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**Challenges and Prospect of International Financial Reporting
Standards (IFRS) Implementation in Ethiopian the Case of Financial
Institution**

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ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE

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DECLARATION

I hereby declare that this thesis is my original work has not been presented for an academic purpose in any other university and that all sources of material used for the thesis have been properly acknowledged.

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ABSTRACT

Internationally, users of financial statements need consistent, translucent international financial reporting standardized (IFRS) to help them make economic decisions and to enable them to invest in across the globe their capital resources. Ethiopia has recognized the need for accepting those financial reporting standards that were set out by IASB and started implementing it by selecting 78 companies on the first phase as set out by Accounting and Auditing Board of Ethiopia (AABE) strategic plan of action. Therefore, the objective of this research paper is to identity the Prospect would be obtained and challenges encountered during the implementation process which was started from July. 8, 2017 in 78 entities in Ethiopia our study sample is 7 entities. This study deployed descriptive survey research design and applied quantitative research method or approach. The researcher distributed questionnaires to 120 employees selected using purposive sampling of the selected 7 sample entities using stratified sampling technique which were Implementation IFRS in their company.. Primary data were collected through structured questionnaires from staff of selected financial institution. The quantitative data were entered by using SPSS version 20, analyzed and results were presented in figure, tables, percent and frequency. Out of the total questionnaire distributed to 120 respondents 111 questionnaire returned to which is 92.5% response rate. The research analysis and finding indicted the following results increased volatility of earning, high cost of implementation, Complex nature of IFRS, Problem related to IFRS implementation of guidance, Level of Technology Inadequate and Technical Capacity.

Key words: International Finance Reporting Standards (IFRS), Ethiopia

ACRONYMS AND ABBREVIATIONS

AABE	Accounting and Auditing Board of Ethiopia
AACCSA	Addis Ababa Chamber commerce and sectoral Association
ACCA	Association of Certified chartered accountants
ADR	African Development Report
ASC	Audit Service Corporation
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CIAO	Chief Internal Audit Officer
CPD	Continuous professional Development
EAFA	Ethiopian Accounting and Finance Association
EIC	Ethiopian investment commission
EPAAA	Ethiopian Professional Association of Accountants and Auditors
EU	European Union
FDI	Foreign Direct Investment
FDRE	Federal Democratic
GAAP	Generally Accepted Accounting practice
GDP	Growth and Domestic product
GTP	Growth Transformation plan
GTP II	Growth and Transformation Plan II
HOPR	House of peoples Representative
IAS	International Accounting Standards
IASB	International accounting standard Board
IASC	International Accounting Standards Committee
ICAA	Institute for Certifying Accountants and Auditors
IFAC	International Federation of Accountants Committee
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Report Standard
IMF	International Monetary Fund

INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISA	International Standards of Audit
Mo FED	Ministry of Finance and Economic Development
NAAB	National Accountants and Auditors Board
NBA	National Bank of Ethiopia
NGOS	Non-Government Organization
OAG	Office of the Auditor General
OFAG	Office of the Federal Auditor General
PIE	Public Internal Entities
ROSC	Report on the Observance of Standards and Codes
SIC	Standing Interpretations Committee
SME	Small and Medium size Enterprises
SMEGA	Small and Medium-sized Entities Guidelines Accounting issued by UNCTAD
SPSS	statically package for social science
UNCTAD	United Nations Conference on Trade and Development
WB	World Bank

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Ethiopia's location gives it strategic dominance as a jumping off point in the Horn of Africa, close to the Middle East and its markets. With about 102 million people (2016), Ethiopia is the second most populous nation in Africa after Nigeria, and the fastest growing economy in the region. However, it is also one of the poorest, with a per capita income of \$783. Ethiopia aims to reach lower-middle-income status by 2025. Ethiopia's economy experienced strong, broad-based growth averaging 10.3% a year from 2006/07 to 2016/17, compared to a regional average of 5.4%. The share of the population living below the national poverty line decreased from 30% in 2011 to 24% in 2016. The government is implementing the second phase of its Growth and Transformation Plan (GTP II) which will run to 2019/20. GTP II aims to continue expanding physical infrastructure through public investments and to transform the country into a manufacturing hub. GTP II targets an average of 11% GDP growth annually, and in line with the manufacturing strategy, the industrial sector is set to expand by 20% on average, creating more jobs.) Ethiopia adopted International Financial Reporting Standards (IFRS) on December 5, 2014 through proclamation no. 847/2014. Further, the council of ministers through its regulation no. 332/2014 established the Accounting and Audit Board of Ethiopia to regulate financial reporting practices in Ethiopia.

The process of financial reporting of business activities underwent a great change over the last few decades. In this regard most countries in the world have revolutionized their accounting practices especially during the last few decades of the 21st century (Nobes, 2004; Hoyle, et al., 2009). Such revolutions encompass the adoption and adaptation of local accounting practices and harmonizing it with that of the International Financial Reporting Standards (IFRS) formerly International Accounting Standards (IAS).

This revolution is started in 2002 when European Union made it mandatory for publicly traded companies to present consolidated financial statements in conformity with International Financial Reporting Standards starting from January 01, 2005 (Jermakowicz,2004; Susana et al., 2007; Apostolos et al., 2010).

It is in recognition of the need to have quality financial reports and other benefits such as its ability to significantly improve the comparability of entities, giving better access to global capital markets and reduced cost of capital, and provision of impetus to cross border acquisitions that the adoption of International Financial Reporting Standards is becoming trend among countries (Larsen E.2008; Baker et al., 2009; Apostolos et al., 2010; Iyoha and Faboyede, 2011). Although there are significant benefits of implementation of international financial reporting standards, it is not also without problems. According Jermakowicz, (2004) IFRS conversion has many challenges such as increased volatility of earnings, high cost of implementation, Complex nature of IFRS, problems related to the implementation guidance, Level of Technology Inadequate and Technical Capacity.

Various survey studies have been conducted to assess the implementation of International Financial Reporting Standards in different countries of the world. A set of studies have been conducted in relation to the importance (Apostolos et al.2010; Iyoha and Faboyede, 2011) and the challenges of adopting IFRS (Alessandro et al., 2009; Robyn and Graeme, 2009). The other set of studies have been conducted on the effect IFRS has on companies and countries at large (Jermakowicz, 2004; Alicja et al., 2007; Susana et al., 2007; William et al., 2010). Most of the above studies have been carried out on IFRS analyzing the data from member countries of EU. Comparatively fewer numbers of studies have been carried out on data from other countries. Until now, as per knowledge of the researcher very little empirical Friedework ,Eyob research on the adoption of IFRS has been conducted in Ethiopia. This study makes an attempt to bridge this gap and tries to study the Ethiopian data with reference to IFRS adoption, benefits of IFRS for Ethiopia, challenges faced by the stakeholders in the process of implementation of IFRS, and the factors that affect the implementation. In this regard Ethiopia has expressed an initiative to integrate its financial statements with international standards.

According to World Bank on the Report on the Observance of Standards and Codes, there is no specific set of accounting regulations in Ethiopia and therefore accounting practices vary across institutions (ROSC, 2012). National bank of Ethiopia, Ministry of finance and economic development and other government institutions are working together towards the adoption of this international standard in Ethiopia. The National Bank of Ethiopia has already

required the banks to prepare their financial statements in accordance with IFRS. In 2011 Ministry of Finance and Economic Development (MoFED) issued a draft proclamation called Financial Reporting Proclamation of Ethiopia to provide for the financial reporting of Ethiopia. The proclamation requires reporting entities in Ethiopia to follow IFRS.

1.1.1 What are International Financial Reporting Standards - IFRS

International Financial Reporting Standards (IFRS) are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board (IASB), and they specify exactly how accountants must maintain and report their accounts. IFRS were established in order to have a common accounting language, so business and accounts can be understood from company to company and country to country.

The point of IFRS is to maintain stability and transparency throughout the financial world. This allows businesses and individual investors to make educated financial decisions, as they are able to see exactly what has been happening with a company in which they wish to invest.

IFRS are standard in many parts of the world, including the European Union (EU) and many countries in Asia and South America, but not in the United States. The Securities and Exchange Commission (SEC) won't switch to International Financial Reporting Standards in the near term, but will continue reviewing a proposal to allow IFRS information to supplement US financial filings. Countries that benefit the most from the standards are those that do a lot of international business and investing. Advocates suggest that a global adoption of IFRS would save money on alternative comparison costs and individual investigations, while also allowing information to flow more freely.

In the countries that have adopted IFRS, both companies and investors benefit from using the system since investors are more likely to put money into a company if the company's business practices are transparent. Also, the costs of investments are usually lower. Companies that do a lot of international business benefit the most from IFRS.

IFRS are sometimes confused with International Accounting Standards (IAS), which are the older standards that IFRS replaced. IAS was issued from 1973 to 2000, and the International Accounting Standards Board (IASB) replaced the International Accounting Standards Committee (IASC) in 2001.

1.1.2 Standard IFRS Requirements

IFRS covers a wide range of accounting activities. There are certain aspects of business practice for which IFRS set mandatory rules.

1.1.2.1 Statement of Financial Position: This is also known as a balance sheet. IFRS influences the ways in which the components of a balance sheet are reported.

1.1.2.2 Statement of Comprehensive Income: This can take the form of one statement, or it can be separated into a profit and loss statement and a statement of other income, including property and equipment.

1.1.2.3 Statement of Changes in Equity: Also known as a statement of retained earnings, this documents the company's change in earnings or profit for the given financial period.

1.1.2.4 Statement of Cash Flow: This report summarizes the company's financial transactions in the given period, separating cash flow into Operations, Investing, and Financing.

In addition to these basic reports, a company must also give a summary of its accounting policies. The full report is often seen side by side with the previous report, to show the changes in profit and loss. A parent company must create separate account reports for each of its subsidiary companies.

1.1.3 IFRS vs. American Standards

Differences exist between IFRS and other countries' Generally Accepted Accounting Principles (GAAP) that affect the way a financial ratio is calculated. For example, IFRS is not as strict on defining revenue and allow companies to report revenue sooner, so consequently, a balance sheet under this system might show a higher stream of revenue than GAAP's. IFRS also has different requirements for expenses; for example, if a company is spending money on

development or an investment for the future, it doesn't necessarily have to be reported as an expense (it can be capitalized).

Another difference between IFRS and GAAP is the specification of the way inventory is accounted for. There are two ways to keep track of this, first in first out (FIFO) and last in first out (LIFO). FIFO means that the most recent inventory is left unsold until older inventory is sold; LIFO means that the most recent inventory is the first to be sold. IFRS prohibits LIFO, while American standards and others allow participants to freely use either.

