting system to international accepted standard called IFRS. The primary techniques are called adoption similar as a convergence approach. This new approach company's strategic choice to adopt IFRS on a single date or, maybe, a series of dates applied to companies of different sizes. Under this approach, once IFRS are adopted, all IFRS standards should have complied with while preparing financial statements and the existing accounting standard should be replaced with IFRS; while in the Convergence approach, gradual movement is made towards IFRS through adapting with the existing accounting standards and IFRS are applied step by step converging a few local standards

to IFRS each year can allow local preparers and auditors to learn a few topics at a time rather than merges together in the full set of IFRS and convergence approach can also allow time for necessary changes in local legal frameworks (IFRS Foundation Guide, 2013).

First-time Adoption of IFRS has a slightly limited objective to ensure that an entity's first IFRS financial statement and its interim financial reports for parts for the period covered by those first IFRS financial statement it contains high-quality financial information that is transparent, comparable, it provides the favorable starting point of accounting in accordance with IFRS. The cost it generates will not exceed the benefit (Barnes et al, 2019).

## **2.10. Fair Value Accounting**

IFRS defines fair value as the price received to sell an asset or the price paid to transfer a liability in an arranged transaction among market participants on the measurement date of transaction. This implies that asset could be exchanged and a liability has settled, and an equity instrument approved could be exchanged among knowledgeable, potential, and willing parties in an *arm's length transaction*. It is a market-based measurement standard, not an entity-specific measurement standard for a certain assets and liabilities, and observable market transaction or market information might not be possible to easily obtain. When the price for the same asset or liability not observed, the entity uses another valuation technique to measure the fair value. This valuation technique can maximize the use of relevance observable inputs and minimize unobservable inputs because fair value is market-based measurement (Dr. Jasmine, 2013). On the other way according to (Ohidoa & Power, 2019), fair value influence companies there earning's which invariably affect earning quality because there is no active market for optimal realization objective of fair value valuation method for the companies of local markets obtainable.

The Fair value was first determined in 1982 in the concept of IAS 20s as "the amount for which an asset will be exchanged or a liability settled, between knowledgeable, willing companies in an arm's length transaction" Assisting the use of fair value, IASB in 1998 revised IAS 32, that is on Financial measurements, Presentation, define, and IAS 39, which is on financial Instruments Approval and Evaluation to adopt fair value as a valuation basis to companies (Ogundana,et al.2018).

## **2.11. Financial Reporting of Investment Property**

Investment properties are in the form of land or buildings held the company or by the lessee as a right of use asset to earn the rental income or for company capital appreciations purpose or both, and its capable generating cash flow independently of other company assets. According to the standards investment property are the land held for long term capital appreciation to the short-term purpose, building owned by the reporting entity. Entities are alerted to the possibility of double counting in determining the fair value of certain types of investment property example office building. The apparent rational is that the rental income relate the finished office building, when fair values of furniture and fixture are included along with the fair value of the investment property, the entity does not recognize them as a separate asset. The financial reporting of investment property has two alternatives either reported as cost model or fair value model (Salim, et al., 2020).

## **2.12. Opportunities of IFRS Implementation**

In step with World Bank Consultant to AABE, the adoption of IFRS in Ethiopia may additionally to get opportunities which includes, Ethiopia is one of the fastest-growing countries in sub-Saharan Africa and has achieved to sustained growth for decades. This growth requires the support of high-quality financial reporting, and IFRS must provide this support. There is also the benefit arising from the high level of support to financial reporting reforms by the government. In summation, if Ethiopia lags behind the implementation of IFRS it may lose out regard to attracting international investment capital which is needed for investment successfully implementing the adopted IFRS will make Ethiopia parts of the global world concerning high-quality financial reporting which is one of the key contributors to sound business environment necessary for attraction of investment (Alemi & Pasricha, 2016).

The adoption and implementation of IFRS has many economic benefits, which are derived from previous studies conducted by many scholars, includes, according to (Rahim, 2012), the study found the final results of benefit IFRS show that IFRS provides better comparability with other businesses, improves the use of foreign capital, enhances accounting awareness, and achieves uniform and better property plant and equipment evaluation standards criteria. Bendovschi, O.S., (2016), stated that the experience of emerging countries the IFRS implementation Benefits are the improvement in the quality of financial reporting, the benefits of adopting the fair value concept, and obtaining a higher level of flexibility.

According to (Sruthiya., 2017), study shows that the advantage of IFRS implementation is to increase capital from overseas, an increase in mergers, and acquisition, evaluating, and benchmarking of financial data with international competitors, would be possible through IFRS implementation, management of company can view all the companies in all group on a common platform, it improves the quality of financial information to users. And its facilities cross border investment leading to economic growth.

As noted to study by (Oladej & Agbesanya, 2019), IFRS adoption and implementation, among these benefits are increase in the level of comparability between the financial statement and the improvement of the transparency level, reducing the information gap the provider of capital and the people to whom they have delivered money, It creates more flexibility, using lookout that is based on principles instead of rule, the company is raise capital from foreign market at lower cost, to economic efficiency by helping investors to identify opportunities and risks across the world and improving capital allocation for business.

Globally the increase of IFRS is driven primary by the need of large corporations seeking access public equity market, large financial intermediaries (financial institutions) seeking global investment and to provide deep own market. From the point of thus the adoption of IFRS has varies opportunities. Among the benefits, eliminate barriers to cross-border investing through the ease comparisons of financial statement between countries of international investors, improve accounting and disclosure quality and reduce earning management to enhance the transparency and reliability of financial statement, enhance comparability to improve the similarity facet of cross-country it facilitates international transaction and minimized exchange costs, value relevance of accounting information, improve analysis earnings forecast moreover countries with big gap between local standards IFRS should present a bigger improvement, and market efficiency, liquidity and cost of equity market because IFRS based disclosures appear to have improved the stock market volatility of the countries (Adhana, 2020). As stated by Trivedim (2020), study conducted that among the opportunities of IFRS are investors, bankers, analysts, and stakeholders search to easier to compare the financial statement follow the same reporting procedure and it increases reliability, it improves cross border investment to economic development, the accounting profession to get international recognition, and it increase the rate of foreign direct investment all over the world.

According to (Mbawuni, 2018), the study conducted that perceived benefits and challenge of IFRS adoption in Ghana, the result show that among the benefit of IFRS adoption are: providing a pieces better information for decision making, it improves regulatory oversight and enforcement, the better quality of financial reports, facilitating easier the international mobility professional staff across national bounder, and the ease of comparability of financial across the border of the country state. As noted by Tamboli and bankar,(2020), Studies research on Challenges of IFRS implementation in India show that implementation of IFRS has various benefits among of them are: It help to attract investors across the world which leads to increase the worldwide investment, the major benefit related to accounting statement IFRS implementation resulting in the preparation of transparent and comparable financial statement which is accepted by the global market, foreign direct investment much attracted toward the companies that dealing with IFRS, contrast is made easier with foreign contestant if company present finical statement according to IFRS, high standards of financial disclosure can possible with the implementation of IFRS, the company will receive a set of IFRS. Generally, the benefit of IFRS implementation provides a common platform for accounting internally, and it helps the management of accounting standards globally make a sure assessment, and more consistent and transparent finical statements and it has opportunities a single accounting common language for developed and developing Countries.

### **2.13. Challenges of IFRS Implementation**

Various Studies have shown that about challenge of IFRS implementation in developed as well as developing Countries. For instant convergent and challenge with the benefit of IFRS in India. Although the adoption and implementation of “International Financial Reporting Standards” has many benefits ,they still pose challenges to them in terms of their implementation among of them, lack of create awareness about international accounting this means it will require considerable effort, lack of availability of skilled staff, number of inconsistency with the exist law, lack of recognition tax law with IFRS compliment financial statement, otherwise it will duplication work for the organizations, even though IFRS use fair value as a measurement base for valuing the items of financial statement the use of fair value accounting can bring a lot of volatility and subjectivity to the financial statements of companies. It also involves hard work in arriving at the fair value and services of valuation experts have to be used, more over lack of IFRS compliant financial

accounting and reporting system this shows the company disclosure and reporting requirement under IFRS great variance (Bhatia A. , 2014).

There are other different challenges of IFRS implementation among some of them are Lack of training and Academic knowledge in IFRS, It require fundamental change in the mindset accountants, lack amendment to suit the requirement of IFRS the information system ought to be planned to confine with new requirement related to fixed asset, segment disclosure, related parts of transactions and scarcity of resources and lack of expertise with small manufacturing sectors for the process of convergence to IFRS in India (Tamboli and Bankar,2020).

## **2.14. Empirical Review**

### **2.14.1. Opportunities and Challenges of IFRS Implementation**

As noted by, (Oguzhan, Volkan, & oncel, 2016), studied on IFRS implementation in Turkey benefits and challenges. The research study analyzed through the application of IFRS of publicly traded companies the preparation of financial statement. According to the study results the main benefits of IFRS are high-quality financial report, enhance and improved reporting transparency, reducing information asymmetry and risk, lowering cost of capital in the company. Despite the benefits the implementation of IFRS has still poses challenges for Turkey listed publicly traded companies among of the major challenges are lack of implementation guidance, and lack of adopted regulation, problem in applying fair value measurement applications.

According to (El Zoubi, 2017), studied on Expected benefits and Challenges of adopting IFRS a focus on Saudi Arabia. The study was conducted a descriptive study in which a questionnaire and financial report was used to collect data. The result shows that the introduction of IFRS in Saudi Arabia will result in a number of important benefits for a wide range of stakeholders. Among the benefits are ease of using single consistent reporting in subsidiaries from different countries, investors have more confidence about the information of financial statement, use for policymakers, it creates better access to the global market and higher standards of financial disclosure for national regulator bodies, stakeholders get better to understand reporting and information on new and different aspects of the business The benefits will be mainly determine by a number of potential success factors which include among others professional support with IFRS experience and self-enforcement by companies. Despite the benefits and potential success factors, there are a number of challenges to be faced in the process of adoption of the new standard. Among of them, others

include an ethical environment and the ability to protect qualified and competent employees from being poached by other companies.

As noted by Trivedi, (2020) studied on International Financial reporting Challenges and opportunities in India. The purpose of the study was to examine opportunities in adopting IFRS and to embrace the challenges faced in adopting IFRS in India. The study has used a mix of descriptive and exploratory research work, and data collected purely secondary and information was collected from various Websites, journals, and books. The resulting study reveals that IFRS standards are high quality, internationally reorganized set of accounting standards that bring transparency, accountability, and efficiency to the financial market around the world different people opines differently for convergence to IFRS. The switching over to IFRS is a major challenge, but the benefit from convergence is worthier than that of its challenges like any major shift, the changeover will not be easy, but proper planning will improve cross country comparability. Thus, to implement IFRS successfully proper awareness regarding IFRS, adequate training and necessary modification should be made in governing business and laws.

According to (Surtikanti, 2020), Studied on the impact of profit when the implementation of IFRS in Indonesia. The study was conducted using descriptive statistics, correlation, and regression analysis. The use of the fair value model in assessing investment property will lead to a change in the value of investment property. The change in the value can go up or down, if the value increases, the company gains from the difference in increases, and if the fair value goes down then the company will suffer a loss. Gains and losses from changes in these values are recognized in the income statement. So that the application of the fair value model and investment property will have an impact on company profit then indirectly the application of IFRS will affect the profit obtained by the Company.

As noted by (Altawalbeh M. F., 2020), the impact of fair Value Accounting on the evidence of Asymmetry information in the Jordanian Banking sectors was studied. The study was conducted by collecting data sample consists of thirteen commercial banks listed in Amman Stock exchange for the period 2010-2017, and panel data analysis was employed to test the study hypothesis and used secondary data gather through annual financial report disclosed on Amman stock Exchange. The study reveals that the impact of using Fair value accounting on information asymmetry found evidence that FVA has a significant negative impact on information asymmetries, which reflect its

information value to investors. Although results findings suggest that mandating the use of fair value numbers is beneficial, this paper suffers from several limitations. First, the sample is limited to the banking sector only, which is characterized by strict governance regulations under the supervision of the Jordanian Central Bank. Therefore, we cannot generalize the outcome to other sectors. Second, we employed the bid-ask spread as a sole variable as the proxy for the information asymmetry which might not reveal the same results, for which, we suggest two types of future researches study. The first one is to conduct a comparative study among sectors to capture the cross-sector differences, and the second is to examine the impact of the three fair value levels independently each other's.

According to a study (Miaze, 2014) there were problems implementing IFRS in Bangladesh. The researcher has used methodology variety of existing data, there are challenges of IFRS implementation, among of them no adequate experts to measure the IASB standards with the concept of IFRS, for example it is difficult to measure fair value of financial instruments, it is difficult to comply the financial statement with IFRS, the problem of a catastrophic share market, the big fundamental problems with the local regulatory body with financial sectors such as banks, insurances, and etc.

As pointed out by, (Amanamah, 2017), the benefits and challenges of adopting IFRS have been studied from Ghana Accounts and business perspective. The study was used purposive sampling to collect data. The data was analyzed by descriptive and inferential statistics. Based on survey result responses suggests that, respondents most of whom, are chartered accountants and affiliate of ICAG, are of the perspective that, the adoption of the IFRS has benefited the preparers of the financial statements They are of the view that IFRS is important both developed nations and for developing countries as well. The study also showed that contrary to the view of other authors, the benefit of adopting the IFRS exceeds the cost. More professional training in IFRS is needed. ICAG will have to put measures in place to enhance their training in that direction, especially with the new IFRS system. This paper has provided vital insight from the Ghanaian accounting professionals and managers on the benefit and challenges of IFRS after ten years of its implementation. The results provided by this study are likely to be of interest to the ICAG and users of the financial statements.

As per (Joseph, 2018), a study was conducted on the perceived benefits and challenges of IFRS adoption in Ghana. The study was used data from a cross-section of 762 members of institute of chartered Accounts Ghana. The study has attempted to provide initial evidence of the perceived benefits and challenges of IFRS adoption in Ghana. In view of the fact that, the ICAG continues to be strong regulator of accounting practices in Ghana, and facilitators of IFRS implementation in Ghana since its adoption in 2007, the view of ICAG members of the IFRS adoption provide empirically and practically useful information to the stakeholder of IFRS for various important purpose and financial evidence. This study found that a number of perceived benefits and challenges of IFRS adoption in Ghana, notable among the benefits was the ease of comparability of financial data across borders, and the top most challenges to IFRS were the continuous amendments. There were a few variations in evaluation between old and young accountants among the respondents.

According to (Eugenia & Sunday, 2018), studied on the implementation of provisions on IFRS framework and financial performance of Nigerian banks. The study was used the ex-post facto research design approach. Annual panel data were collected from the financial statement and accounts of 14 deposit money banks quoted on the Nigerian stock exchange as well as from the security exchange commission's statistical bulletin 2007-2016 G.C. The study reveals that IFRS implementation in Nigerian banks has a significant effect on shareholders' equity. This was based on return on equity on banks calculated; IFRS has a positive effect on reported profitability of banks, based on the profit margin of banks calculated. The change occurred as a result of introduction of the fair value in IFRS. This concept has a significant result on the reported profitability of banks, due to the fact with fair value, you have impairment loses both on assets and financial instruments. The loan losses provision under IFRS also contributed to changes in the profitability of banks. Under GAAP, loan losses were provided for using the cost model. This fact makes the managers of these banks not engage in income smoothing, and IFRS has a significant effect on the earnings of banks. This is consistent with the calculated return on assets it showed that a positive effect on the return on investment of banks. This will enhance the level of confidence of global investors and investment analysts in the financial statements of Nigerian banks.

As noted by (Suleiman & Yunusa, 2018), Research on the impact of the adoption of IFRS and financial statements: The Perceived Confidence of Stakeholders in Nigerian Money Deposit Banks. The research study was adopted simple random sampling and used on survey design via

the use of questionnaires, as the result of the study conducted that the adoption of IFRS realized full benefits by reducing the cost of capital and minimizes uncertainty, and enhance a single accounting, increase the level of confidence of global investors and investment analysis and attract foreign investors in the financial statement, the implementation of IFRS promote confidence of stakeholders in the financial report and it reduces the information gap between them. The adoption of Nigeria's money deposits of IFRS has not only benefits in banks but problems have been faced lack of skill and expertise gap, there is no serious of the workshop, and no local content standards setters for IFRS requirements of the country.

According to Mustan, et al. (2015) studies on implementation of IFRS by Ethiopia's banks' reluctance to implement. The study was conducted through descriptive and explanatory design and collected primary data, and through the use of questionnaires, interviews, and secondary data collected, and websites sources. The study finding shown that from the challenges listed by the respondents of questionnaire, lack of education & experts, lack of adequate technical capacity of advanced financial management, insufficient familiarity with a specific implementation, IT challenge, and absence of commitment, proper plan of banks to implement IFRS and need of existing Tax law amendment are identified as factors, regulation not supported by implementation agent start with the given directives for the implementation and non-existence proper plan of implementation that makes Ethiopia banks reluctant to implementation of IFRS.

As noted by Gelaye, (2019), studied on major Challenges of Adopting International reporting Standards in Ethiopia. The study was used systematic review of meta-analysis and qualitative research approach and collect data from secondary data, and the data was obtained from a review of relevant documents and articles journals. There is no doubt that conversion to IFRS is a huge task and a big challenge, its revolutionary impact requiring a great deal of decisiveness and commitment. Based The major challenges of the adoption of IFRS in many countries is basically related with the complexity of IFRS principles, lack of adequate IFRS guidance, different approval principles does not implement with in the specified time, lack of availability of competent specialist, high level of training cost requirements, less familiarity with the IT, lack of proper instructions from Regulatory bodies and problem of proper plan of financial institutions to IFRS implementation, in spite of the challenges, adoption of the IFRS in many countries has various advantages. It will lead to increased foreign investment in different countries due to the increased foreign investment and economic stability. Reduce transaction costs for foreign investors, such as

training, accounting, and the audit fee IFRS greatly reduces the profits or manipulation revenue because it supplements the transparency of the financial statements.

As per Shiferaw and Assefa (2020), studied on benefits and Challenges of adoption and implementation of (IFRS) transaction in Ethiopia. The study was employs both quantitative and qualitative methods (mixed) research approach and used both primary and secondary data sources in general, in this empirical study has been conducted to assess the Benefits and challenges of IFRS This study confirmed that, there is growing appreciation of the usefulness of IFRS by different companies and stake holders. The effective implementation of IFRS needs a wide and continuous support from professional accountancy associations. However, there are serious Educational, technical and institutional challenges that the company needs to overcome in order to get full benefits from the adoption of IFRS.

According to (Ayele, 2020), a study on factors influencing IFRS implementation success: evidence from Ethiopia. The research study becomes adopted an explanatory method to answer the study research questions and the test hypothesis stated. The studies were showed to examine the influence of various factors on IFRS Project Implementation success of first phase adopter business organizations in Ethiopia. Accepting economic does not positively correlated with the IFRS project success, institutional burdens, the project governance systems and the society cultural contributed positively for IFRS project success. Managers in future IFRS Implementation Projects should pay attention to these elements to successfully complete their tasks within time, budget and customer expectations. Basically, it allows policymakers, managers, and practitioners to adopt and operate IFRS, IFRS for SMEs and IPSAS in Ethiopia. Secondly, it will help accounting education to better design courses and enhance the content delivery process. It will also contribute to accounting theory by means of figuring out new variables that have an influence on IFRS adoption.

## **2.15. Conclusion**

As pointed out the theoretical literature review ,“International Financial Reporting Standard (IFRS) are the set of accounting standards, developed by the International Accounting Standard board (IASB), that are becoming the global standard for the preparation of public company financial statements” (Surtikantj , 2020).On the other hand according to Adhana ,(2020) IFRS are necessary to all countries in different ways because it bring transparency of financial statement, strong accountability, identify the business opportunities and risk, it is single accounting language

in the globe, it reduce international reporting cost and lower cost of capital. Now a day's many countries declared and implemented IFRS accordingly their jurisdictions. According to [(Rahim,2012), (Bendovschi, O.S., 2016), (Sruthiya., 2017), (Oladej & Agbesanya, 2019)], respectively in developed and developing countries research study adoption and implementation of IFRS has various important benefits, and opportunities such as IFRS provides better comparative with other business, the improvement in the quality of financial reporting, raising capital from oversea, & an increase in mergers and acquisition opportunities, reducing the information gap the provider of capital and the people to whom they have delivered money. In spite of the benefits and opportunities of IFRS adoption and implementation it has also difficult task such as difficult to arriving the fair value and valuation expert have to be used as a result of this the company disclosure & reporting requirement under IFRS great variance (Bhatia A. , 2014), on the other hand, lack of training and academic knowledge of IFRS are difficult tasks (Tamboli and Bankar,2020). But recently in Ethiopia, IFRS involves very little research, such as, P. FareedMustan, et al. (2015) studied on" implementation of IFRS in banks, Gelaye, (2019), studied on major Challenges of Adopting International reporting Standards in Ethiopia., Shiferaw and Assefa (2020), studied on benefits and Challenges of adoption and implementation of (IFRS) transaction in Ethiopia. (Ayele, 2020), study on factors influencing IFRS implementation success: evidence from Ethiopia, and (Alemi & Pasricha, 2016) Studies on IFRS adoption progress in Ethiopia.

## **2.16. Research Gap**

The above empirical review summary shows that previous researcher's study carried out on the benefits, opportunities, and challenges of adopting and implementation of IFRS in different countries, including Ethiopia, but there are variables that are not observed by other researchers related to opportunities and challenges of IFRS implementation in private banks of Ethiopia. However, as far as in my knowledge those previous studies that have conducted related to this study during IFRS implementation and post-implementation not incorporated additional variables such as, scarcity of resources, the role of management, the contribution of the regulatory body (AABE), the fair value of investment property and equity investment in relation to the opportunities, and challenges of IFRS implementation by identifying those other researchers have not observed. Therefore, this study intended to fill the above-mentioned knowledge gap.

## **2.17. Conceptual Framework**

After reviewing related theoretical & empirical literature, the global practices and various indicators, a conceptual framework is developed by identifying the important variables. If necessary, to achieve part of the research objective using the conceptual framework incorporated Conceptual framework for any research study (Sharif, 2010).

# CHAPTER THREE

## RESEARCH METHODOLOGIES AND DESIGN

### 3.1. Chapter Introduction

The previous two chapters presented Introduction and review of literature and identify the knowledge gap on opportunities and challenges of IFRS implementation faced by private commercial banks of Ethiopia. The purpose of this chapter is to set research methodology and design.

### 3.2. Research Approach

As noted by (Creswell & Crewell, 2018) Research approaches are plans and the procedures for research that span the steps from the broad assumption to detail methods of data collection, analysis and interpretation, this plan involves several decisions and they need not be taken in the order in which they make sense to us and the order of their presentation in addition to this research approach is used on the nature of research problem or issue being addressed, the researchers' personal experience, and the audiences of the study. There are three researches methods thus, are: Qualitative, Quantitative and Mixed. The term Qualitative research is an approach for exploring and understanding the meaning individuals or groups ascribe to social or human problem. The process of research involves emerging questions and procedures, data typically collected in the participant's setting data analysis from particular to general on the other hand quantitative research is an approach involves designing strategies data for testing objective theory by examining the relationships among variables can be measured by instruments, so that numbered data it can be analyzed using statistical procedures. But mixed method is an approach to inquiry involving collecting both qualitative and quantitative, and data integrated in to forms, it involves both philosophical assumption and theoretical framework.