1.1.4 History of IFRS

IFRS originated in the European Union, with the intention of making business affairs and accounts accessible across the continent. The idea quickly spread globally, as a common language allowed greater communication worldwide. Although only a portion of the world uses IFRS, participating countries are spread all over the world, rather than being confined to one geographic region. The United States has not yet adopted IFRS, as the GAAP is viewed as the "gold standard". Currently, about 120 countries use IFRS in some way, and 90 of those require them to fully conform to IFRS regulations.

IFRS is maintained by the IFRS Foundation. The mission of the IFRS Foundation is to "bring transparency, accountability and efficiency to financial markets around the world." Not only does the IFRS Foundation supply and monitor these standards, but it also provides suggestions and advice to those who deviate from the practice guidelines. The official IFRS website has more information on the rules and history of the IFRS. The goal with IFRS is to make international comparisons as easy as possible. This is difficult because, to a large extent, each country has its own set of rules. For example, U.S. GAAP is different from Canadian GAAP. Synchronizing accounting standards across the globe is an ongoing process in the international accounting community.

1.2 Statement of the Problem

The implementation of IFRS benefit is intended to provide high quality information like financial statements, provide transparent statement for users and easily comparable over all periods presented; provides a suitable starting point for accounting under IFRSs; and can be generated at a cost that does not exceed the benefits to users.

Currently both developed and developing countries were facing in implementation and adoption of IFRS. But its wide spread adoption has been promoted by the argument that the benefits are more important than its costs and challenges. Many jurisdictions have cultural, legal, or political obstacles to an immediate full adoption of IFRS (Wayne, 2010). Recently there has been a push towards the adoption of IFRS developed and issued by the International Accounting Standards Board (IASB). IFRS are attracting significant scholarly attention especially in markets where decision making on its adoption is approaching (Thi Phana and Mascitellib, 2014).

IFRS are sets of standards or requirements that dictate the measurement, recognition, presentation and disclosures to be used in the preparation of financial statements by business entities. In the past few years many developed and developing countries started to adopted international financial reporting standards (IFRS) as the basis for financial reporting. While some countries have been using these standards for decades to foster economic development and harmonize financial standards, however particularly developing nations like Ethiopia were unable to fully adopted and implemented IFRS. In Ethiopia, implementation of IFRS was launched in July 7, 2017 (AABE, 2015).

The researcher was also observed various problems Increased volatility of earning , High cost of implementation, Complex nature of IFRS, Problem related to IFRS implementation of guidance, Level of Technology Inadequate Technical Capacity . Hence, to assess there are limited research done and published in this issue in Ethiopia, the finding from this study was aimed challenge and prospect of international financial reporting standards (IFRS) in the selected institution in Ethiopia to overcome the problem get advantage for the user.

Therefore this study is initiated to study the challenge and prospect of international financial reporting standards (IFRS) based on the actual transition process of those entities mandatorily implement IFRS in Ethiopia in the first phase since there were few studies made in regard to IFRS implementation in the first time in accordance with IFRS 1 in actual implementation process in Ethiopian case.

1.3 Objective of the study

1.3.1 General objective of the study

This study is to examine the challenges and benefits of international finance report standards (IFRS) implementation in Ethiopia.

1.3.2 Specific objective of the study

- To examine whether IFRS implementation has a an increase in volatility of earing or not .
- To assess the effect of High cost during the implementation of IFRS .
- To examine the effect of Complex nature of IFRS on financial performance in the financial institute.
- To find out the Problem related to IFRS implementation of guidance.
- To determine the Level of Technology Affict Implementation of IFRS ?
- To determine Inadequate Technical Capacity affect implementation of IFRS?
- To find out the prospect related to IFRS implementation?

1.4 Research Questions

- Does IFRS implementation has a an increase in volatility of earing or not ?
- Does the effect of High cost during the implementation of IFRS ?
- Does the effect of Complex nature of IFRS on financial performance in the financial institute?
- Does the Problem related to IFRS implementation of guidance ?
- Does the Level of Technology office Implementation of IFRS ?
- To examine Inadequate Technical Capacity affect implementation of IFRS?
- Does effect the prospect related to IFRS implementation?

1.5 Significance of the Study

The studies made to date with regard to Ethiopian financial management and accounting system by various researchers and the study of ROSC team in 2007 indicate that Ethiopia is one of the countries that have not have its own accounting standards, so the implementation of IFRS for such countries is difficult than those having their own accounting standards to apply the requirements set out by standard IFRS 1 first time adoption of IFRS as stated by International Accounting Board (IASB). The Accounting and Auditing Board of Ethiopia (AABE) had planned to implement the adoption of IFRS in three phase and now it starts its first phase conversion program and set out the reporting period for IFRS complied financial statement as of July 2018 for the selected 78 entities which includes 19 banks, 18 Insurance Companies and 41 Government Owned Public Enterprises which companies manufacturing companies, construction industries, retail business and transport sectors , therefore, the researcher believes that this study will identified problems encountered to date in the first phase shall be an input for the other remaining phase two and phase three and the researcher also believe that the result of this research will contribute to the body of knowledge in the area of adoption of IFRS in the case of developing economies since Ethiopia's case can be representative of many under developed countries that will implement IFRS in the future periods.

1.6 Scope of the Study

The scope of this research paper is limited to the selected entities in Ethiopia that implement IFRS on the first phase in accordance with IFRS Standard 1 first time IFRS implementation as indicated in the road map of AABE for Ethiopian's entities so the objective of this research paper is to identify challenges encountered in this first phase implantation period and to evaluate the benefits obtained and will be obtained from the implementation of IFRS for those entities categorized in the first phase. The Accounting and Auditing Board of Ethiopia identified 41Government Enterprises', 19 Banks, 18 Insurance companies, and 35 Microfinance Enterprises total of 113 entities.

However the board decided to postpone the implementation of Microfinance entities for one year so those selected entities shall produce IFRS complaint financial reports as of July 8, 2017. Therefore the scope of the study limited to 78 entities.

1.7 Limitation of the study

The major limitation of the study was due to vast number of entities, the data was collected from a small purposively selected organization and staff. Another limitation of this study is that the research scope was a little bit vast and due to time constraint the researcher was unable to conduct qualitative research to get in-depth overview about the implementation of IFRS in Ethiopia.

1.8 Organization of the study

This research is organized into five chapters. Chapter One is the introduction, this entails the background of the study including previous studies on the topic, the problem statement, Research questions, the objectives of the study, significance of the study, limitations of the research, and the organization of the study. Chapter Two includes review of relevant literatures to the study and the conceptual Framework relevant to the study. These includes both imperial and theoretical studies made with regard to the need for the IFRS and benefit and challenges of adopting IFRS. Chapter Three also deals with the methodology of the study. It will include the research design, source of data, target population, sampling methods and techniques, research instrumentation, data analysis plan as well as issues from the field, ethics and how they will be addressed. Chapter Four has to do with the analysis and interpretation of results with the aid of Statistical Package for Social Sciences (SPSS).Chapter Five will draw possible conclusions on the basis of the findings and an indication of their relevance or policy making implications. Recommendations will also be made in this chapter.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section presents a review of related literature to International Financial Reporting Standards and its implementation. It consists of general overview about challenge and prospect implementation of IFRS, factors affecting the implementation and development of accounting in Ethiopia. In general, this chapter synthesized existing empirical research in the area of international accounting standards and ends by summarizing the review and identifying the gap in the existing literature.

2.2 The Concept of IFRS

International Financial Reporting Standards (IFRS) are designed as a common global language for business affairs so that company accounts are understandable and comparable across international boundaries. They are a consequence of growing international shareholding and trade and are particularly important for companies that have dealings in several countries. They are progressively replacing the many different national accounting standards. The rules to be followed by accountants to maintain books of accounts which is comparable, understandable, reliable and relevant as per the users internal or external.

IFRS began as an attempt to harmonize accounting across the European Union but the value of harmonization quickly made the concept attractive around the world. They are sometimes still called by the original name of International Accounting Standards (IAS). IAS were issued between 1973 and 2001 by the Board of the International Accounting Standards Committee (IASC). On 1 April 2001, the new International Accounting Standards Board (IASB) took over from the IASC the responsibility for setting International Accounting Standards. During its first meeting the new Board adopted existing IAS and Standing Interpretations Committee standards (SICs). The IASB has continued to develop standards calling the new standards "International Financial Reporting Standards".

A financial reporting system supported by strong governance, high quality standards, and firm regulatory framework is the key to economic development. Internationally accepted accounting standards play a major role in this entire process.

It is in this context that the role of an independent, global standard-setting body such as the International Accounting Standards Board (IASB) is of critical importance. The principal objectives of the IASB are:

To develop a single set of high quality, understandable, enforceable and globally accepted international financial reporting standards (IFRSs) through its standard-setting body, the IASB;

To promote the use and rigorous application of those standards;

To take account of the financial reporting needs of emerging economies and small and medium-sized entities (SMEs); and

To bring about convergence of national accounting standards and IFRSs to high quality solutions.

Convergence with IFRS is also in the interest of the industry since compliance with them would be able to create greater confidence in the mind of investors and reduce the cost of raising foreign capital.

. The objective of the Framework is to facilitate the consistent and logical formulation of IFRS. It also provides a basis for the use of judgment in resolving accounting issues (IASB, 2009).

2.3. International Accounting Standards

Attempts to reduce accounting differences across countries have been ongoing for more than three decades, because of the problems associated with worldwide accounting diversity. The ultimate goal of reducing accounting diversity is to have all companies around the world follow one set of international accounting standards (Hoyle B., et al., 2009, Baker E. et al., 2009). With growing international markets and international investing opportunities, the advantages of uniform worldwide accounting standards as a global language of financial information have become more and more apparent (Apostolic et al., 2010).

Adoption of International Financial Reporting Standards is becoming trend among countries because of the wide array of advantages it provides for countries and multinational companies. As of February, 2012 approximately 120 nations and reporting jurisdictions permit or require IFRS for domestic listed companies of which 90 countries have fully conformed with IFRS as promulgated by the IASB and included a statement acknowledging such conformity in audit reports (AICPA, 2012).

According to the proponents of accounting harmonization, worldwide comparability of financial statement is necessary for the globalization of capital markets. It would be easy for investors to evaluate potential investments in foreign securities and it would also simplify multinational companies' evaluation of possible foreign takeover targets. International Financial Reporting Standards would reduce the cost of preparing worldwide consolidated financial statements. Multinational companies would also find it easier to transfer accounting staff to other countries (Apostolos et al., 2010; Iyoha and Faboyede, 2011; Jermakowicz, 2004; Alicja et al., 2007; Susana et al., 2007; William et al., 2010).