According to (Almalki, 2016), "conclusion that was drawn was that mixed research was a suitable approach to any given project, its use would yield positive benefits, in that use of differing approaches has potential to provide a greater depth and breadth of information which is not possible utilizing singular approaches in separation. Inspire of its time-consuming nature and a suspicion with which some quarter of academia still regard mixed-method research". On the Other

hand according to (Creswell J. W., 2012) ” a mixed method research design is a procedure for collecting, analyzing, and mixing both quantitative and qualitative methods in a single study or a series of studies to understand a research problem. As noted by Creswell & Plano Clark, (2011). The basic assumption is that the use of both quantitative and qualitative methods, in combination, provide a better understanding of the research problem and question than either method by itself. To conduct this research study both a quantitative and qualitative methods (mixed) research approach had adopted to answer a research question, a reason to using this research approach is for the research question that needs quantitative data specific data collection method was employed for specific survey questionnaire and for the research question needs qualitative data the researcher employed semi-structured interview in order to solve problem that need qualitative data. Moreover, at a procedural *level*, it is a useful strategy to complete understanding the research questions and problems study nature of investigation, and the purpose of the study will analyse the opportunities and Challenges of IFRS implementation has both quantitative and qualitative nature.

### **3.3. Research Design**

“A research design provides a framework for the collection and analysis of data. Choice of research design reflects decisions about the priority being given to a range of dimensions of the research process. These include expressing causal connections between variables, generalizing to larger groups of individuals than those actually forming parts of investigation”. (Bryman & Bell, 2011). On the other hand, according to (Mathoko, 2007) explain that a research design as a procedure plan adopted by the researcher to answer a research question objectively, accurately, validly, and economically. In this study the researcher has been conduct a questionnaire and semi structured interview to collect the opinions of respondents on opportunities and challenges of IFRS implementation by Private commercial banks of Ethiopia to achieve the objective of the study.

### **3.4. Research Methods**

According to (Kothari, 2004) Research methods are may be understood as all those method or techniques that are used for condition of research. Research method or techniques, thus refer to the behavior and instruments used in selecting and constructing research techniques that involve the form of data collection analysis and interpretation that a researcher propose for their studies.

### **3.4.1. Data Sources**

(Kothari, 2004) explained that data collection is the gathering of empirical evidence in order to gain new insights, and knowledge about a particular situation and answer questions that prompt the undertaking of the research. To answer the research questions and come up with relevant findings, the study has undertaken primary data used. This study had collected primary data by initializing the self-administrated (Structured) questionnaires this is the main instruments to collect the data because the research questionnaire has quantitative nature. The questionnaires had prepared based on research questions, and also used semi-structured interview. In order to meet ultimate standard format and objective of the research study the questionnaires prepared by using 5-point Likert scale range from “Strongly disagree” to “Strongly agree” the reason to used 5-point Likert was employed most appropriate for the study and to increase respondents’ rate and quality. Questionnaires had distributed to employee of finance and account section those are IFRS teams and they have IFRS Knowledge, and have good working experience in private banks, and the open-ended semi-structured interview with IFRS implementation teams.

### **3.4.2. Target Population**

The target population in statistics is the specific number or group that needs to obtain relevant information. According to (Ngechu, 2004) a population is said to be a well-defined or set of people, service, element, events, things or households under investigation. According to (AABE, 2014), all financial institutions’ mandatory reports on these reporting entities should be made on July 7, 2017, this means that all financial institutions and government owned (federal and regional) public enterprise in Ethiopia will statutorily be required to issue IFRS based financial statements for the year ending since June 30, 2018 all sixteen private commercial banks in Ethiopia, including financial institution had been implemented and reporting by IFRS.

The target population of this study has included sixteen private commercial banks in Ethiopia, which are located at the headquarters of each bank in Addis Ababa. From those sixteen private banks the IFRS teams are seventy-six employees. The selection of private banks, reason that all these banks fulfilled the requirements of IFRS implementation has been reported for users, banks used their internal human capacity for practical implementation, and all IFRS reporting team has access knowledge for every information, and they have exposure to opportunities and challenges

of IFRS implementation. Therefore, all the reason listed, the selected private commercial banks help to obtain a real time actual response regarding this researcher research.

### 3.4.3. Sampling Techniques

The research has focus on employees of the IFRS implementation team who has been working in private commercial banks. Simple random sampling techniques has used in this study because it focuses on the selected groups serving IFRS implementation team because they have a better understanding of IFRS procedures for adoption to implementation stages. Selecting simple random sampling reasons from the sample is more preferable to ensure bias does not occur, and much less complicated than other sampling technique's practical, and all the selected banks have been completed to the implementation process.

### 3.4.4. Sampling Size

As per the sampling technique and the target population of the study has selected 63 samples from all the 16 private commercial banks, those are 76 IFRS implementation team in order to avoid unbiased and to give equal chance to all participants. There are different types of sample size determinates techniques but for this study the formula taken from (Cochron, 1977).

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

Where n is sample size

N is total population and

e is the level of precision which is (0.05)

N= Total no of IFRS implementation team in 16 private banks

N= 76

e=0.05

n = 76

$$1 + 76(0.05)^2 = n = 76/1.19 = 63, n = 63$$

The next step is how many samples will be taken from each private bank? To answer this question the researcher used to calculate Proportional method

$$n_h = \frac{N_h}{N} \times n$$

Where h is banks 1.....16

n is sample size,  $N_h$  population in h stratum, and N is total population.

The following table describes the proportion of the sample size taken as per the weight of each selected private banks it is calculated by proportional method

**Table 3.1 Sample size Determination**

Serial no	Name of banks	Number of staff (Team) involved with IFRS	Proportion	Sample Size (proportion*n)
1	Awash Bank	4	0.05	3
2	Dashen Bank S. Co	5	0.07	4
3	Nib international Bank	4	0.05	3
4	Bank of Abyssinia	7	0.09	6
5	United Bank S.C	6	0.08	5
6	Wegagen Bank	4	0.05	3
7	Enat Bank	3	0.04	3
8	Debu Global Bank	2	0.03	2
9	Lion International Bank S.C	7	0.09	6
10	Zemen Bank	7	0.09	6
11	Oromia International Bank	5	0.07	4
12	Cooperative Bank of Oromia	6	0.08	5
13	Addis International Bank S.C	4	0.05	3
14	Bunna International Bank	3	0.04	3
15	Berhan International bank S C	5	0.07	4
16	Abay Bank S C	4	0.05	3
Total		76	1	63

### 3.4.5. Data Analysis Method and Interpretation tools

Data analysis is most vital part of any research studies. According to (Daniel, 2012), data analysis is the acts of transforming data with the aim of extracting useful information and facilitating and overcome to the conclusion. The information obtained from the respondents to the research questions has coded and subject to data cleaning before performing data analysis. As describe in preceding section, the researcher is design has used mixed method this means both quantitative and qualitative analysis used. The data has collected using questionnaire that analyze through descriptive analysis by using SPSS Version 20 software. And where the data has interpreting and present by using table, percentage, pie chart and frequency distribution because it helps to explain

the mean, standard deviation. Additional data was collected from Semi-structured interviews this helped the researcher to gather more right information to accomplish the task set out to be done and for instance to describe the phenomena or quantify them to answer the research questionnaire.

### 3.4.6. Reliability of the Test

Reliability is the degree to which measures are free from participant error, bias, observer error and, it gives consistent results and it required of research studies. The research has been designed transparent and clear and the results enough to instill confident (Greener, 2008). On the other hand, as noted by (Kumar, 2011), When you collect the same set of information more than once using the same instrument, and to get similar results under the same or similar conditions, an instrument is considered to be reliable. As stated by (Gliem & Gliem, 2003) Cronbach’s alpha is a test reliability technique that requires only a single test administration to give a unique estimate of the reliability for a given test. Cronbach’s alpha is the average value of the reliability coefficients one would obtain for all possible combinations of items when split into two half-tests. On the other hand the researcher results had been interpreted using the rules of George and Mallery (2003), a computed alpha coefficient will vary between zero and one and it provides the following rules of thumb: the level of internal reliability greater than or equal to 0.9, “Excellent”, greater than or equal to 0.8, “Good”, greater than or equal to 0.7, “Acceptable”, greater than or equal to 0.6, “Questionable”, greater than or equal to 0.5, “Poor”, and less than 0.5, “Unacceptable”. Therefore, this research data was checked based on this reliability test for a measure of consistency, and the number of items was 28, the data result are listed in the table 3.2 below.

**Table 3.2 Reliability tests of items**

<b>Reliability Statistics Result</b>	
<b>Cronbach's Alpha</b>	<b>Number of Items</b>
0.748	28

### 3.4.7. Validity of the Test

Validity is one of the important key factors to measure the accuracy of research tools (especially questionnaires). A validity test means that the measurement measures the degree to which it is measured. In order to accurately measure research samples, validity testing has two broad components, namely internal validity, and external validity. Internal validity test refers to how to

accurately the measures obtained from research was actually quantifying what was designed to measure, on the other hand external validity denotes to how accurately the measure obtained from the study sample described the reference population from which the study sample was drawn (Bolarinwa, 2015).

The test of validity of the researcher's was accurate, and each questionnaire were distributed to respondents, and collected by the researcher. There were no missing questionnaires, and all the respondents filled out to answer each questionnaire and returned to researcher within the appropriate time. In addition to this the study sample was accurately describe the reference population, and all questionnaire were valid for analysis. Data has been collected from the reliable sources, respondent that have experiences in working with the bank

### **3.5. Ethical Considerations**

Ethical consideration that essential to be taken in to account is extensive, and they are reflected through the research process. In order to conduct research, the methods, methods of questionnaires, and interview approach should be concise and clear to prevent information conflicts among the respondent and participants. The ethical consideration of the research must precede the research, has to prior the study, beginning the study, during data collection, data analysis, and in discussing the results, sharing and storage of data (Creswell & Crewell, 2018). Ethical issues are the vital consideration and is viewed as basic to the successful achievement of this study

#### **3.5.1. Confidentiality and Privacy**

The research study was conducted applying participants those are on the actual IFRS implementation teams in private banks, it was directed with high attention, care, and proper investigation, and kept their identity remain to be confidential to achieve the study objective, and in order to answering all the research questions. The researcher was best protected confidentiality the anonymity of participant's role and identities to maintain the accuracy of response. In order to keep the secrecy of information given by respondents, they were not required to write their name and assured that the responses have been treated in strict confidentiality. Moreover, no information is modified or changed or manipulated, hence the information to be presented as collected to the research objectives are acknowledged.

### **3.5.2. Voluntary participants and informed consent**

When the researcher collecting the data, it cleverly requires participants to be voluntary in the smart way approach, and the researcher has been explaining to the respondents to fill questionnaire in the appropriate way. The informed consent is very important to research study. The objective and purpose of the study was clearly explained, supplemented, and the information addressed for the respondents. The informed consensus was found without manipulation & coercion, and the researcher was not force participants sign the informed consent.

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSIONS**

#### **4.1. Introduction**

This chapter explains the important stages of data analysis. In order to make analysis a total of 63 questionnaire were distributed to private commercial banks of Ethiopia located in the head office which IFRS implementation team, and hence out of a total 63 questionnaires, all of them 63 were

filled and returned to back to the researcher this means that response rate is 100%, so compared to previous other IFRS implementation studies response rate was very good. It presents the summary of data collected such as background and general information's of respondents, summarizing different sources results from their questionnaire and semi-structured interview, research findings, and discussion related to the research results to address the specific objective of the study, and a data questionnaires were analyzed using statistical package for social science (SPSS) version 20. Finally, analyze the research results obtained from the questionnaire through descriptive statistics and discuss result regarding to opportunities and challenges of IFRS implementation respectively.

## **4.2. Background and General Information of Respondents**

### **4.2.1. Gender of Respondents**

In this study the respondents were asked their background and general information and, a total of 63 respondents were considered, among which the demographic data for Gender showed that among all 63 respondents of these were 57 are Male and the remain 6 of them are Female. (See Table 4.1). According to their Gender records, the Male respondents accounted for the majority of the target population, with a 90.5%, while the Female respondents are accounted for 9.5%. It can conclude the Female respondents are very few compared to Male Respondents

**Table 4.1: Gender of respondents**

<b>Gender</b>		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
<b>Valid</b>	<b>Male</b>	<b>57</b>	<b>90.5</b>	<b>90.5</b>	<b>90.5</b>
	<b>Female</b>	<b>6</b>	<b>9.5</b>	<b>9.5</b>	<b>100.0</b>
	<b>Total</b>	<b>63</b>	<b>100.0</b>	<b>100.0</b>	

**Sources: Study Survey, 2021**

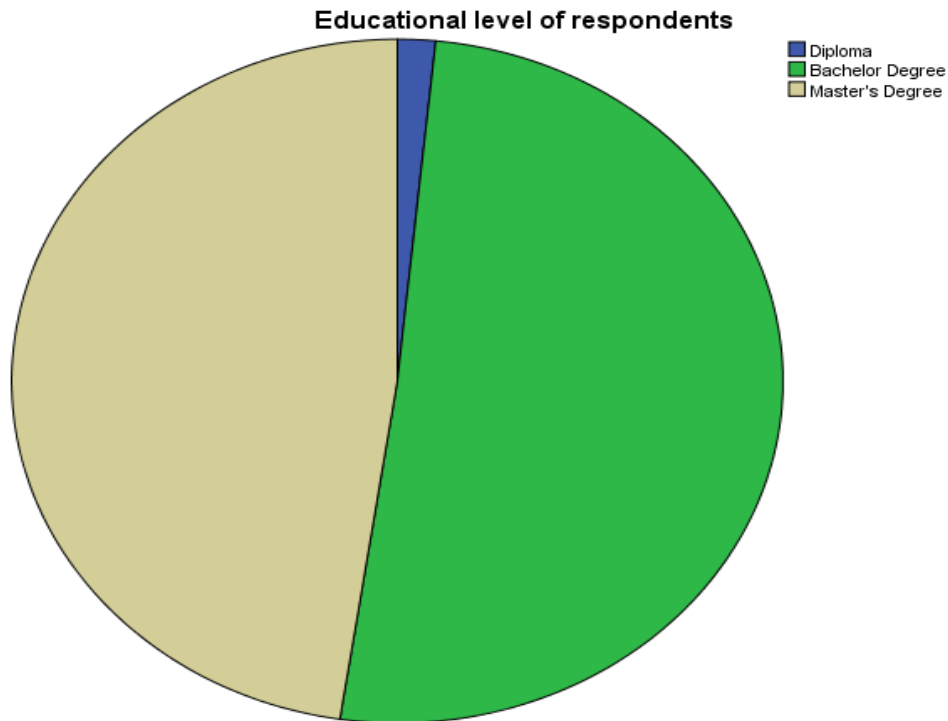
#### 4.2.2. Educational Level of Respondents

Table 4.2 below shows that among the 63 respondents their educational levels are different. 50.8% of the respondents held Bachelor Degree, while 47.6% has Master's Degree, and only 1.6% had Diploma holders. Based the data collection of these results, it can conclude that almost all respondents are educated and able to easily understood the research questionnaire, and have been answered questions in appropriate way.

**Table 4.2: Educational level of respondents**

Educational Level		Frequency	Percent	Valid Percent	Cumulative <sup>a</sup> Percent
Valid	Diploma	1	1.6	1.6	1.6
	Bachelor Degree	32	50.8	50.8	52.4
	Master's Degree	30	47.6	47.6	100.0
	Total	63	100.0	100.0	

**Figure 1 Educational level of respondents**



**Sources: Study Survey 2021**

**4.2.3 Professional Accounting qualification (Certification)**

As indicated table 4.3 from the total respondents of the study survey majority of respondents 90.5% had no professional qualification(certification), while 7.9% had ACCA certification, and only 1.6% had CPA Certification. It can conclude that from this survey almost all respondents have not professional accounting qualification (certification).

**Table 4.3: Professional accounting qualification (Certification)**

Certification		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	ACCA	5	7.9	7.9	7.9
	CPA	1	1.6	1.6	9.5
	No qualification	57	90.5	90.5	100.0
	Total	63	100.0	100.0	

**Source: Study Survey 2021**

As indicated in table 4.4 below in terms of their position amongst all 63 respondents in the company, 25(39.7%) were Accountant, 1(1.6%) were Credit analysis, 6(9.5%) were Financial analysis, 9(14.3%) were IFRS teams' head, 2(3.2%) were Finance director, the remaining 20(63%) has other positions. Thus, from all respondents the highest percentage is (25%) and followed by other position (20%). Since the IFRS teams set up from different positions such as accountant, credit analysis, financial analysis, IFRS teams head finance directors and other position. The other position it includes Finance officer, finance division head, IFRS principal, internal auditors, and reconciliation division head. Therefore, IFRS teams are a variety component of position and help to them to understand IFRS implementation in their private banks.

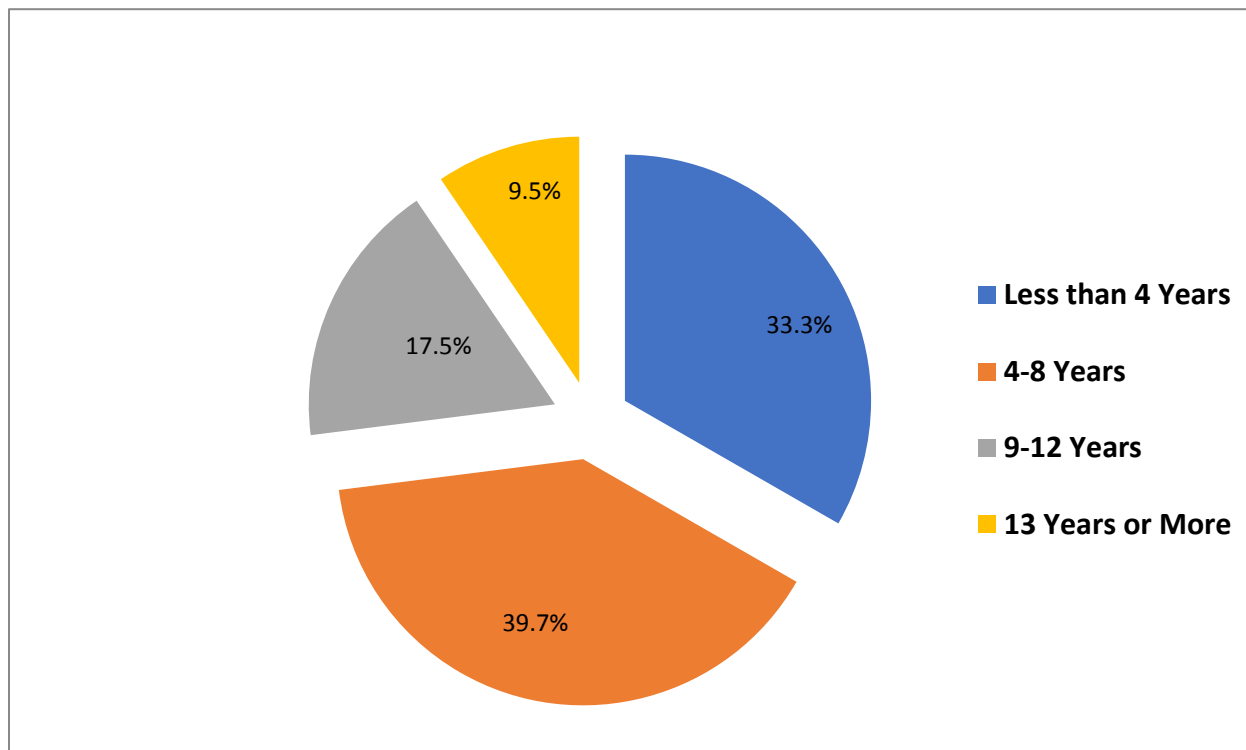
**Table 4.4 Current position in the Company**

	<b>Position</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	<b>Accountant</b>	25	39.7	39.7	39.7
	<b>Credit analysis</b>	1	1.6	1.6	41.3
	<b>Financial analysis</b>	6	9.5	9.5	50.8
	<b>IFRS Teams' head</b>	9	14.3	14.3	65.1
	<b>Finance director</b>	2	3.2	3.2	68.3
	<b>Other</b>	20	31.7	31.7	100.0
	<b>Total</b>	63	100.0	100.0	

**Source: Study Survey 2021**

As indicated below in Figure 3: years of work experience. Across the respondents as a whole the majority 39.7% respondents were between 4 and 8 years of experience in the banking sectors, while 33.3% respondent are less than 4 years' experience, 17.5% respondents , are between 9 and 12 years of work experience, and the remaining 9.5% are greater than or equal to 13 years of experience. As per the survey study the researcher believes that the information get from those IFRS team are reliable, appropriate for the research study

**Figure 2: Years of experience**



**Sources: Survey Study 2021**

As shown below in table 4.5, from all 63 respondents 55 of them are attending IFRS short term training, while 8 of them are not attend IFRS training. From this survey research, almost all IFRS teams have been attended training for IFRS implementation, but a few not yet attend the training.

**Table 4.5 IFRS Short Term Training**

Attend IFR training		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	55	87.3	87.3	87.3
	No	8	12.7	12.7	100.0
	<b>Total</b>	<b>63</b>	<b>100.0</b>	<b>100.0</b>	

**Sources: Survey Study 2021**

As shown in Table 4.6 below, out of all 63 respondents of IFRS training considered 23(36.5%) as appropriate training, while 23(36.5%) were considered insufficient, 9(14.3%) indicated neutrality, and the remaining 8(12.7%) did not assess whether the training was adequate, not adequate, or neutral. Hence, 55 respondents were taken the training, but only 23(36.5%) IFRS teams were

getting adequate with IFRS training. Based on the result it implied that the majority of the IFRS teams could not get sufficient training.

**Table 4.6 IFRS Training Evaluation**

Evaluate		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Adequate	23	36.5	41.8	41.8
	Not Adequate	23	36.5	41.8	83.6
	Neutral	9	14.3	16.4	100.0
	Total	55	87.3	100.0	
Missing	System	8	12.7		
Total		63	100.0		

Sources: Survey Study 2021

### 4.3. Opportunities of IFRS Implementation

The discussion about the opportunities of IFRS Implementation using by classifying those opportunities to Companies, management, external stockholders, and investors respectively. For this research study the researcher used 5-point Likert scale and it indicated thereby with statements. 1= "Strongly Disagree", 2 = "Disagree", 3 = "Neutral (undecided)", 4 = "Agree", and 5 = "Strongly Agree".

According to (Kothari, 2004) the Likert scale is a one-dimensional scale that researchers use to collect respondent's attitudes and opinions and the pattern devised. In the Likert scale, the respondent asked several levels (usually five degrees of agreement or disagreement) to answer each statement. The five-point Likert scale has five answer options.

In order to determine a mean score of the respondents the minimum and maximum length of 5-point Likert type scale the range is calculated by  $(5-1=4)$ , then divided by five as it is the greatest value of the scale which equal to  $(4 \div 5=0.8)$ , then 1 is the list value in the Likert scale was added to identify the maximum value of this cell. The length of the mean (M) score determine by score between 1 to 1.80 represents that respondents they "Strongly disagree", between 1.81 to 2.60 represents respondents they "Disagree", between 2.61 to 3.40 represents were "Neutral",

between 3.41 to 4.20 represents respondents they “Agree”, and from 4.21 to 5 represents there respondents they “Strongly Agree” (Mohammed, 2016).

This research study has been present and discussed all questions regarding the opportunities of IFRS implementation in private commercial banks of Ethiopia, and the data collected via questionnaire and semi-structured interview from IFRS teams. As per survey study result, 10 questions regarding opportunities of IFRS Implementation, the overall result mean value (M) were 4.10 this shown that average respondents responded agreed about opportunities of IFRS implementation , from listed questions, and the standard deviation were 0.711 of result less than one this indicated that value of statically data shown the respondents has very good perception, awareness and understanding about the questionnaire from the listed questions, and their responds were closer each other.