To meet the needs of international capital markets and their participants, companies must supply current and potential investors with accurate and useful information that provides the necessary data to make investment decisions. Paul Volker, chairman of the International Accounting Committee Foundation Board of Trustee in 2001. "If markets are to function properly and capital is to be allocated efficiently, investors require transparency and must have confidence that financial information accurately reflects economic performance. Investors should be able to make comparisons among companies in order to make rational investment decision. In a rapidly globalizing world, it only makes sense that the same economic transactions are accounted for in the same manner across various jurisdictions."

According to Jermakowicz and Gornik-Tomaszewski (2006) IFRS are not only relevant to external parties but are useful to management decision making as well. Caramanis and Papadakis (2008) found that accounting information provided by financial statements prepared according to IFRS is reliable, relevant, understandable and comparable.

In general, they believe that the quality of financial information has improved as a consequence of the introduction of IFRS.

On the other hand some scholars argue against harmonization. Opponents of harmonization argue that it is unnecessary to force all companies worldwide to follow a common set of rules.

For example Richard (1991) stated that: “Full harmonization of international accounting standards is probably neither practical nor truly valuable...It is not clear whether significant benefits would be derived in fact. A well-developed global capital market exists already. It has evolved without uniform accounting standards.”

Opponents of accounting harmonization also argue that because of different environmental influences, differences in accounting might be appropriate and necessary. For example, countries at different stages of economic development should have differently oriented accounting systems. Another argument against using international financial reporting standards is that the magnitude of the differences between countries and the political cost of eliminating those differences could be quite high (Richard, 1991).

Recently, a number of academics have questioned the quality of financial reporting using IFRS. As an example, Jeanjean and Stolowy (2008) analyzed the effect of the mandatory introduction of IFRS on earnings management in Australia, France and the UK. Their conclusion is that earnings management did not decline after the introduction of IFRS and in fact, in France it increased.

According to Jermakowicz (2004) the adoption of IFRS will increase comparability of consolidated accounts as well as levels of transparency for many companies, e.g. through expanded segment disclosures, reporting unfunded pension obligations and the recognition of derivatives on balance sheets at fair value. Even though IFRS has the aforementioned benefits the preparation of the financial statements becomes time-consuming due to the amount of information that is required which in turn leads to an increase in the accounting activities. (Apostolos et al., 2010)

Iyoha, and Faboyede, (2011), conducted a research on the adoption of International Financial Reporting Standards in Nigeria. The results of the study show that the introduction of IFRS in Nigeria will result in a number of important benefits for a wide range of stakeholders.

The benefits of ease of using one consistent reporting standard in subsidiaries from different countries will accrue to companies while investors will benefit, amongst others, more confidence in the information presented in financial statements which they can understand and use. For policy makers (management), the adoption of IFRS will create better access to the global capital markets and a higher standard of financial disclosure for national regulatory bodies. Similarly, other stakeholders would benefit from overall better reporting and information on new and different aspects of the business.

2.4. Factors affecting the implementation of IFRS

According to Iyoha and Faboyede, (2011), the implementation of International Financial Reporting Standards is largely driven by a number of factors which include among others professional support with IFRS experience and self-enforcement by companies. Similarly Mir and Rahman, (2005), examined the factors that influence the recent decision of the Bangladeshi government and accounting profession to adopt IASs. The results of their study revealed that institutional legitimization is found to be the main factor that influences the decision of adoption of IASs. They argued that this was due to pressure on the Bangladeshi government exerted by key international institutions and professional accounting bodies. Chamisa (2000) evaluated the contradiction of the relevance of IASs to developing countries and used the particular case of Zimbabwe. The study reported that there is a significant increase in the number of professional bodies in developing countries. These professional bodies have supported the adoption of IASs which suggests that these standards are relevant and not harmful to developing countries. The results showed that the adoption of IASs and their impact on the reporting practices of the listed Zimbabwe companies appeared to be significant and relevant to the country as well as similar developing countries where shareholder/fair view is important.

Baker and Barbu (2007) in their review of international accounting harmonization research state that:

“Before 1990, two factors were identified as being the primary explanatory factors for differences in accounting practices: the cultural and economic. After 1989, other factors began to be considered and researchers argued that the diversity of accounting practices was caused by factors beyond the cultural and economic, including: the historical development of a nation’s economy and its capital markets; differences in legal systems; differences in the nature of property rights; the size and complexity of companies within a country; the social climate; the degree of currency stability; the existence of accounting laws; and the educational system . According to Cooke and Wallace (1990), as cited in Zeghal and Mhedhbi (2006,), the factors affecting the choice of accounting systems could be internal as well as external. They could include factors such as economic growth and the level of wealth, the level of inflation, the education level, the legal system, the country’s history and geography, the financial system, the size and complexity of business enterprises, the notoriety of the accounting profession, the development of financial market, sources of investment and financing and the predominant culture and language.”

2.5. Challenges of implementation IFRS

Accounting Professionals across the world have listed various benefits of adopting IFRS. In spite of these benefits, adoption of IFRS is a difficult task and has many challenges. For example Iyoha and Faboyede (2011) identified ethical environment and the ability to protect qualified and competent employees from being poached by other companies as main challenges facing Nigerian companies. Wong (2004) said that education and training are considered as major challenges militating against the adoption of IFRS. As evidenced by the global experience, convergence with IFRS would have significant challenges common to all countries and companies. Additionally, there are also certain specific challenges that are unique to particular countries (Robyn and Graeme, 2009).

With the adoption of the IAS Regulation, requiring all EU listed companies to prepare their consolidated accounts in conformity with IFRS, EU publicly listed companies are facing many challenges, including fair value measurements to be considered to a greater extent (Jermakowicz ,2004; Alexander, 2003). IFRS would also present a challenge by way of more complex financial reporting requirements and resultant increase in costs; and availability of resources with expertise in IFRS.

Similarly from an overall perspective, amendments to regulatory requirements and tax laws would be required; and impact on IT systems and compensation structures would need to be evaluated (Apostolos et al., 2010; Jermakowicz, 2004; Alexander, 2003).

Jermakowicz et al. (2007) examine the challenges and benefits, including value relevance, of the adoption of IFRS by DAX-30 companies in Germany based on a questionnaire sent to company executives. They find that most companies agree that implementing IFRS should improve the comparability of financial statements while the complex nature, high cost of adopting and lack of guidance for implementing IFRS, as well as increased volatility of earnings after adopting IFRS, are listed among the most important challenges of conversion to IFRS.

2.6. Prospects for International Financial Reporting Standards in Ethiopian

Implementation of IFRS-converged in Ethiopian Accounting Standards would help in bringing excellence in financial reporting, as these standards are based on the premise that the financial statements should be transparent and should faithfully represent the actual financial position and performance of the entity.

IFRS Standards would enable comparability of financial information, which will boost investor confidence, thereby enabling companies to raise capital at lower costs. It will provide better access to global capital markets and reduction in the cost of capital leading to overall economic growth.

Fair value approach, historical costs will be replaced by fair values in several balance sheet items, which will enable the entities to know its true worth. By providing transparent and comparable financial information, reporting as per these Standards will provide an impetus to cross-border acquisitions, will enable partnerships and alliances with foreign entities, and lower the cost of integration in post-acquisition periods.

Accounting professionals having expertise in these Standards would also get global recognition.

Ethiopian Accounting Standards, which would bring financial reporting in Ethiopia at par with the international financial reporting. While Ethiopia is moving towards convergence at present, in future the Ethiopian accountancy profession is expected to play a significant role not only in Indian financial reporting system, but also in international financial reporting by playing an influential role in the formulation of IFRSs before their finalization.

IFRS has resulted in improvements to the quality and consistency of financial reporting across the European Union.

2.7 Historical Background of Accounting in Ethiopia

The evolution of accounting can be seen from international perspective and from national point of view. While the development of accounting internationally has generally been well documented, studies that examine this process in developing countries appear relatively limited (Mihret, 2009).

Ethiopia has had alternating political orders: from a developing market economy (pre 1974) to a communist economy (1974 through to 1991), and then back to a market oriented economy (1991 onwards) (Mihret, 2009). The development of accounting in Ethiopia seems to exhibit distinct patterns during the three chronological periods: Pre-1974, 1974 to 1991, and post-1991. According to Kinfu (1990) Two significant developments in 1960 the Commercial Code of Ethiopia was proclaimed the Office of the Auditor General (OAG) in 1961 by Proclamation 199/1961 legal basis for financial reporting and external audit of companies (Argaw, 2000; Kinfu, 1990; ROSC, 2007).

In 1973 when the Ethiopian Professional Association of Accountants and Auditors (EPAAA) was established (Argaw, 2000; Kinfu, 1990; Mihret,). According to Mihret (2009), the EPAAA was aspiring to develop to a level where it would certify and license public accountants to practice in Ethiopia. In 1974, a military government came into power in Ethiopia and declared a communist ideology. Most people agree that this period (up to 1991) was a time when the development of accounting appears to have been held back (Argaw, 2000; Blake, 1997; Kinfu, 2005). Nonetheless, an important landmark in the history of accounting and auditing in this period was the formation of the Audit Service Corporation (ASC) by Proclamation 126/1977 (Government of Ethiopia, 1977) (Mihret, 2009).

According to Seal, Sucher and Zelenka, (1996 as cited in Mihret, 2009), after 1991, when the country shifted back to a free-market economic order. During this period the establishment of People's Democratic Republic of Ethiopia (PDRE) the power and functions of The Auditor General were reformulated and revised by proclamation 13/1988. In addition to this, the EPAAA has been re-activated and three other professional associations, i.e. the Ethiopian Accounting and Finance Association (EAFA), the Ethiopian chapter of the Institute of Internal Auditors (IIA), and the Accounting Society in Ethiopia (ASE) have been established (Mihret, 2009).

Thought there are a number of developments in accounting after the coming in to power of PDRE, the newly established Ethiopian Commodities Exchange Authority (ECEA) has issued a draft directive on independent auditors to require members of the Exchange to use International Financial Reporting Standards in preparing financial statements and for the auditors to use International Standards on Auditing (Gizaw,).

Though IFRS was developed in 1973 by professional accountants in different countries, its transition to Europe came in 2005. It has been evolving over the years. Currently, Ethiopia is in the progress of adopting it. Even though IFRS is required for a certain type of institution, Ethiopia lacks resources to implement IFRS properly and it also does not have an authoritative body for accounting which can guide and dictate the implementation of IFRS (Alemayehu, 2009; Minney, 2011). However, National Bank of Ethiopia (NBE) has already developed a guideline for standard financial reporting; it has trained its staff in that regard (Alemayehu, 2009). Ethiopian Commodities Exchange Authority (ECEA) has also issued a draft directive to require members of the Exchange to use international financial reporting standards in preparing financial statements (Gizaw, n.d). In 2011 Ministry of Finance and Economic Development (MoFED) issued a draft proclamation called Financial Reporting Proclamation of Ethiopia to provide for the financial reporting of Ethiopia. This proclamation requires reporting entities in Ethiopia to follow IFRS. Proclamation no.592/2008,. According to article 23 sub article 1 of the proclamation, the National Bank of Ethiopia directs banks to prepare financial statements in accordance with the International Financial Statements Standards.

Adopting IFRS as a national standard will have significant benefits for countries to improve corporate transparency that is required by investors and the public. Many countries are currently migrating to IFRS by abandoning their national accounting standards. This is an opportunity for countries like Ethiopia, which do not have national accounting standards even if transiting to international standards with weak financial reporting practices in the country may pose many challenges that must be overcome through time (Gizaw, n.d).

2.8 Empirical Evidence

Apostolos A. Ballas, Despina Skoutela and Christos A. Tzovas (2010) conducted a research on the relevance of IFRS to an emerging market by taking evidence from Greece. The paper aims to examine the relevance of International Financial Reporting Standards (IFRS) in emerging markets, with special reference to the case of Greece. The paper also adopts a mixed methodology relying primarily on secondary sources such as the relevant legislation, published annual reports and reports on the effects of the application of IFRS by Greek firms as well as the results of a postal survey addressed to the finance managers of the top 100 Greek firms. For the postal survey, a modified version of the questionnaire used by Tyrall et al. was adopted. Although the Greek environment was not appropriate for IFRS application, participants in the survey believe that their adoption improved the quality of financial reporting. The introduction of IFRS increased the reliability, transparency and comparability of the financial statements. This study provides insights regarding the extent to which the introduction of IFRS influenced the accounting information supplied by firms operating within the European Union.

Robyn Pilcher and Graeme Dean (2009) conducted a study on the implementation of IFRS in local governments: adding value or additional pain. The aim of this paper was to determine the impact of financial reporting obligations and, in particular, the International Financial Reporting Standards (IFRS) have on local government management decision making. In turn, this will lead to observations and conclusions regarding the research question: “Does reporting under the IFRS regime add value to the management of local government?”

Following analysis of a survey instrument distributed to all local governments in all states of Australia, this research reports on interviews within Australia's largest state New South Wales (NSW). In general, findings suggest that for smaller councils and those situated away from the major cities, the time spent on complying with IFRS and various other legislative demands results in management accounting issues often being downplayed. According to the researchers a further paper needs to be conducted in order to determine in the second year of implementation the impact of IFRS both in Australia and, in the future, in other countries where local government is implementing IFRS.

Arsen et al., (n.d) in their journal article entitled „Critical factors of IFRS adoption in the US“ investigate the behavioral factors that affect early adoption of IFRS in the US. The objective of the paper was to employ Theory of Planned Behavior (TPB) (Ajzen, 1991) to empirically investigate the determinants of early adoption of IFRS in the United States. Specifically, the paper investigates whether attitude, subject norm, and perceived control of IFRS adoption significantly influences the intention of IFRS early adoption. They found that an accountant's decision to adopt IFRS is a function of subjective norm and perceived behavioral control, which is consistent with theory of planned behavior. However, attitude towards the IFRS adoption is not a significant factor.

Similarly, (Shimaa& Young 2012) conducted the same study entitled “ Factors Affecting the Adoption of IFRS”. In CM “s framework, eight factors in a country's environment are believed to have a significant influence on the differences found in accounting systems: major source of finance; legal systems; taxation; political and economic ties; inflation; economic development; education; and culture.

They proved that, CM“s model proved fairly descriptive, with all eight factors statistically significant in most of the models: source of finance (equity and foreign debt financing); taxation, legal system, political and economic ties (colonialism and trade alliances), inflation, economic development, education and culture.

Furthermore (Gyasi, 2009) conducted the same study called adoption of IFRS in developing countries the case of Ghana with the sole purpose of examining how the accounting profession has evolved in developing countries over the years specifically Ghana. Additionally, the processes and factors affecting the adoption of International Financial Reporting Standards by Ghana as well as the merits and the demerits of the adoption of IFRS in Ghana. The study was found that external environment, economic development and capital market strongly influenced the adoption of IFRS in Ghana while legal system averagely influenced the adoption of IFRS in Ghana and ineffective previous standards found no impact on the adoption of IFRS.

Stella Fearnley and Tony Hines (2007) investigated how IFRS has destabilized financial reporting for UK non-listed entities. The paper aims to trace the development of attitudes towards financial reporting solutions for entities not subject to the European Union (EU) Regulation. This Regulation mandated application of IFRS for the group accounts of listed companies for financial years beginning 1 January 2005. It seeks to evaluate the alternatives in the light of changing attitudes to IFRS, and the accounting model being adopted, particularly focusing on the problems facing smaller companies. The paper employs qualitative analysis of data from two main sources: first, a series of interviews with financially literate individuals before IFRS was implemented in the UK; and second, from responses to ASB's consultations on the future of financial reporting for non-listed entities.

According to the findings of the study the increasing perception is that IFRS is overly complex and is complicating the search for appropriate form of financial reporting for entities not covered by the EU Regulation. In particular, there is a difficulty in knowing the correct dividing point between large and small company accounting, and views on this have evolved over time.

The needs of small and medium enterprises appear to have been ignored in the debates dominated by the requirements of global players. The research implications are that further, possibly more radical policy options need to be considered for smaller companies to ensure that the costs of financial reporting remain in proportion to the benefits.

Monir and Abu (2005) conducted a research on the adoption of International Accounting Standards in Bangladesh. The aim of the paper was to evaluate the decision of the Bangladesh Government and accounting profession to adopt international accounting standards (IASs).

The paper uses a variety of archival data and interviews with key actors, including preparers and users of annual reports, members of the Securities and Exchange Commission, and members of the professional accounting bodies. Findings of the paper shows that institutional legitimization is a major factor that drives the decision to adopt IASs because of the pressure exerted by key international donor/lending institutions on the Bangladeshi Government and professional accounting bodies. Such pressure results from not only the need to provide credibility to foreign investors but also the need for strong accountability arrangements with lending/donor agencies. However, the perceived undemocratic nature of the adoption process appears to be creating and enhancing conflict among various constituencies, resulting in very low compliance with these standards.

2.9 Research Gaps

In summary, the key arguments in favor of IFRS implementation focus on the effects on capital and investors; and the less favorable arguments give emphasis to the costs occurring during and after the transition period. Though the evidence of economic consequences of IFRS implementation in the literature is mixed and inconclusive, there is a growing demand for IFRS and potentially a single set of global accounting standards.

Therefore, this study was intended to fulfill the gap which were not observed and addressed by Fridewok, Fikru, Alemgena, and other researchers related to challenges and Benefits of IFRS implementation in Ethiopia. Thus this research is different from the previous researches in terms of All Previous study take data from limited staff from one organization this is not indicate the problem properly , So our study select organization and collect data from all participants.

CHAPTER THREE

METHODOLOGY

3.0 Research Methodology

This chapter deals with the methodology used in order to conduct the study. It consists of the research design; the target population of the study, the sampling design, the sampling frame, sampling technique, sample size determination, source of data and data collection instruments, measurement of data analysis and presentation, pilot study and finally deals with ethical issue and reliability test .

3.1 Research Design

This study was used descriptive survey research design and applied quantitative research approach.

3.2 Population of the study

According to Kothari (2012), a researcher has to have a specific population as the researcher research population target upon which the researcher uses to make all his/her inferences regarding validity of what he/she is researching on. A population frame is a comprehensive itemized list of all subjects, which comprise the study population, from which a sample was taken (Mugenda & Mugenda, 2008). Based on their experience and exposure to financial analysis like IFSR, the researcher purposively selected 8 financial institutions out of all institutions IFRS implement in the first phase based on its performance randomly select 8 institutions sour total sample and out of this using a formula select 7 institute. These 7 entities which implement in the first time IFRS were comprise 4 banks, 2 insurance companies and 1 private organization participate in the research .Therefore, and the total populations of the study were 120 questionnaires sample had been drawn from these lists.

3.3 Sampling Design

Sampling is selecting some of the elements in a population from which a researcher may draw conclusions about the whole population. A population group is the subject on which measurements are obtained; it is the entity of the study (Cooper & Schindler, 2010). For the purpose of this study, the unit of study were 78 entities implementation IFRS mandatorily in the first phase in Ethiopia from 8 July 2017, the regulatory bodies such as ABBE and Ministries, National Bank of Ethiopia and concerned agencies, all the information and lists had been provided to the researcher by AABE and concerned institutions and the entities under study and sample had been drawn from these lists (AABE, 2015).

3.3.1 Sampling Frame

The sampling frame had been obtained from AABE and the entities subject to IFRS implementation which includes the list of 78 entities encompassing Government Entities, Financial Institutions that are Banks and Insurances which are subject to implement mandatory IFRS in Ethiopia in the first phase. The list of governing bodies, senior management, IFRS implementation task forces audit function staff, finance staff and concerned regulatory body staff made up the sample frame.

3.3.2 Sampling Technique

Stratified random sampling is useful method for data collection if the population is heterogeneous like banks, insurances and government public enterprises (Singh and Masuku 2014). In this method, the entire heterogeneous population is divided in to a number of homogeneous groups, usually known as Strata, each of these groups is homogeneous within itself, and then units are sampled at random from each of these stratum. The sample size in each stratum varies according to the relative importance of the stratum in the population. Sampling will then be conducted separately in each stratum (Singh and Masuku, 2014)

Studying the whole of the population was impossible. For this reason, the researcher selected based on the formula from Akanni *et al.* (2008) cited by Saleh (2014) representative sample of the whole population from each 8 entities.

To achieve a representative sample for a research study, entities or peoples studied (i.e. the subjects) were carefully selected using stratified and purposive sampling techniques. To select the 7 entities 4 banks, 2 insurances and 1 private company the researcher applied stratified sampling techniques and to select the target population of the study the researcher applied purposive sampling techniques were applied to draw The all staff to participate in IFRS implementation team .Therefore, this research used stratified and purposive sampling technique to select the appropriate sample size among the target population of the study.