#### 4.3.1. Opportunities of IFRS Implementation to Company

(Note. F refer to Frequency, % refer to Percent, and N refer to number of respondents)

Table 4.7 Descriptive Statistics result on Opportunities of IFRS to Company

S · n	Statements	F	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N	Mean	Standard Deviation
1	IFRS enhances the consistency of statements that made by global financial professionals	F	1	1	0	39	22	63	4.27	0.70
		%	1.6%	1.6%	0	61.9%	34.9%	100%		
2	IFRS enhances the comparability of global financial statements.	F	1	0	0	37	25	63	4.35	0.652
		%	1.6%	0	0	58.7%	39.7%	100%		
3	IFRS maximizes the verifiability of financial statements	F	1	3	2	39	18	63	4.11	0.805
		%	1.6%	4.8%	3.2%	61.9%	28.50%	100%		
4	The internal audit system operates smoothly	F	0	3	22	30	8	63	3.68	0.758
		%	0	4.8%	34.9%	47.6%	12.7%	100%		

Survey sources 2021

As described above Table 4.7: survey results have been collected from private commercial banks of Ethiopia as per respondents respond for the statement number one analysis results indicated that

the mean value (M) 4.27 of respondents have strongly agreed it implies that IFRS enhance the consistency of statements that made by global financial professionals, the researcher believed this is a major opportunities to company. As result of this the consistency statements that significantly improve and it provides reliability financial information and financial professionals has easily communicate or easily understand with company business transactions, in addition to this its increased knowledge of global financial reporting standards by tertiary institutions of the banks.

The study result with standard deviation of 0.70 to reveal that the respondents respond closer each other and almost all have similar understanding about the questionnaire. Therefore, the company will be more attractive to new and potential investors for global market. This study result consistencies and supported by El Zoubi, (2017), the benefits are ease of using single consistent reporting in subsidiaries from different countries and it creates better access to the global market In relation to a single globally accounting language the interview result reveal that, one of IFRS implementation opportunities is due to similar standards, it helps to measure the strength of banks and creates a unified accounting language internationally.

As shown in Table 4.7 above, for the statement number two, the results show that the average response regarding for opportunities of IFRS implementation to the company was mean value (M), 4.35 of respondents have strongly agreed this implies that IFRS enhances the comparability of global financial statements, the researcher believed that this is the main opportunities to the company by reduce costs for users for prepared financial statements and increase capital market efficient. Based on respondents' responses the standard deviation was 0.633, this indicate that respondent's perceptions of the questionnaire and response closer each other. Therefore, based on the analysis result opportunity of IFRS implementation will be provide, thereby enhancing the comparability of global financial statements to the company and related to comparability of financial statement universal aspect is necessary for the globalization of capital markets as of the result several benefits become arise since the use of one common set of accounting standards throughout the world this incorporated improved the transparency, comparability and quality of the organization financial reporting that brought lower preparation costs, more efficient investments decision in addition to this give opportunities lower cost of capital for listed bank companies. Regarding to financial statements the interview result indicated that the main opportunities are to provide better understanding the transparency and stability of statement of the financial reporting , will add to the comparability of reports, make financial statement analysis

easy and understandable ,making employees aware of the rescheduling of IFRS reports and providing information for acquisitions and mergers

Regarding for the statement number three as shown Table 4.7, the survey results indicates that the average view of response was a mean value (M), 4.11 of respondents said that agreed, and the standard deviation was 0.805 which indicate that the standard deviation may deviate from mean value by 0.805. As per the respondents' responses the standard deviation was 0.805 this implies that respondent's perceptions of the questionnaire and response closer each other. Therefore, in accordance with research result opportunities of IFRS implementation will provide, IFRS maximizes the verifiability of financial statements by assure users that financial information faithfully represents business activities to the Companies. Moreover, the IFRS can verify the effectiveness of the company's financial statements to the greatest extent.

As shown Table 4.7 above, the survey results the statement four show that the average view of response was a mean value (M),3.68 of respondents agreed, and the standard deviation of 0. 758. The survey result shown that the internal audit system operating smoothly. This implies that the implementation of IFRS has different classifications on transaction process it will support the internal audit system easily manage control structure, and control internal working properly to produce the accurate financial report , the reason the company has a clear policy and procedures thereby the internal auditor easily understand the company account since the implementation of IFRS. This research study consistency and supported by Okpala (2012) studies conducted in Ghana and Nigeria, the study results indicated that the implementation of IRFS allows businesses to improve the efficiency and effective of the internal audit system and better risk control to companies.

### 4.3.2. Opportunities of IFRS Implementation to Management

**Table 4.8 Descriptive Statistics result on Opportunities of IFRS to Management**

S. n	Statements		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N	Mean	Standard Deviation
5	IFRS enables management, to understand the actual financial position of the bank.	F	0	2	4	39	18	63	<b>4.16</b>	<b>0.677</b>
		%	0	3.2%	6.3%	61.9%	28.6	100%		
6	IFRS; clearly shows all the employees' benefits	F	2	3	20	28	10	63	<b>3.65</b>	<b>0.919</b>
		%	3.2%	4.8%	31.7%	44.4%	15.9%	100%		

As shown in Table 4.8 statement number five the mean scores response about the opportunities of IFRS implementation to management. The mean response was value (M) 4.16 and the standard deviation of 0.677 this it indicated that the view of respondents has agreed and the standard deviation value implies the respondent's perception were closer one another. As of the survey result opportunities of IFRS implementation will provide, IFRS enables management to understand the actual financial position of the bank. Moreover, management able to know easily detailed classification of the company's assets, liability, and equity. As indicated in Table 4.8 statement number six opportunities of IFRS implementation to management. The mean response was value (M) 3.65 this indicate that the view of respondents said agreed and the standard deviation was 0.919, this shown that the respondent's awareness was close each other. This Implies that in the view of respondent's opportunities of IFRS implementation to management will provide IFRS, clearly shows all the employee benefits. Those employee benefits, after post implementation of IFRS the companies have been recognized and disclosed in the financial statement of each short-term benefit, post-employment schemes it includes define benefit and define contribution pension post employee benefit, and termination benefit this shows the management able to easily understand all employee benefits.

### 4.3.3. Opportunities for External Stakeholders

**Table 4.9 Descriptive Statistics result on Opportunities of IFRS to external stakeholders.**

S · n	Statements		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N	Mean	Standard Deviation
7	Improve of the accuracy of financial information	F	0	2	2	40	19	63	<b>4.21</b>	<b>0.652</b>
		%	0	3.2%	3.2%	63.5%	30.1%	100%		
8	Provide evidence and to enhance confidence in the financial report information.	F	1	1	1	42	18	63	<b>4.19</b>	<b>0.692</b>
		%	1.6%	1.6%	1.6%	66.66	28.54	100%		

In the above Table 4.10: indicate that, for statement number seven, the results show that the average response regarding of opportunities of IFRS implementation to the external stakeholders was mean value (M) 4.21 of respondents have strongly agreed with a standard deviation of 0.652 and it revealed that the respondent's awareness closes each other. As per the survey result, the respondents were able to understand the questionnaire and capable to provide appropriate and accurate responses about the IFRS implementation opportunities to external stakeholders. Therefore, based on the results of analysis, opportunity IFRS implementation will be provided improve of accuracy of financial information. This study result supported by Shiferaw and Assefa (2020), the adoption of IFRS would provide confident information, better understanding of the risk, and timely the financial report.

For the statement number eight refer to Table 4.9, it indicated that regarding opportunities of IFRS implementation to external stakeholder. According to research survey result of IFRS implementation team respond the mean value (M) was 4.19 of respondents said agreed on average with a standard deviation of 0.962 which implies the respondents respond were closer each other. Based on the survey result obtained the opportunities of IFRS implementation to external stakeholder will provide evidence and to enhance confidence in the financial report information. In relation to major opportunity of IFRS to external share holder the interview result reveal that,

to make the financial statement accessible for the international community, and it will give a clue current financial position of the performance of the banks it provide benefit by aware of harmonization and elements of the homogeneity and comparison about the banks.

#### 4.3.4. Opportunities of IFRS Implementation to Investors.

**Table 4.10 Descriptive Statistics result on Opportunities of IFRS to Investors**

S. n	Statements		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N	Mean	Standard Deviation
9	Provides better information for decision making.	<b>F</b>	0	1	3	36	23	63	<b>4.29</b>	<b>0.633</b>
		<b>%</b>	0	1.6%	4.8%	57.1	36.5%	100%		
10	Enable to provide better risk management.	<b>F</b>	0	1	7	42	13	63	<b>4.06</b>	<b>0.619</b>
		<b>%</b>	0	1.6%	11.1%	66.7%	20.6%	100%		

The above Table 4.10 for the statement number nine to noted opportunities of IFRS implementation to investors. According to the survey result up to respondent's perspective, the mean value(M) shown 4.29 as of this result, respondents said strongly agreed this implies that as per the result the researcher believes that opportunities of IFRS implementation to investors will provide better information for decision making. Based on respondents' responses the standard deviation 0.633 this indicate that respondent's perceptions of the questionnaire and response closer each other. Related to interviews result reveal that the core and the efficient process of transparent information is crucial to give a clear view of current performance of banks and assess any potential changes, to make appropriate decisions and manage risk assessment for banks industry, in addition to this the banks will earn the trust of domestic investors and IFRS provides relevant and timely available information's to investors.

Next, for the statement number ten, the survey results revealed that the average response regarding opportunities of IFRS implementation to the investors was mean value (M) 4.06 of respondents have agreed, this implies that opportunities of IFRS implementation will create investors enable to provide better risk management. On the other hand, the standards deviation was 0.619 of respondents had positive reply indicates that the respondent's awareness closes each other and as

per the survey result, the respondents were able to understand the questionnaire and capable to provide appropriate and accurate responses about investors have got opportunities for the IFRS implementation. Regarding to major opportunities of IFRS to investors the interview result reveal that it will give evidence for improving capital allocation and enable banks to present financial report for all users.

#### 4.4. Challenges of IFRS Implementation

This study has raised and discussed the remaining 18 questions about the challenges of IFRS implementation, as well as data collected through questionnaires and open-ended questions from semi-structured interviews with IFRS teams. In order to enrich the data analysis, a semi-structured interview guide designed to facilitate the interview of important information and to get an extra opportunity to talk and interview a participant, and the researcher asked open-ended questions about the challenges of IFRS implementation.

The challenges of IFRS implementation result Table 4.11 below indicate for the 18 questions the overall result mean value (M) were 3.84 with the average standard deviation of 0.862 this shown that the average respondents agreed about challenges of IFRS implementation from listed questions, and the result of average standard deviation were less than one this described the value of statically data reveal that the respondents had good perception, awareness and understanding about the questionnaire from the listed questions, and the respondents responds were closer each other.