3.3.3 Sample Size Determination

To determine the sample size of the study, the total populations of the selected entities have been taken with the confidence level of 95% and then sample size was determined based on the formula

$$\eta = \frac{n'}{[1 + \frac{n'}{N}]}$$

from Akanni *et al.* (2008) cited in Sale (2014) which were adopted in the calculation of the sample size as follows:

$$\eta = \frac{n'}{[1 + \frac{n'}{N}]}$$

Sample size =

$$n' = \frac{S^2}{V^2} = \frac{(0.5)^2}{(0.05)^2} = \frac{0.25}{0.0025} = 100$$

here,

η = sample size

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

N = total estimated population;

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

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

$$\eta = 100 / [1 + (100 / n)] = \text{ samples}$$

Hence, the sample size for 8 organization.

$$\eta = 100 / [1 + (100 / 8)] = 7 \text{ samples}$$

This means that the questionnaire was distributed to 7 organizations 120 questioners in order to achieve 95% confidence level.

From the above calculation a total of 7 entities the all staff to participate in IFRS implementation team were selected with regard to the research purpose. According to the research objective and the target population for each 7 selected entities 120 questionnaires were sent based on financial performance. This means a total of 120 questionnaires were distributed for the all staff to participate in IFRS implementation team of the selected 7 entities 4 banks , 2 insurances and 1 private company importer new vehicles and parts and Machinery which implementation IFRS in the first phase in Ethiopia.

3.4 Source of Data

This study was used both primary and secondary data sources. Primary source of data were obtained from each respondent using structured questionnaires, whereas secondary source of data were collected specially for literature review and general understanding of the subject area. Secondary sources of data were obtained from different published books, internet websites, journals, previous research papers and archive documents. Published books were reviewed to review related theoretical literatures and to interpret the research findings.

Journals and research papers were used as a base for conducting this study to attempt adding some new finding on the existing knowledge. Internet web sites were the source of unpublished books, journals, and research papers were the major sources of information related to the subject area.

3.5 Data Collection Instruments

The data collection method was self-administered questionnaire filled by the selected organization staff. To collect data from each respondents the researcher used structured and closed ended questionnaires for the selected staffs of the 7 entities which included CEOs, CFOs and Chief Internal Audit function of which were involved in the IFRS transition process Therefore, this study was used close-ended questionnaires as data collection instruments. The study was developed research Questionnaires to addressed the research objectives. To administer and properly manage large number of responses of respondents the researcher used close-ended questionnaires and applied quantitative research approach.

3.6 Measurement of Data

The questionnaires were structured based on those used by Iyoha and Faboyede (2011), and Sharif (2010). The close- ended questions, the respondents were asked to indicate their level of agreement on a five point Likert scale with the following ratings. Strongly agree (SA; or 5), agree (A; or 4), neutral (N; or 3), disagree (D; or 2), and strongly disagree (SD; or 1). On this scale a score of 5 or 4 indicates that the item is perceived to be essential while a score of 3 or 2 indicates that the item is perceived to be fairly important, but not essential, while a score of 1.

3.7 Data Analysis and Presentation

In this research, the data collected from the respondents were analyzed using Computer systems like Statistical Package for Social Science (SPSS) version 20. A data collected from respondents were analyzed using descriptive statistical indexes like frequency distribution and percentage were calculated. After information was collected from different sources, mainly the information obtained through questionnaire were scaled, once the information scaled then the researcher organize in appropriate categories related to respondents view in general and in terms of the research variables in particular. The data obtained from primary sources were presented in the form of tables, bar charts, figures and texts.

3.8 Pilot Study

Pilot study of the questionnaire was achieved by investigation sample, which consisted of 30 questionnaires. These questionnaires were distributed to purposively selected organization staff. According to the researcher view they had a strong practical experience in accounting and Finance sector to properly understand the IFRS implementation in Ethiopia. Their sufficient experiences and educational qualification are a suitable indication for pilot study.

3.9 Ethical consideration

Informed consent: Participants were given the choice up on their willingness to participate or not to participate, and furthermore the researcher informed in advance about the nature of the study. Right to privacy: Participants were informed about confidentiality of their responses and this was stated clearly in the questionnaire, that it is only for academy purpose. Honesty with professional colleagues: These findings were reported in proper manner and honest way, without misrepresenting.

3.10 Reliability Test

A reliability analysis will carry out on the perceived task values scale comprising number of items to assess the internal consistency of the questionnaire used in this study. Consequently, Cornbrash's alpha showed the questionnaire to reach acceptable reliability.

Reliability Statistics

Cronbach's Alpha	N of Items
.893	28

Figure 3.1: reliability statistics

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF RESULTS

4.0 Introduction

This part of the research deals with the analysis and discussion of the data gathered from the questionnaire survey. The analysis and discussion were done with the understanding of research objectives.

4.1 Response Rate

To make the analysis a total of 120 questionnaires were distributed to IFRS implementation team which largely includes Chief Executive Officers (CEOs), Chief Finance Offices (CFOs) and Chief internal audit function of 7 selected entities. The entities selected were 4 banks including the Commercial bank of Ethiopia ,Aawash international bank ,Wegagen Bank and united Bank 2 insurances Ethiopian insurance corporation and Africa insurance and one importer and distributor New Automobile and parts Motor and Engineering Company (MOENCO) , for the selected entities were sent for each CEOs, CFOs and CIAF's a total of 120 questionnaires were distributed . Therefore, out of the total questionnaires 111 questionnaires were filled and returned back to the researcher, which means the overall response rate of the study was 92.5%. This shows the response rate result is enough to make the analysis

Table 4.1: Percentage of questionnaires distributed and returned and response rate

Respondent from each office	Questionnaire		Questionnaire		Response
	Number	of	Number	of	
Government owned and private	70	58.34	66	59.46	94.29
Government and private Owned insurances	34	28.33	30	27.03	88.24
One importer and distributor (MOENCO)	16	13.33	15	13.51	93.75
Total employees	120	100	111	100	92.5

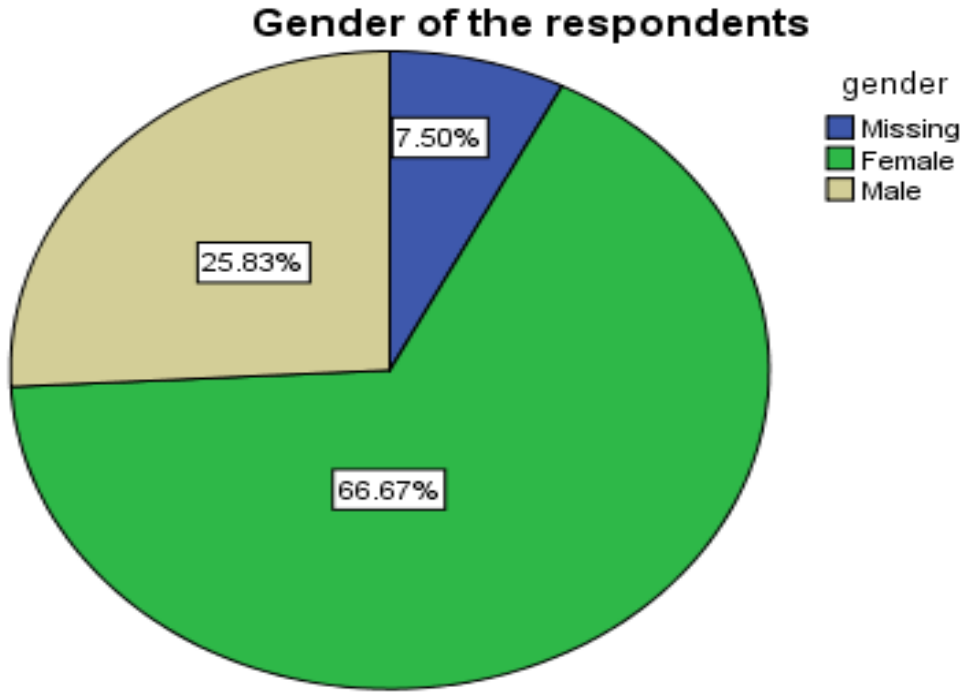
Source: Survey result, 2019

4.2 Demographic Characteristics of Respondents

The respondents demographic features include four key features which were: The respondent's Gender, Age, Educational level & Professional qualification and industry they worked in.

4.2.1 Gender distribution of respondents

The study need to discover the gender of the respondents as shown in the figure 4.1 below.

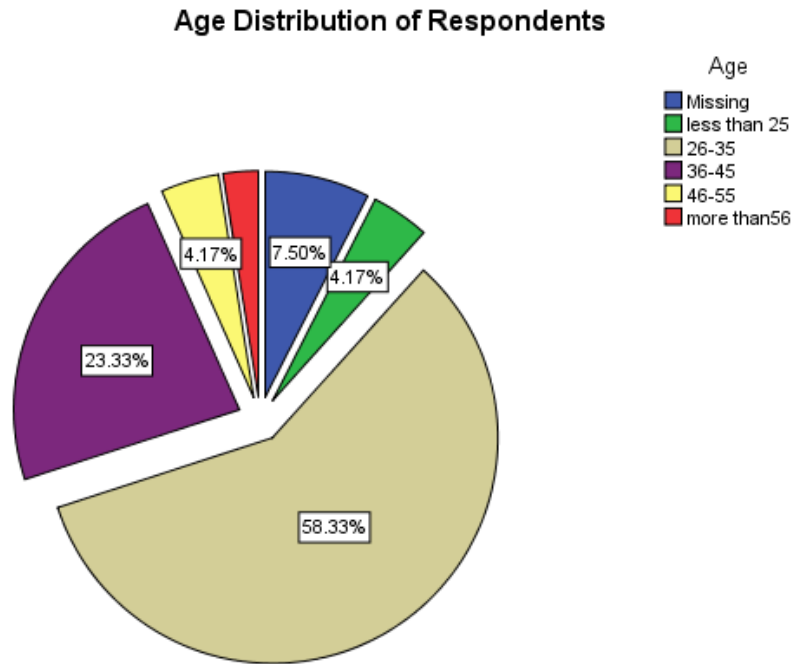


Source: Survey result, 2019

Figure 4.1: Gender distribution of respondents

Figure 4.1 shows that out of 120 respondent's 30 respondents representing 25.83% were males while 80 representing 66.67% were females and 9 respondent 7.5% not respond. The result indicated that more female respondents were participated than male's respondents in this study, so for the future phases the inclusion of adequate number of males employees in the IFRS implementation process shall facilitate the transition process.

4.2.2 Age Distribution of Respondents



Source: Survey result, 2019

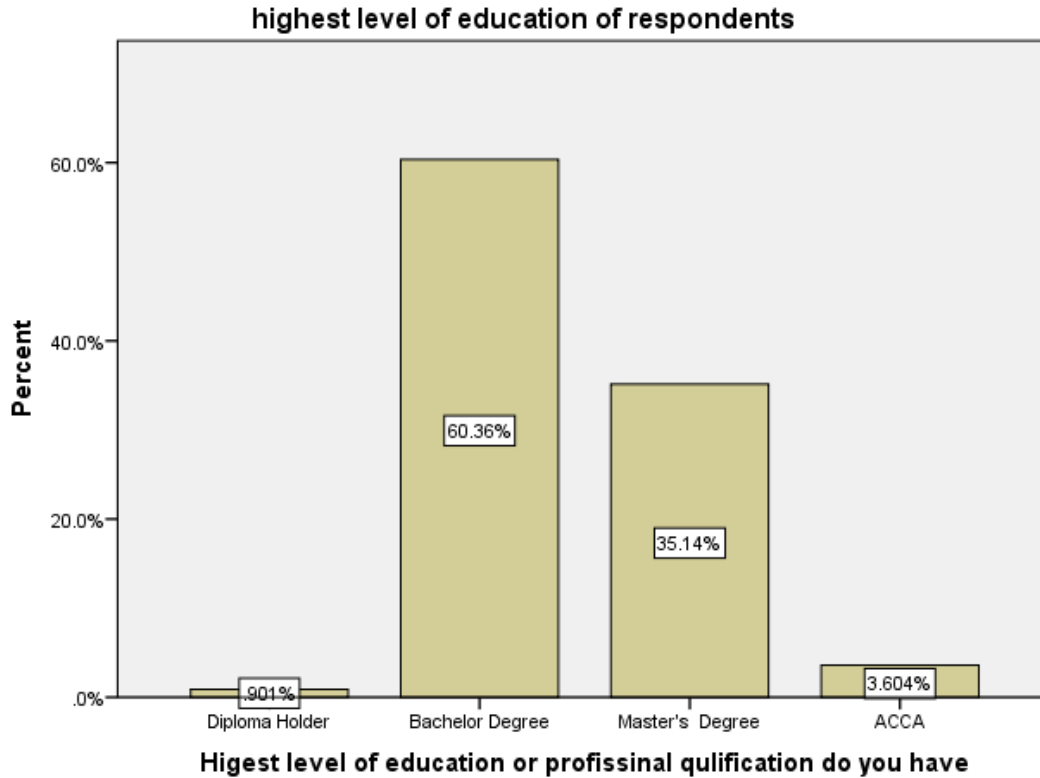
Figure 4.2: Frequency and percent of age of respondents

As we can see from Figure 4.2 majority of the respondent's age were between 26 years up to 35years. these age groups Contribute 58.33% of the total respondents. Total percentage of Respondents who were age less than 25 were 5 (4.17%), between from 36-45 years 28 (23.33%), from 46-55 years were 5 (4.17%), and the remaining age over 56 years were 3 (2.5%) out of the total respondents others are missing respondent age percentage (7.5%)

This result indicate that majority of respondents age fall under the productive and experienced age group, so since the productive and experienced age group prone to Technology and change it was an advantage to the transition process since the conversion of current accounting standards (GAAPs) to IFRS requires high technical IT skill and soft skill on accounting software programs, therefore, the existence of majority of productive staff was an advantage to transition to IFRS.

4.2.3 Highest Educational level of Respondents

The Educational level for implementation of such kind of projects as IFRS Implementation very crucial and important to the success of the intended aim, therefore.

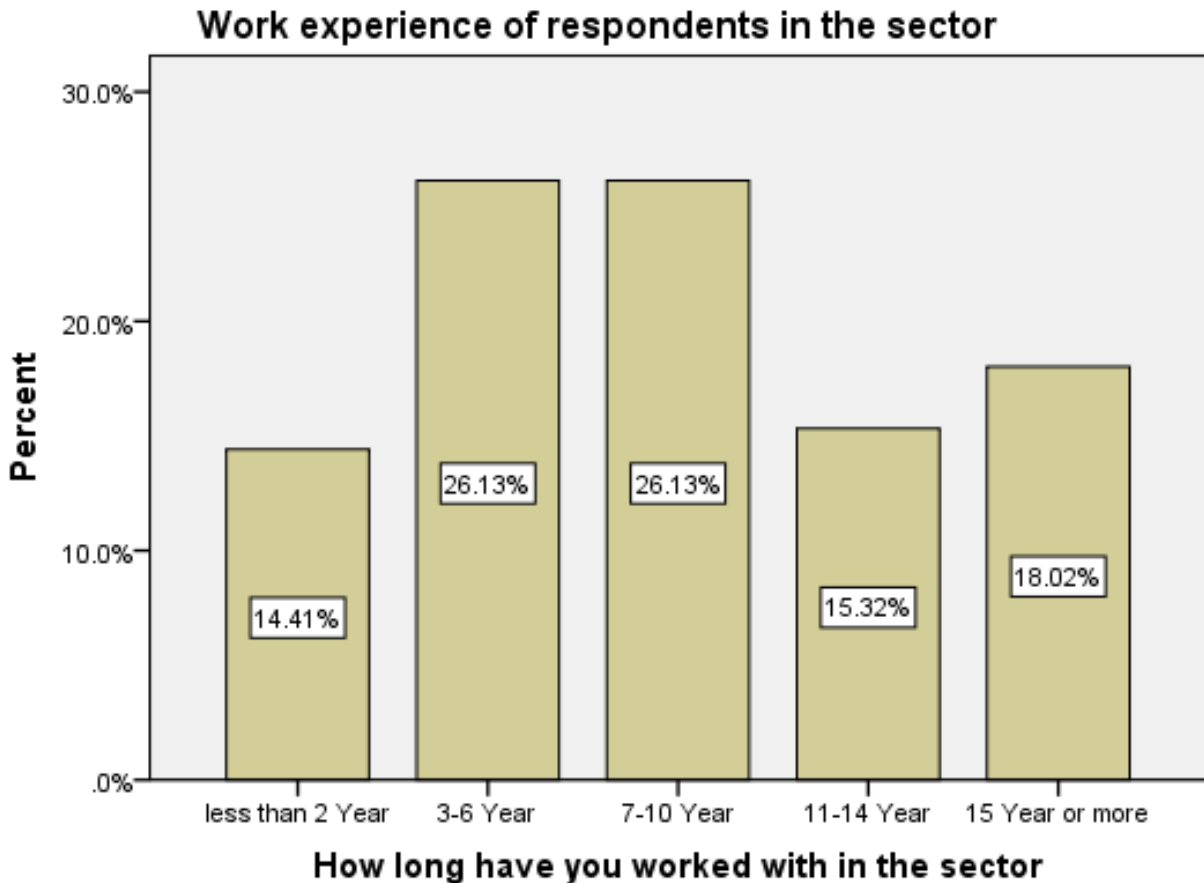


Source: Survey result, 2019

Figure 4.3: Highest Educational level of Respondents

Figure 4.3 above result depicted that out of the total 111 respondents 39 respondents that contribute 35.14% of the respondents have master's degree and 67 respondents which contribute 60.36% have Bachelor Degree, Only 1 respondents which contribute .9% have diploma and 4 respondents that contribute 3.6% of the respondents have ACCA(**Professional qualification of respondents**).Therefore, the result indicated the transition teams were qualified and has appropriate educational qualification to carry out the IFRS implementation process.

4.2.4 Work experience of respondents in the sector



source: survey result 2019

Figure 4.4: percent of work experience of respondents in the sector

The experience gained in the sector or the industry shall be crucial to the implementation Process of IFRS, therefore as seen from the figure 4.4 above 20 respondents which contribute To 18.02% of the total 111 respondents serve in the industry for more than 15 year, 17 respondents who serve from 11 to 14 years which contribute to 15.32%, 29 respondents were served for 7 to 10 years in the industry which contribute 26.13 %, 29 respondents were serve in the industry for 3 to 6 years which contribute to 26.13% and finally only 16 respondents serve for less than 2 year, which contribute to 14.41% therefore from the survey result we can learn that majority of implementation team members have adequate years of services in the industry which is an advantage for implementation of IFRS transition process.

4.3 The descriptive analysis of response on Yes or No Questions

The following table below gives a breakdown of the descriptive analysis of each question frequency and percent answered by respondents. The yes or no questions answered by the respondents enable the researcher to assess the factors that directly affect the implementation process of IFRS in Ethiopia.

Table 4.2: Summary of Yes/No questions

Questions	Replied Yes		Replied No	
	N	%	N	%
Is there published implementation guideline on adoption of IFRS in your entity?	90	81.08	21	18.92
Is the audit committee of your entity fully participates in the Transition process to IFRS?	70	63.06	41	36.94
Is there a road map that had been approved by the board of Directors of your entity?	81	72.97	30	27.03
Is the involvement of the board of directors of your entity in the Translations process was adequate?	64	57.66	47	42.34
Did risk assessment was conducted before transition to IFRS was started in your entity?	66	59.46	45	40.54
Did gap assessment was done before starting the IFRS Implementations in your entity?	79	71.17	32	28.83
Did time - period for the preparation to transition to IFRS Provided was adequate?	77	69.4	34	30.63

Source: Survey result, 2019

Table 4.2 above included the existence of published implementation guideline can facilitate the smooth transition process from GAAP to IFRS prepared financial statements. From the respondents of this study 90 respondents were answered yes which contribute 81.08% of total respondents of 111 while 21 respondents answered No which contributed 18.92%.

This result indicates that for the majority of the entities implementation guidelines were prepared and provided to them so availability of adequately explained guideline has the transition process fast. The participation of the audit committee in the transition process from GAAP to IFRS enhance the transit process from the respondents answer we can observe that 70 respondents which contribute to 63.06% of total respondents answered yes while 41 respondents which accounted for 36.94% answered No. The answer indicated that majority of the audit committees of entities were participated in the transition process to IFRS, so this has higher effect on the process of transition.

The preparation of road map before the implementation process simplify the process and assist the regulatory body and the management of the entities to strictly follow up the process in this regard 81 respondents which account for 72.97% were answered yes whereas 30 respondent which account for 27.03% were answered No, therefore the result indicate that majority of the entities prepared road map for the implementation of IFRS but still the efforts should be made to prepare the road map for the remaining entities to facilitate the smooth implementation of IFRS.