**Table 4.11 Descriptive Statistics result on Challenges of IFRS implementation.**

S.n	Statements		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N	Mean	Standard deviation
1	High Consultancy fee services.	F	0	0	5	28	30	63	4.40	0.636
		%	0	0	7.91%	44.4%	47.6%	100%		
2	IFRS need Continuous employee training.	F	0	0	2	28	33	63	4.49	0.564
		%		0	3.2%	44.4%	54.4%	100%		
3	IFRS Cost of audit fee high than the local GAAP.	F	1	5	19	30	8	63	3.62	0.869
		%	1.6%	7.9%	30.2%	47.6%	12.7%	100%		

S.n	Statements		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N	Mean	Standard deviation
4	It is not easy for employees to adapt or cop up during the implementation of IFRS.	F	0	4	4	39	16	63	<b>4.06</b>	<b>0.759</b>
		%		6.3%	6.3%	62%	25.40%	100%		
5	Inadequate of competency specialists and expert, available.	F	0	2	5	34	22	63	<b>4.21</b>	<b>0.722</b>
		%		3.2%	7.9%	54%	34.9%	100%		
6	The financial statement preparation of IFRS is more complex than local GAAP.	F	3	3	5	36	16	63	<b>3.94</b>	<b>0.982</b>
		%	4.8%	4.8%	7.9%	57.1%	25.4%	100%		
7	It requires internal IFRS skilled human resources to maintain an IT system that complies with IFRS.	F	1	1	3	31	27	63	<b>4.30</b>	<b>0.775</b>
		%	1.6%	1.6%	4.5%	49.2%	42.9%	100%		
8	There is no a well-designed IFRS Guideline.	F	3	<b>9</b>	<b>13</b>	31	7	63	<b>3.48</b>	<b>1.030</b>
		%	4.8%	14.3%	20.6%	49.2	11.1%	100%		
9	Management Provides facility's requirements, and guidance to IFRS continuous process.	F	4	8	17	29	5	63	<b>3.37</b>	<b>1.021</b>
		%	6.3%	12.7%	27%	46.01%	7.9%	100%		
10	Management did not assign each IFRS team personal responsibility in right position and profession.	F	6	6	13	32	6	63	<b>3.41</b>	<b>1.102</b>
		%	9.5%	9.5%	20.6%	50.9%	9.5%	100%		
11	Management facilitates IFRS training program.	F	3	8	14	32	6	63	<b>3.48</b>	<b>0.998</b>
		%	4.8%	12.7%	22.2%	50.8%	9.5%	100%		

S.n	Statements		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N	Mean	Standard deviation
12	Management provide a quality improvement plan for post IFRS continuous process	F	3	11	20	24	5	63	3.27	1.003
		%	4.8%	17.5%	31.7%	38.1%	7.9%	63		
13	Management provides the necessary information for the activity of the IFRS team.	F	1	10	14	32	6	63	3.51	0.931
		%	1.6%	15.9%	22.2%	50.8%	9.5%	100%		
14	Unable to obtain correct guidance from regularity body, accounting and Auditing Board of Ethiopia (AABE).	F	0	3	19	27	14	63	3.83	0.834
		F	0	4.7%	30.2%	42.9%	22.2%	63		
15	Regulatory body (AABE) does not provide financial report review to ensure that IFRS report comply with standards.	F		8	17	26	12	63	3.67	0.933
		%		12.7%	27%	41.3%	19%	100%		
16	Fair value measurement affects financial reporting in IFRS implementation.	F	0	5	7	36	15	63	3.97	0.822
		%	0	7.9%	11.1%	57.11%	23.8%	100%		
17	There is no stock market in Ethiopia that will affect the fair value of equity investments that implement IFRS.	F	0	0	2	34	27	63	4.40	0.555
		%		%	3.1%	54%	42.9%	100%		
18	Application of fair value on the investment of buildings, affect a company's profit in IFRS Implementation	F	0	8	13	25	17	63	3.81	0.981
		%	0	12.7%	20.6%	39.7%	27%	100%		
<b>Challenges of IFRS implementation result Overall Average Mean and Standards deviation</b>									<b>3.84</b>	<b>0.862</b>

Sources Survey 2021

Note. As previous discussion the length of the mean (M) score determine by score between 1 to 1.80 represents that respondents they “Strongly disagree”, between 1.81 to 2.60 represents respondents they “ Disagree” , between 2.61 to 3.40 represents were “ Neutral”(undecided), between 3.41 to 4.20 represents respondents they “Agree”, and from 4.21 to 5 represents there respondents they “Strongly Agree”.

Although the opportunities of the IFRS last longer than the problems in implementation, private banks still face many challenges after the implementation of the IFRS. As shown above, Table 4.11 describe for every 18 questions about the challenges of IFRS implementation by private commercial banks of Ethiopia. According to the survey result statement number one in terms of the mean score and standard deviation, the evidence indicates that the respondents responded the mean value (M) were 4.40, and the standard deviation was 0.636, this response implied that the respondents strongly agreed for the challenges of IFRS implementation the bank paid high consultancy fee services. The implication of high consultancy fee is that it has a huge demand for resources, and cost required for IFRS implementation the banks has to incurred large expenditure, and IFRS teams have not done independently to implement IFRS without the help of external consultancy, therefore this is major challenges to the private banks. Regarding the interview perception the high cost of consultancy fee indicated seeking help from external experts to perform all the IFRS requirements but it affects the company cost because it has demand huge cost.

As the results survey, statement number two indicate that the mean value (M) is 4.49, this result shows most of the respondents strongly agreed there are challenges in the implementation process, IFRS need continuous employee training due to this problem, the implication of the respondent’s responses disclosed that implementation IFRS involves training requirement, and related with the banks’ administrative expenses, and the employees it need a continuous employee training because they have to renew their IFRS knowledge to update the required standards, and they need retraining, all these are the major challenges to the implementation IFRS. In the meantime, the survey result of the respondents of the standard deviation was 0.564, which implied that the respondents answering the question closely with each other. This research finding result consistency with the previous study (Jote, 2019), the cost of training of IFRS is high due to this reason it is a challenge for the process of IFRS adoption and implementation. On the other hand, the study finding result also consistency with (Amanamah, 2017), more professional training is need for employees of IFRS team in order to updated their skill and knowledge this is a major

challenge of IFRS implementation. According to the interview result related to sources of new IFRS standard information the FRS team employees can obtain different information about the new standards by making changes from various sources (such as through the internet, through the IFRS official website, books, and ACCA websites, and from the external consulting company KMPG all these information help to IFRS teams to updated the standards. This interview result consistency with previous study supported by Almansour (2019) comprehensive training on new IFRS standard is vital but lack of continuous training has been affecting the implementation of IFRS in the bank industry.

As the result of survey, statement number three showed that the respondent's mean value (M), is 3.62 and the standard deviation was value 0.869, based on the respondent's mean value result they agreed that the IFRS Cost of audit fee is higher than the local GAAP. This implied that the process of IFRS more time consuming than local GAAP in order to issue the audit report, due to this reason cost of audit fee higher than previous local GAAP, since the IFRS is principle base auditors may face higher litigation because of the IFRS standards are complex , need to examine each standards as per IASB broader requirements procedures, and fewer guidance can lead to resourceful managerial interpretation( explanation), and real judgment, it increase the auditors effort . On the other hand, auditors perhaps to apply more conservative auditing report strategy to ease risks associated with IFRS principle-based by lowering the threshold to issue a going concern opinion, in addition to this an incremental asset components of the banks and then it need greater effort and knowledge of auditors how to categorized and manage the risk material misstatement as per IFRS disclosure requirements as result, of the above discussion the audit fee of FIRS is higher than previous local GAAP due to these reason the banks expensed more amount of money as of the result the banks faced a challenge to implementation of IFRS. This research finding result against noted by Bendovschi, O.S, (2016), the level of effort regarding auditing of financial statement local GAAP is similar with IFRS

Resulting survey, statement number four reveals that the mean value (M) is 4.06, and standard deviation is also value indicate 0.759, the respondents agreed that it is not easy for employees to adapt or cope up during the implementation of IFRS. It implies that the extensiveness of IFRS implementation process is actually not easy. Employees cannot simply understand how to implement the executed process, and they have insufficient practical knowledge of IFRS and

limited experience. Therefore, due to these problems, the implementation of IFRS has been challenged.

Regarding statements number five, the survey result shows that on the view of respondents the challenges of IFRS implementation the mean value (M) is 4.21 with the standard deviation value was 0.722, according to the mean value result respondents they are strongly agreed this implied that inadequate of competence specialist and expert available is a main challenges for private banks to IFRS implementation. Due to these challenges, the problem faced by banks includes a lack of IFRS expertise, lack of quality practical experience, lack of a qualified accountant, and absence of internal IFRS expert availability. In general, the IFRS team does not have actual IFRS skills practically, and the qualities of accountants are currently not doing enough. This study result consistency and supported by previous research made by Hache (2019), Gelaye, (2019), Gebru & Aynalem, (2020), and Shiferaw & Assefa, (2020). According to the interview result in relation to the major challenges of IFRS implementation is the cost of IFRS implementation very high, lack of skilled man power, training not covered for every work-related employee, and there is knowledge gap between IFRS team.

Based on statement number six, the result of the survey showed the mean value (M) of the respondents was 3.94, with the standard deviation value of 0.982, as per the mean value the result has shown the respondents clear inkling were agreed the financial statement preparation of IFRS is more complex than local GAAP. This response implied that standards and their requirements are not easily to understand it consumes large time, the Ethiopian taxation on IFRS adjustment of the transition connection with financial instrument are difficult, IFRS disclosure requirement are broader and more burdensome, national bank of Ethiopia rules and regulation amendment faced to create complexity to IFRS implementation relative to previous local GAAP. According to the interview result the preparation of IFRS financial report is complexity of reports due to this reason IFRS is more complex than local GAAP.

As the result of the survey, statement number seven shows that on the view of respondents the challenges of IFRS implementation the mean value (M) was 4.30 with the standard deviation of value indicated were 0.775, according to the mean value result respondents they are strongly agreed it requires internal IFRS skilled human resources to maintain an IT system that complies with IFRS. This implied that in order perform properly IFRS implementation, the banking IT

system integrated with the IFRS process but there is a gap in IT support, and there are problems related to regulators system to handle with simply to change accounting language to IFRS and there is no skilled human resources that comply IFRS process with appropriate IT software. This research finding constancy with previous study result by Mustan, et al. (2015), insufficient familiarity with a specific implementation IT challenges with IFRS systems.

Based on the result survey, statement number eight, shown the respondents with mean value has 3.48 and standard deviation 1.030, as per the result the respondents agreed that there is no a well-designed IFRS guideline. This implies that for IFRS implementation the banks have not internal procedures and guide lines to facilities the process of a continuous IFRS accounting report. As per the interview result regarding challenges of the system and guideline are unable to upgrade current bank system comply with IFRS standards, the Tax office has not updated tax law to comply with the IFRS system, the NBE regulation has not designed the system according to the given IFRS standards. Even though the interviewees talked about more challenges, there are still some unsolved challenges that will affect the implementation process of IFRS some of them are amendments to IFRS standards, The Tax issue has not been resolved, and the Government system regulation is inconsistent with the IFRS standards. This study finding results consistency and supported by previous study (Oğuzhan , Volkan , & Öncel, 2016) the lack of IFRS implementation guidance is a key challenge.

As the result of the survey, statement number nine indicated that in the view of respondents mean value (M) was,3.37 with the standard deviation 1.021, based on the result the respondents have neutral (undecided) weather management provides facility's requirements, and guidance to IFRS continuous process this implies that for IFRS implementation respondents, don't have information about management support, so the researcher believed that this is not a challenge for banks' implementation of IFRS because the respondents have neither agree nor disagree. The value of Sd (1.021) is more than one which reveals that the respondent's perception and understanding about questionnaire was different from each other's.

As the result of the survey, statement number 10 depicted that the mean score value (M), was 3.41 and a standard deviation 1.102, the evidence indicates that the respondents replied, they had agreed with management did not assign each IFRS team personnel responsibility in right positions and profession this implication clearly indicate that management was not provides support for the

IFRS implementation process by assigning each employee-related to their profession, during and post IFRS implementation continuous process by assign in their job description and appropriate positions Therefore based on the result indication management not provide support for IFRS implementation team staff by assign inappropriate job description as of the result those IFRS team work faced difficult to properly commit to or held accountable for their role due to this reason it create a challenge for post IFRS implementation.

As the result of the survey, statement number 11 showed that in the view of respondents, the mean value (M), was 3.48 and a standard deviation was 0.998, clearly the result reveals that the respondents responded that they had agreed on management facilitates IFRS training program. This implies that since IFRS implementation is not a one-time work IFRS standards changed from time to time due to this reason management has been focused on providing necessary training to IFRS teams. For instance, IFRS 9 allow a variety approach to measuring expected loss to banks, and banks will essential to account IFRS team's circumstance in determining the approach of expected credit loss, and the appropriate disclosure thereby IFRS staffs attend the training of new standard amendments or modification by other IAS. Regarding statement number 12, the result of the survey depicted that the respondents with mean value have 3.27 and a standard deviation value 1.003, the indication of the result toward respondents replied that they had neither agreed nor disagreed (neutral) with management provide a quality improvement plan for post-IFRS continuous process, but a researcher was expected management would provide an improvement plan for post-IFRS implementation. On the other hand, respondent's standard deviation results revealed that 1.003, this implies that the respondent's perception of questionnaire was different from each other's.