The involvements of board of directors or senior management of entities facilitate the transition process from financial statements papered using GAAP to IFRS compliant financial statements. The result of this survey indicate that 64 respondents that accounted for 57.66% of respondents answered Yes while the remaining 47 which accounted for 42.34% were answered No. Therefore the involvement of the board of directors or senior management is important to facilitate the conversion from financial statements papered using GAAP to IFRS compliant financial statements.

The transition process from financial statements prepared in GAAP to IFRS complaint financial statements requires risk assessment in order to identify the concentration area and to establish the mitigation strategy for the risk that may be encountered. The survey result indicates that 66 respondents accounted for 59.46% while the remaining 45 responded No which accounted for 40.54%. The risk assessment is mandatory in accordance with IFRS 1 first time implementation of IFRS so the result indicate that there was a gap on this regard.

The transition process from GAAP to IFRS requires that gap assessment shall be done before the starting of the process. The survey result indicates that 79 respondents that were 71.17% answered yes while 32 responded were responded No which accounted for 28.83%. Relatively gap assessment was made for majority of the entities but still the gap would have been assessed for the remaining entities too.

The preparation time for transiting from GAAP to IFRS compliant financial statements requires adequate time so 77 respondents were answered yes which accounted for 69.4% and 34 respondents answered no which accounted for 30.63%, therefore to be successful in the implementation process adequate time should be provided for the preparation period.

4.4 The Descriptive Analysis of Factors Influence the implementation of IFRS

Table 4.3: Factors Affecting implementation of IFRS

Questions	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
	N	%	N	%	N	%	N	%	N	%
Economic growth in Ethiopia greatly influenced the implementation of IFRS.	5	4.1	7	5.8	45	37.5	38	31.7	16	13.3
The legal system of Ethiopia Influenced IFRS adoption.	4	3.3	10	8.3	31	25.8	42	35	24	20
The external environment Forces such as IMF, World Bank influenced IFRS	6	5	9	7.5		15.8	42	35	35	29.2
The need for existence of capital market influenced IFRS	7	5.8	9	7.5	28	23.3	42	35	25	20.8
Previous accounting standards Were ineffective or accounting standards were not available.	11	9.2	30	25	28	23.3	28	23.3	14	11.7

Source Survey result,2019

4.4.1 Economic Growth in Ethiopia greatly influence the implementation of IFRS

The fast growing economy of Ethiopia needed large capital investment this necessitate the need for foreign investment so large amount of foreign direct investment inflow (FDI) requires accounting system that capture the information the investors and other stakeholders needed. According to table 4.3 above result respondents on impact of the Ethiopian Economic Growth on the implementation of IFRS indicate that 16 respondents strongly agree with the statement which accounted for 13.3 %.This indicated that request of some awareness in the area. Indicate that 38 respondents agree with the statement which accounted for 31.7 %.

Indicate that 45 respondents neutral with the statement which accounted for 37.5 %. Indicate that 7 respondents disagree with the statement which accounted for 5.8 %.Indicate that 5 respondents strongly disagree with the statement which accounted for 4.1%. 54 respondent or accounted 45% out of 111 respondents agree and strongly agree to the impact of economic growth, but 45 of the respondents were neutral to this statement and 7 was strongly disagree with the statement and 5 respondents were strongly disagree with the statement which totally accounted for, it can be justifiable to say that economic growth impact on the implementation of IFRS in Ethiopia.

4.4.2 The Legal System of Ethiopia influenced IFRS implementation

The commercial code of government of Ethiopia proclaimed financial reporting number 847/2014 which set out financial reporting applicable to different entities specifically by accepting the implementation of IFRS as set out by IASB. The result of table 4.3 survey showed that 42 respondents agree with the statement which accounted for 35% and 24 respondents which accounted for 20% were strongly agree with the statement and 31(25.8%) of the respondents were neutral. However, 4 respondents strongly disagree which account for 3.3% and 10 respondents disagree which accounted for 8.3% of the total respondents. Therefore it can be concluded that there is strong relationship between legal system and IFRS Implementation in Ethiopia.

4.4.3 The external environment forces influenced IFRS implementation in Ethiopia

External environment pressures exercised by institutions such as international monetary fund (IMF) and The World Bank besides the precedence of foreign investors can greatly influence the implementation of a particular accounting policy.

The level of openness of the economy to any of the above-mentioned bodies can result in the implementation of accounting policy that is globally accepted and recognized. In the instance of Ethiopia, the World Bank is on record to have recommended the implementation of IFRS, afterward studying the Ethiopian system as formulation on Observance of Standards and codes. This study was also designed to find out the opinion of the respondents on the degree to which external environmental factors can influence IFRS adoption.

The table 4.3 above shows that 6 respondents that accounted for 5% strongly disagrees with the assertion, 9 respondents which accounted for 7.5% disagree with the assertion, 19 respondents which account 15.8% neutral , whilst 42 respondents which accounted for 35% agree with the assertion and 35 respondents accounted for 29.2% strongly agree with the assertion . This implies the majorities of the respondents agree and strongly agree with the statement which constitutes 80% out of the total respondents. The overall result indicates that the environmental factors actually influence the implementation of IFRS in Ethiopia.

4.4.4 The need for existence of capital market influenced IFRS implementation

The existence of capital market plays an important role in economic growth and economic prosperity of a country. In Ethiopian case the development of capital market is in its infant stage, there are few share companies such as banks and insurance companies and the Ethiopian Commodity Exchange (ECX) market. Capital markets in developing nations do not have meaning of activating domestic resources for financing, additionally giving or attracting foreign direct investment.

Capital market will impact and enhancing the preparation of domestic resources to finance and advance the efficient utilization of capital. The result from the study whether or not existence of capital market indeed induced the implementation of IFRS in Ethiopia as shown in the Table 4.3 above indicated that portrays that more than 55.8% of the respondents agree strongly and agree with the assertion of capital markets influence the implementation of IFRS in Ethiopia, 28(25.3%) of the respondents were neutral with the statement, 7(5.8%) of the respondents were strongly disagree and 9(7.5%) of the respondents were disagree with the affirmation that the presence of capital market surly instigated the adoption of IFRS in Ethiopia.

In conclusion the presence of capital market even though it is in its infant stage impacted extraordinarily the implementation of IFRS in Ethiopia

4.4.5 Non availability of pervious accounting standards impact on the implementation of IFRS

From table 4.3 around (42)35% of the respondents agree that non availability of past standards impact on the implementation of IFRS in Ethiopia, whilst (41)34.5% oppose the idea that nonexistence of accounting standards has impact on the implementation of IFRS in Ethiopia. Only 28(23.3%) of the respondents were neutral with this statement. Therefore we concluded that the non-availability of standards affect the Implementation of IFRS in Ethiopia.

4.4.6 Summary of Factors that influence IFRS implementation in Ethiopia

From the survey result we must note that the variables identified had varying degrees of influence on IFRS implementation. From table 4.3 we identified that 45% of the respondents are agree and above with statement that economic growth indeed influence IFRS implementation, 55% of the respondents confirms the statement on legal systems and IFRS implementation whilst 55.8 % of the respondents confirms existence of capital market to be a major influent on IFRS implementation in Ethiopia and the effect of non-existence of previous accounting standards accounted for 35% of the respondents and 64.2% of the respondents agree that those external environmental factors such as World Bank, IMF, and foreign investors etc influence IFRS adoption.

From the survey above we can conclude that the external environmental factors had the highest weight on the elements that influence the implementation of IFRS in Ethiopia.

4.5 Analysis of Benefits(Prospects) challenges of implementation IFRS in Ethiopia

The survey result regarding the prospects or benefits of implementation one set of harmonized accounting standards analyzed below:

Table 4.4: Prospects of IFRS implementation in Ethiopia

Questions	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
	N	%	N	%	N	%	N	%	N	%
Is IFRS improves the quality of financial statements and increase access to global capital markets?	3	2.5	6	5	2	1.7	49	40.8	51	42.5
Is IFRS adoption ensures the use of one standards for both parent and subsidiary companies?	4	3.3	6	5	11	9.2	55	45.8	35	29.2
Is IFRS has positive effect on the information for control and decision making using financial statements by like investors?	4	3.3	5	4.2	7	5.8	54	45	41	34.2
Is IFRS adoption has significant effect on FDI inflows?	5	4.2	3	2.5	16	13.3	53	44.2	34	28.3

Source: Survey result, 2018

4.5.1 The quality of Financial Statements improved and enhances increased access to global market

From the total respondents, 40.8% were agreed with the assertion and 42.5% were strongly agree with the statement, 1.7% were neutral with the assertion, 2.5% were strongly disagree and 5% were disagree with the assertion.

Therefore 83.3% of respondents were agreed and strongly agreed with the assertion. The result of the survey affirms that implementation of IFRS improves the quality of Financial Statements and enhances increased access to global markets.

4.5.2 IFRS implementation ensures the use of one standards for both parent and subsidiary companies

Majority of the respondents agree with the assertion of adoption of IFRS ensures the use of one standards particularly for the company which have subsidiary in foreign country other than Ethiopia and for subsidiaries for which the home office reside outside Ethiopia those respondents accounted for 45.8% and 29.2% agree and strongly agreed with the assertion respectively which accounted for in total 75% of the total respondents, 3.3% of respondents were strongly disagree, 5% of respondents were disagreed with the assertion whilst 9.2% neutral with the assertion. So result of the survey affirms that implementation of IFRS insures the use of one standard for parent and subsidiary companies.

4.5.3 IFRS has positive effect on the information for control and decision making using financial statements by users like investors, creditors and other stake holders

Here 3.3% of respondents strongly disagree, 4.2% disagree, 5.8% neutral with the statement whilst 45% agreed and 34.2% strongly agree with the assertion which accounted for 79.2% of the total respondents. Therefore we can conclude that based on the result of the survey IFRS has positive effect on the information for control and decision making using financial statements by users like investors, creditors and other stake holders

4.5.4 IFRS implementation has significant effect on FDI inflows

One of the benefits to adoption of harmonized accounting standards globally as identified by Irrational Accounting Standards board (IASB) is that it enhance the flow of capital across boundaries so the respondents of this survey were agreed with this statement 44.2% and strongly agree 28.3%, 13.3% of respondents were neutral, whereas 4.2% of the respondents strongly disagree and disagree 2.5% a total of 6.7% of respondents were disagree with the assertion. The survey result affirms that IFRS implementation has significant effect on FDI inflows.