As the result of the survey, statement number 13 revealed that the respondent's mean value (M), was 3.51 and a standard deviation 0.931, based on the respondent's mean value result they had agreed that the management provides the necessary information for the activity of the IFRS team. This response implies that management provided vital information for IFRS implementation such as, essential resources availability to banks, the sustainable inflow of income, inform income generation activities are exposed to risk in the short term as well as long term, and the business performance output against input and the banks management has made an assessment of its ability

to continue as a going concern, it review loan portfolio for impairment. Generally, the above listed information support for IFRS disclosure requirements.

Based on the results of survey, statement number 14 shown that in the view of respondent's mean value (M), was 3.84 with the standard deviation 0.834, clearly the result revealed that the respondents responded they had agreed unable to obtain correct guidance from local regularity body, Accounting and Auditing Board of Ethiopia (AABE). This implies that AABE, did not informed to banks weather the IASB previous or existing IAS replaced by new corrected amendment standards. This result study against with AABE (2015), responsibility of AABE has for regulating the profession, and issue national accountancy review and work of professionals and take action plan for effective implement of IFRS, review the IFRS annual financial report of Ethiopian, but not yet review the private banks annual IFRS report. Based on the interview result related to regulatory body (AABE): there is no serious supervision on the implementation of IFRS from AABE and Lack of argument especially regulatory bodies National banks of Ethiopia and ministry of revenue (MOR) former name Ethiopian Revenues and Customs Authority (ERCA) related with IFRS system.

As the result of the survey, statement number 15 indicated that the respondent's mean value (M), was 3.67 with a standard deviation 0.93 , the indication of the resulting survey respondents generally they had agreed local regulatory body (AABE) does not provide financial report review to ensure that IFRS report comply with the standards. This fact implied that it is difficult to sure yearly IFRS financial report compliance with the requirement of standard, and even thought banks issued the audited financial statement are prepared in accordance IFRS as issued by IASB, and based on accounting police reported but the accounting and auditing board of Ethiopia still not yet examine and review a financial statement prepared by banks in accordance with IFRS. Hence, it is challenging to ensure the quality of IFRS reports.

As the result of the survey, statement number 16 depicted that the mean score value (M), was 3.97 with a standard deviation 0.822, the evidence indicates that the respondents responded, they had agreed fair value measurement affects financial reporting in IFRS implementation. Based on the result the fair value measurements especially the bank's assets and liability fair value difficult to traceable it making valuation techniques, and there is no expert to determine the exact fair value of asset and liability as of this Fair Value as well as needful robust disclosure on the judgment and

the inputs of the measurement applying guidance could be complex and it need significant judgments ,companies not easily trace to analyze how far value is determine when no active market exists in Ethiopia and there is no establish procedures to develop and updated appropriate disclosure, unavailability of valuation professionals to involved during IFRS implementation process even though banks have their historical cost information option .Therefore in the IFRS preparation of actual financial statement the fair value had been affect the banks financial reporting. This study result constancy with and supported by Altawalbeh M. F., (2020) the impact of fair Value Accounting on the evidence of Asymmetry information in the Jordanian Banking sectors was studied.

As the result of the survey, statement number 17 showed that on the view of respondents, the mean value (M) was 4.40, and standard deviation 0.555, obviously the result reveals that the respondents they had strongly agreed there is no stock market in Ethiopia that will affect the fair value of equity investments that implement IFRS. This implies since the most essential application of IFRS is the application of fair value, then the use of fair value all private banks used valuation techniques unobservable input valuation technique. All private banks used KPMG fair value measurement valuation techniques using significant unobservable input level 3 it reflects banks market assumption. Therefore, the banks equity investments measured at fair value on subsequent recognition, due to the absent of stock market significant unobservable adjustment or assumption are required and cannot be measured based on quoted price in active market consequently it affects fair value of investment equity. Based on the interview result related to the absent of stock market in Ethiopia the major challenges of IFRS shown that there is fair value measurement problem because there is no stock market, private banks used to measure equity investment valuation techniques using significant unobservable input-level 3, and consults by KMPG Company.

Based on the result of the survey, statement number 18 revealed that the respondent's mean value (M) was 3.8, with a standard deviation 0.981, as per on the respondent's mean value shown they had agreed that application of fair value on the investment of buildings, affect a company's profit in implementation of IFRS. Currently, from all private banks some of them have their own building for example Awash bank, Dashen bank, Wegagen bank, Abyssinia bank, Nib bank, Oromia bank, and Bunna Bank, these listed banks used their own building mainly use for office purpose and remaining for rented out. Private Banks apply to use either retrospective application of IAS 16, choose to use a cost model, revaluation model or a fair value model to measure investment

properties but not use both. Even though the bank's account policy different from each other, almost all banks choose the cost model and the current banks' building market value is going up there. The investment property is measured initially at cost including transaction cost, the banks has chosen to subsequently carry investment property at costs and disclose fair value.

The fair value is measured based on active market price adjusted if necessary, for any different in the nature, location or condition of the specific asset, if this information is unavailable the banks use alternative valuation methods, such as rent prices on less active market or discount cash flow projections. Valuations are performed as of the reporting date by the banks internal values that have relevant experience in the location and the category of investment property being valued. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the future benefits other than those rational market participants would take in to account when determine the value of property. On the other hand, the use of fair value is providing more relevant information to decision making but banks used a cost model rather than fair value, so the application of fair value on building affect the banks' profit and does not improve the comparability of the financial statements. The results of the study are in contradiction with (against) Surtikanti, (2020), the application of the fair value models and investment property will have an impact on the company's profit, and then indirectly the application of IFRS will affect the profit obtained by the companies. Regarding, as per the interview result the major challenges of IFRS implementation related to fair value of investment property and equity investment shown that most of the interviewees had clarified numerous points. Property that is held for long term rental yields for capital appreciation or both are classified as investment property. Since there is no quoted price investment property in the active market as of the result it is difficult to assess the fair value investment property and equity to measure the current market price.

# CHAPTER FIVE

## SUMMARIES OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

The previous chapter analyzed the data and discussed the results. In this section, the major key findings, conclusions, and recommendations are summarized and explained. The summary of finding focused on the findings research result and briefly discusses opportunities and challenges of IFRS implementation, and hence based on the analysis and result from discussion the findings result has been summarized, in the meantime it followed by conclusion and finally, the recommendation part emanates from findings research results, and researcher believe that it has achieves the objective of the study and answers the research questions, finally, the recommendation is helpful to all stakeholders, financial users and other further researchers.

### 5.1. Summary of Findings

This summary of findings presents an overview of opportunities and challenges of IFRS implementation by private banks of Ethiopia as per research questions. Hence based on the results of the research study the following major opportunities and challenges findings result has been summarized.

#### 5.1.1. Opportunities of IFRS Implementation

IFRS implementation has various opportunities to companies, management, stakeholder, and investors, among of the opportunities on the view of respondents, this research study finding results confirmed that the major opportunities are consistency statement, maximized verifiability reliability, enhance comparatively, to understand company's actual financial position, clearly shows employees benefits, improve financial information, unified accounting language internationally. IFRS enhance the consistency of statements made by global financial professionals that significantly improve, can verify the effectiveness of the company's financial statements to the greatest extent, and it provides reliability financial information, financial professionals has easily understood with company business transactions, and it will be provided, thereby enhancing the comparability of global financial statements, to enable management understand the actual financial position of the bank so as to know the detailed classification of the company's asset liability and equity, comparability of financial statement universal aspect is necessary for the globalization of capital markets.

IFRS clearly shows all employee benefits, these benefits include short term benefit, post-employment schema (define benefit and define pension contribution), and termination benefits. What's more, it improves the accuracy of financial information, provides evidence for external stakeholders, and enhances their financial reporting confidence, the banks will earn the trust of domestic investors and IFRS provides relevant and timely available information's to investors Moreover, making employees aware of the rescheduling of IFRS reports and providing information for acquisitions and mergers. Due to similar standards, it helps to measure the strength of banks and creates a unified accounting language internationally.

### **5.1.2. Challenges of IFRS Implementation**

Although the opportunities of the IFRS last longer than the problems in the implementation, private banks still face many challenges during and post-implementation of IFRS. The finding results of this research confirmed that the major challenges are high Consulting fees, continuous staff training, Cost of audit fee is higher than the local GAAP, employees not easily cope up, inadequate competence specialist, IFRS more complex than local GAAP, requires internal IFRS skilled workers with IT system, management did not assign each IFRS team personal responsibility in right position and profession, unable to obtain correct guidance from local regularity body Accounting and Auditing Board of Ethiopia (AABE), regulatory body (AABE) does not provide financial report review, fair value measurement affects financial reporting, no stock market in Ethiopia that will affect the fair value of investment property &equity investments.

A high consultancy fee services have a huge demand for resources, and cost incurred with large expenditure, regarding the interview perception the high cost of consultancy fee indicated seeking help from external experts to perform all the IFRS requirements but it affects the company cost because it has demand huge cost IFRS teams have not done independently without the help of external consultancy, it needs a continuous employee training because they have to renew their IFRS knowledge to update the required standards, IFRS cost of audit fee is higher than previous local GAAP and the process is time consuming, because of the IFRS standards are complex , need to examine each standards as per IASB broader requirements procedures, and fewer guidance can lead to resourceful managerial interpretation( explanation), and real judgment, it increase the auditors effort. Is not easy for employees to adapt or cope up during the implementation due to this problem they cannot simply understand how to implement the executed process, and they have

insufficient practical knowledge of IFRS and limited experience, inadequate competence specialist and expert available faced by banks includes a lack of IFRS expertise, lack of quality practical experience, lack of a qualified accountant.

The financial statement preparation of IFRS is more complex than local GAAP, due to this reason it consumes a large time, the Ethiopian taxation system with the financial instrument is difficult, IFRS disclosure requirements are broader and more burdensome. It requires internal IFRS skilled human resources to maintain an IT system that complies with IFRS, the banking IT system not yet integrated with the IFRS process, there is a gap in IT support with IFRS system. The management provides the necessary information for the activity of the IFRS team vital information for implementation such as, essential resources , the business performance output against input, it review loan portfolio for impairment information support for IFRS disclosure requirements, and also management facilitates IFRS training program but management did not assign each IFRS team personnel responsibility in right positions and profession this brought that management was inadequate provides support for the IFRS implementation process by assigning each employee-related to their profession by assign in their job description and appropriate positions as of the result these IFRS teamwork faced a challenge for IFRS implementation.

On the other hand, in the respondent's point of views, they were undecided management provide a quality improvement plan for post IFRS continuous process. Unable to obtain correct guidance from regularity body, Accounting and Auditing Board of Ethiopia (AABE), the regulatory body did not inform banks whether the IASB previous or existing IAS replaced by new corrected amendment standards. The regulatory body (AABE) does not provide financial report reviews to ensure that IFRS report compliance with the standards, and hence difficult to sure yearly IFRS financial report complies with the requirements of standard. Fair value measurement affects financial reporting in IFRS implementation, because there is no expert to determine the exact fair value of an asset and liability. There is no stock market in Ethiopia will affect the fair value of equity investments hence due to the absence of a stock market significant unobservable adjustments or assumptions are required and cannot be measured based on quoted price inactive market. Application of fair value on the investment of buildings affects a company's profit in implementation of IFRS, almost all banks choose the cost model, and even though a few banks have their own buildings the current market value of the building is going up.

The use of fair value is providing more relevant information to decision making but banks used a cost model rather than fair value, so the application of fair value on building affects the banks' profit. as of this fair value inputs of the measurement applying guidance could be complex and it need significant judgments, companies not easily trace to analyze how fair value is determine when no active market exists in Ethiopia. Property that is held for long term rental yields for capital appreciation or both are classified as investment property. Since there is no quoted price investment property in the active market as of the result it is difficult to assess the fair value investment property and equity to measure the current market price. Moreover, there are still unsolved challenges that was raised previous studies that faced by banks, for instance, unable to upgrade current bank system to comply with IFRS standards, the Tax office has not updated tax law to comply with the IFRS system, the NBE related regulation has not been designed the system to the given IFRS standards and there is no serious supervision on the implementation of IFRS from the local regulatory body Accounting and Auditing Board of Ethiopia.

## **5.2. Conclusion**

The main objective of the study was to assess the opportunities and challenges of IFRS implementation by private commercial banks of Ethiopia. In general, on the basis of major findings, this study confirmed that an overall growing appreciation of the usefulness of IFRS implementation has a major opportunity mainly, to enhance the consistency of statements made by global financial professionals, verify the effectiveness of the company's financial statements to the greatest extent, give reliability financial information, enhancing the comparability of global financial statements comparability of financial statement universal aspect is necessary for the globalization of capital markets and financial reporting confidence , management able to understand the actual financial position of the bank and detailed employee benefits, improve the accuracy of financial information, banks will earn the trust of domestic investors and IFRS provides relevant and timely available information's to investors, furthermore the adoption of similar standards helps to measure the strength of banks and creates a unified accounting language internationally. However, there are major challenges that the finding results confirming mainly, in the term of scarce resources issue: high consulting fees, continuous staff training, cost of audit fee is higher than the local GAAP, not easy for employees to adapt or cope up, they have insufficient practical knowledge and experience, inadequate competence specialist and expert available, the

preparation of IFRS financial statement is more complicated than local GAAP, seeking help from external experts to perform all the IFRS requirements but it affects the company cost because it has demand huge cost, the banking IT system have not yet integrated with the IFRS process, and hence there are still gaps in IFRS system for IT support. In terms of a management support issue: Even though management facilitates IFRS training program they did not assign each IFRS team personnel responsibility in right positions and profession, in terms of local regulatory body issue unable to obtain correct guidance from local regularity body(AABE), and does not provide financial report review to ensure that IFRS report complies with the standards.

Fair value measurement affects financial reporting, even though KMPTG consulting company measured fair by using specific a hierarchy of valuation techniques to determine current fair value, it is difficult exact to measure equity investment. Property that is held for long term rental yields for capital appreciation or both are classified as investment property. There is no quoted price investment property in the active market as of the result it is difficult to assess the fair value investment property and equity to measure the current market price.

The absence of the stock market in Ethiopia will affect the fair value of equity investments' and the banks used a cost model instead of fair value, application of fair value on the investment of buildings affects a company's profit. Moreover, banks have not yet upgraded the current bank system to comply with IFRS standards, NBE related regulation has not been designed the system to the given IFRS standards, and also the Ministry of finance has not been taken action, the Ethiopian tax system updating the existing tax law comply with IFRS standards.

### **5.3. Recommendations**

Based on the findings and conclusions of the survey, the following recommendations are considered feasible solutions that can maximize opportunities and mitigate related challenges.

- The implementation cost of IFRS consulting fees is very high. Private banks should be reduced costs by outsourcing new employees, and recruit qualified and experienced employees, skilled certified public accounts (CPAs), and ACCA holders to lead and coordinate the IFRS team.
- IFRS standards are new, complex, and difficult for employees to adapt or cope with because they lack practical knowledge and experience. The private banks should be developed of the employees' capabilities and potential to provide a regular practical

training application of IFRS, updating in accordance with standard changes, focus on practical aspects instead of the only theory of IFRS standards, provide facilities and general guidelines for improvement.

- The management focuses on the development of staff capabilities by providing continuous staff IFRS training. Private Banks should be called on to receive more education in universities and colleges to incorporate IFRS requirements as the main course of the curriculum into the accounting profession, which will help minimize the cost of IFRS training.
- To avoid the IFRS implementation challenges, the private banks management should be taken different actions such as, assigning each IFRS teams in the appropriate personal responsibility and right qualified position., improving the independent work to IFRS team employees, set up knowledgeable manager on the information system to access data, and management must assign an appropriate employee to IFRS teamwork's. This will bring a fruitful solution to minimize the IFRS challenges.
- The preparation of IFRS financial statements is more complicated than local GAAP. The private banks should be taking fresh look at notes to yearly financial statements make sure to relevant and comply with disclosure requirements and take action immediately to updating and follow-up when they change the new standards to reach a quick conclusion about change and to reconcile by the IFRS system, IFRS teams' resistance to change by using disclosure simplification efforts, enhance disclosure effectiveness and make to exert more effort which will reduce the complexity.
- The banking IT system did not yet integrate with the IFRS process. The private banks should design the bank IT system and must customize new software to integrate with IFRS system process to get real financial information, which will help to avoid IFRS implementation challenges.
- The local regulatory body (AABE) of IFRS implementation should have to involved by reviewing the yearly IFRS reports of private banks to verify IFRS comply with the standards, and the private banks have to clearly communicate information, encourage collaboration with the Accounting and Auditing Board of Ethiopia, and collect necessary information from other similar industries,

- Fair value measurement affects financial reporting. Private Banks should continue to use the practical guidelines of the KPMG International Standards Group Fair Value Measurement Manual. IFRS 13 specifies a hierarchies of valuations techniques that categorize, and fair value level 3 better to apply because it can minimize unobservable inputs and manage input valuation techniques, so the use of this fair value measurement will reduce the impact of financial reporting.
- To avoid the fair value affecting the financial report the banks should trace and analyze how fair value is determined when no active market exists in Ethiopia, and should establish appropriate procedures to develop the appropriate disclosures.
- The absence of a stock market in Ethiopia will affect the fair value of equity investments. The Government has announced that the stock market starts recently, and a draft “Capital Markets Establishment Proclamation” is an en-route to ratification by the parliament. We hope that the issue of fair value equity investment can be resolved to a certain extent in the near future. Therefore, the private banks should continue valuation techniques using significant unobservable input level-3 equity investment measured at fair value on subsequent recognition measure until the start of the Ethiopia stock market.
- Application of fair value on the investment of buildings affects a company’s profit. The private banks should use valuation techniques to measure the current fair value of Building instead to use a cost model, and hence it will minimize the effect of profit issue.
- For the application of fair value, the banks should to understand the reason why to choose the different valuation and select the amount in the range of value is the most appropriate and representative of the fair value of unquoted equity instrument.
- The Government put into action to Ministry of finance in order to the Ethiopian tax system comply with IFRS standards, share the responsibility to the local regulatory body (AABE), the National Bank of Ethiopia. The private banks should work together and harmonized there, update the system to unify the IFRS standard requirements

#### **5.4. Future Research Area**

The related researchers perhaps also are conducting the other area focus on the financial impact of the Adoption of IFRS compared with GAAP financial statements in opportunities and challenges by Government and Private Insurance Companies in Ethiopia.

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## APPENDIX

### Appendix I: Questionnaire

**Addis Ababa University**  
**College of Business and Economics**  
**MSC Accounting and Finance**

#### Research Questionnaire

**Dear Respondents,**

First of all, I would like thank you for your cooperative to fill out this questionnaire, the objective of preparation of these questionnaire is to gather essential data from private commercial banks of Ethiopia that involved the IFRS implementation team for the study entitled “opportunities and challenges of IFRS implementation in Private commercial banks of Ethiopia. The research is conducted on a partial fulfillment for requirement of master’s degree in accounting and finance. Your assistance to provide relevantly and quality data will be crucial for the completion of this study. Please be inform you that carefully answer each question in the given box provide

This questionnaire consists of **Four Sections**. **Section one** Background and general information, **section two**, opportunities of IFRS implementation, **Section three** consist of Challenges of IFRS implementation, and **Section Four** Semi- Structured interview.

#### **Section one Background and general information**

The purpose this section is to gather general information about your position, educational background, and your work experience. Please answer by ticking mark (√) on the box provides or Respond your answer to write in the given space provided (if required).

If there is any question or require explanation you may contact me via this mobile number.

**Fantaw Biyargo Mobile +251911185457**

1. What is Your Gender?

Male  Female

2. Which of the following best describes your level of education?

Diploma  Bachelor Degree  Master’s Degree  PhD

Other , Please specify \_\_\_\_\_

3. Which of the following professional accounting qualification (certification) do you have?

ACCA  CPA  CMA  no qualification   
 Other , please specify \_\_\_\_\_

4. Which of the following best describes your current position in the company?

Accountant in private bank  Credit analysis  Financial analysis

IFRS teams' head  Finance director

Other , please specify current position (Job Title) \_\_\_\_\_

5. How many years of experience do you have in your current position

Less than 4 years  4-8 years  9-12 years  13 years or more

6. Have you ever attended an IFRS short term training? Yes  No

7. If the answer to the above question No 6 is yes, how do you evaluate the training?

Adequate  not adequate  Neutral

**Section two: opportunities of IFRS implementation**

To what extent do you agree or disagree with the following statements show IFRS implementation that brings the opportunities to private banks (Strongly Disagree, Disagree, Neutral (Neither agree nor disagree), Agree, strongly agree).

**Opportunities of IFRS implementation**

S no	Opportunities to Companies	Level of Agreement				
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	Statements					
1	IFRS enhances the consistency of statements that made by global financial professionals.					
2	IFRS enhances the comparability of global financial statements.					
3	IFRS maximizes the verifiability of financial statements.					
4	The internal audit system operates smoothly.					
	<b>Opportunities to management</b>					
5	IFRS enables management, to understand the actual financial position of the bank.					
6	IFRS; clearly shows all the employees' benefits.					
	<b>Opportunities for external Stakeholders</b>					

7	Improve of the accuracy of financial information.					
8	Provide evidence and to enhance confidence in the financial report information.					

S no	<b>Opportunities to Investors</b>	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
9	Provides better information for decision making.					
10	Enable to provide better risk management.					

**Comments,**

Please be include any additional opportunities of IFRS implementation that is not incorporated in the above listed statement as you believe that practical IFRS implementation in the private bank

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**Section Three: Challenges of IFRS implementation**

S. no	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
1	High Consultancy fee services.					
2	IFRS need Continuous employee training.					
3	IFRS Cost of audit fee high than the local GAAP.					
4	It is not easy for employees to adapt or cop up during the implementation of IFRS.					
5	Inadequate of competency specialists and expert, available.					
6	The financial statement preparation of IFRS is more complex than local GAAP.					
7	It will require internal IFRS skilled human resources to maintain an IT system that complies with IFRS.					

8	There is no a well-designed IFRS Guideline.					
9	Management provides facility's requirements, and guidance to IFRS continuous process.					
10	Management did not assign each IFRS team personal responsibility in the right position and profession.					
11	Management facilitates IFRS training program.					
12	Management Provide a quality improvement plan for post IFRS continuous process.					
13	Management Provides the necessary information for the activity of the IFRS team.					
14	Unable to obtain correct guidance from regulatory body, Accounting and Auditing Board of Ethiopia (AABE).					
15	Regulatory body (AABE) does not provide financial report review to ensure that IFRS reports comply with Standards.					
16	Fair value measurement affects financial reporting in IFRS implementation.					
17	There is no stock market in Ethiopia that will affect the fair value of equity investments that implement IFRS.					
18	Application of fair value on the investment of buildings, affect a company's profit in IFRS Implementation.					

**Comments,**

Since you consider actual IFRS implementation challenges, please add other IFRS implementation challenges not included in the above statements

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**Appendix II: Interview**

**Addis Ababa University**  
**College of Business and Economics**  
**MSC Accounting and Finance**

**Section Four Semi-Structured Interview Checklist**

Thank you so much for volunteering for this scheduled interview. The purpose of writing these questionnaires is to collect the necessary information to title the research opportunities and challenges for Ethiopian private commercial banks to implement IFRS. Your help to provide relevantly and quality data will be crucial for the completion of this study. Please answer questions carefully to answer each interview question carefully. The information you provide through the interview will be used for scientific analysis and academic research purposes to partially meet the requirements of the Master of Science in Accounting and Finance. Researcher will do best to protect the confidentiality of your identity and respond.

Thank you again for your precious time providing me, and use available information.

**Open ended interview**

- 1) From your work experience, what are the main opportunities of IFRS implementation for private bank?
- 2) From your work experience, what are the major challenges of IFRS implementation for private bank?
- 3) What are unsolved challenges that will affect the process of IFRS implementation?
- 4) How do you obtain information about the revisions and changes of IFRS standards?
- 5) How to improve the independent work to IFRS team employees to implement IFRS without the need for classification with external consultants?

**Thank you!**