Summary of prospect of implementation IFRS in Ethiopia

Most theoretical and empirical evidences identified the benefits of implementation one set of internationally harmonized accounting standards includes the benefits described above, therefore the result of this study also support the existing theoretical and empirical evidences since most of the respondents agree with the assertion as stated above.

4.6 Mechanism to Ensure Compliance to IFRS

The survey result regarding the mechanisms to ensure compliance to IFRS found from the SPSS were presented in the table 4.5 below.

Table 4.5: Mechanism to Ensure Compliance to IFRS

Mechanism to Ensure Compliance to IFRS	Strongly		Disagree		Neutral		Agree		Strongly	
	N	%	N	%	N	%	N	%	N	%
Training on IFRS ?	3	2.5	8	6.7	10	8.3	40	33.3	50	41.7
Stakeholders' awareness on IFRS?	2	1.7	7	5.8	19	15.8	50	41.7	33	27.5
Providing guidelines on implementation?	4	3.3	5	4.2	8	6.7	51	42.5	43	35.8
Harmonizing with regulatory Bodies?	3	2.5	10	8.3	18	15	42	35	38	31.7
Establish efficient and enforcement mechanisms to ensure compliance?	2	1.7	7	5.8	10	8.3	54	45	38	31.7
Develop a supported version IFRS to make it user friendly?	5	4.2	5	4.2	13	10.8	46	38.3	42	35

Source: Survey result, 2019

4.6.1 Mechanism to Ensure Compliance to IFRS-Training on IFRS

The respondents for this assertion strongly agree which accounted for 41.7% out of the total respondents of 120 and 33.3 % were agree to the assertion which accounted for in total 75% of total respondents agree and strongly agree , the remaining 2.5%,6.7% and8.3% strongly disagree, disagree and neutral with the assertion respectively 7.5% not respond, so the survey indicate that regular training requirement before the starting of IFRS implementation, ongoing process of implementation and after the implementation are important since there are new employee entrants into the system and there is frequent change in IFRS.

4.6.2 Stakeholders Awareness of IFRS

The first step to achieve success is to create awareness on the International Financial Accounting Standards, when stakeholders are made to know and understand the reason and benefits they will drive from working with the IFRS that have been introduced to them the result can be a good success to the implementers. The standards should be reviewed time after time but before an organization can drive its full benefit after adoption, the review must be well circulated and understood so that full compliance can be achieved. From the study conducted respondents who agree to the fact that stakeholders awareness is actually being practiced were about 69.2% out of the 120 respondents, however, the remaining 1.7%,5.8% and 15.8% were strongly disagree, disagree and neutral respectively with this assertion and 7.5% uncollected. This result indicates that almost most companies who are now on the transition process, this mechanism is in practice.

4.6.3 Providing guideline on implementation process

The study need to identify the guidelines availability on implementation which shall be the mechanism to ensure compliance. During the desk review the researcher obtained responses from the questions raised to respondents in most instances they answered that the regulatory body Accounting and Auditing Board of Ethiopia (AABE) provided guideline to implementing entities and in addition to that in some cases the entities developed guideline which assists the IFRS implementation team, therefore, the result of the survey asserts this observation, from 120 respondents 35.8% and 42.5% respondents are strongly agree and

agree with the assertion which accounted for 78.5% which accounted for 4.2% disagree and respondents which account 6.7% were neutral with this statement.

4.6.4 Harmonization with regulatory bodies

Here the researcher seeks to evaluate the regular involvement of regulatory bodies in the transition process particularly the Accounting and Auditing Board of Ethiopia (AABE). Regulatory bodies such as ABBE and Ethiopian National Bank were there to implement supervisory roles that may be in the form of enforcing requirements and constraints, also coming out with guidelines in respect of any activity and obtaining compliance. Here 66.7% of the respondents of the survey were strongly agree and agree with the assertion and the remaining respondents 25.8% were strongly disagree, disagree and neutral with this statement 7.5% not respond . The researcher had made desk review of reports made by AABE with regard to implementation process, the problems and challenges faced by these entities which supposed to implement IFRS for first time in Ethiopia and the recommendations made by the AABE based on the assessment they made for each specific entity. Therefore the result of the response directly correlates to the findings identified by the regulatory body.

4.6.5 Efficient Enforcement Method to Ensure Compliance

This assertion used to evaluate the efficient enforcement method to ensure compliance measurement in place to help entities in process of implementation in order to make practical the compliance process.

From 120 respondents 76.7% which accounted for were strongly agree and agree, respondents which accounted 8.3% were neutral with the need for existence of efficient enforcement mechanism which accounted for 7.5% strongly disagree and disagree with assertion 7.5% not respond. Therefore the survey result confirms the declaration.

4.6.6 Develop a supportive version of IFRS to make it user friendly

The IFRS developed by International Accounting Standard Board (IASB) are to serve globally however, economic, technologic, historical and cultural situations vary from country to country particularly situations in developing countries like Ethiopia the backward economy, the low financial management structure, low IT infrastructure makes them

different from the developed countries such as European countries, therefore, the lack of qualified employees, backward economic situation and backward economic structure requires simplified easy to use version of IFRS so IASB and local regulating bodies such as AABE need to work towards this simplified version of IFRS. This assertion was supported by respondents which accounted for 73.3% strongly agree and agree while the assertion was not supported by respondents which accounted for 8.4% the remaining 10.8% neutral and 7.5% not respond of total 120 respondents.

4.7 The Analysis of Problems Facing IFRS

Table 4.6: Problems encountered during compliance

Problems Facing adopting IFRS	Strongly disagree		Disagree		Neutral		Agree		Strongly agree (5)	
	N	%	N	%	N	%	N	%	N	%
IFRS are increased volatility of earning?	8	6.7	12	10	49	40.8	32	26.7	10	8.3
Changes on IFRS high cost of implementation?	1	.8	10	8.3	24	20	51	42.5	25	20.8
Complex nature of IFRS	5	4.2	16	13.3	20	16.7	48	40	22	18.3
Problem related to IFRS Implementation of guidance?.	4	3.3	11	9.2	26	21.7	53	44.2	17	14.2
Inadequate level of technology implementation of IFRS?	4	3.3	20	16.7	14	11.7	47	39.2	26	21.7
Inadequate level of technology implementation of IFRS?	3	2.5	17	14.2	11	9.2	51	42.5	29	24.2

Source: Survey result, 2019

4.7.1 IFRS are increased volatility (Unpredictable) of earning?

It is a rate at which the price of a security increases or decreases for a given set of returns. Volatility is measured by calculating the standard deviation of the annualized returns over a given period of time. It shows the range to which the price of a security may increase or decrease.

The result of the survey indicate that 26.7% of respondents agree with the statement 40.8% were neutral and 8.3% were strongly agree but 6.7% strongly disagree and 10% disagree, so the result of the study concluded that account preparation under IFRS are increased volatility of earning.

4.7.2 Changes on IFRS high cost of implementation?

The first time implementation of IFRS framework is perceived by most entities as costly, these costs usually relate to consultants' costs, costs of training personnel and costs of adjusting the existing accounting system to effect the change

The result of the survey indicated that 42.5% were agreed, 20.8% of the respondents were strongly agreed with the assertion, .8% of respondents were strongly disagree and 20% were neutral but 8.3% disagree 7.5% un responds with the statement conclude that under change on IFRS high cost of implementation . The researcher understand here about the outcome of the result that the entities under study were large financial institutions which includes Banks and insurance and huge government owned public entities so here the companies have a capacity to afford the cost relative to their size but in the cast of private companies those costs may be huge and may be greater than the benefit obtained from IFRS complied financial statements.

4.7.3 Complex nature of IFRS

Reporting complexity is unavoidable, because it reflects the underlying complexity of business. Insurance, pensions and derivatives are all highly complex financial instruments for which there is no simple accounting. The distinction between equity and liabilities has become increasingly blurred. Business acquisitions inevitably lead to complex accounting.

The result of the survey indicated that 40% were agreed, 18.3% of the respondents were strongly agreed with the assertion, 4.2% of respondents were strongly disagree and 16.7% were neutral and the remaining respondents 13.3% disagree others 7.5% not respond with the statement indicate implementation of IFRS complex Nature.

4.7.4 Problem related to IFRS Implementation of guidance

The result of the survey indicated that 44.2% were agreed, 14.2% of the respondents were strongly agreed with the assertion, 3.3% of respondents were strongly disagree, 9.2% disagree and the remaining 21.7% respondents were neutral and 7.5% not respond with the statement indicate problem related to IFRS implementation of guidance

4.7.5 Inadequate level of technology implementation of IFRS

The survey result indicated that 39.2% were agreed, 21.7% of the respondents were strongly agreed with the assertion, 3.3% of respondents were strongly disagree, 16.7% disagree and 11.7% respondents were neutral and 7.5% not respond with the statement. Majority of respondent 60.9% accept inadequate level of technology affect the implementation progress of IFRS.

4.7.6 Inadequate Technical capacity implementation of IFRS

The survey result indicated that 42.5% were agreed, 24.2% of the respondents were strongly agreed with the assertion, 2.5% of respondents were strongly disagree, 14.2% disagree and 9.2% respondents were neutral and 7.5% not respond with the statement
Majority of respondent 66.7% accept inadequate technical capacity affect the implementation progress of IFRS.

4.8 Summary of Major Finding

The purpose of this research pepper is to identity the problems, challenges and prospect that could be obtained from implementation of IFRS for first phase mandatory implementation of Entities in Ethiopia which had been identified by AABE and to provide recommendation which could help the entities that shall be implement IFRS in the second and third phase in accordance with road map of AABE.

The result of the survey identified that the gender group of respondents dominated by female which accounted for 66.67% and the majority age group of respondents which accounted to 81.66% were ranging from 25 to 45 years old, so this result seems good since the availability of productive and experienced personnel in the entities prone to change in technology and faster growing economic system. These finding is compatible with Schachler et al. (2012)

The level of education matter in applying new ideas and methods so from the result of this study we observed that around 95.5% were first and second degree holders who were the IFRS implementation team members and others related so this enhance the implementation process the researcher recognize this as good practice and should be continue in next phases of IFRS implementation in Ethiopia.

Number of qualified accountants such as ACCA, CPA or CIMA accounted for 3.6% of the total respondents' so here the number of qualified professional were very small since Having these qualifications shall enhance IFRS implementation process.

The average work experience of the respondents more than 10 years and this contribute to 26.3% this is good indication that long term work experience enhances IFRS implementation process, however the more employees stay in one system for long period they are prone to resistance to change so this negatively affect the implementation of IFRS.

The result of the study identified that published guidelines were available for 81.08%, the participation of the audit committee in the formation process were available 63.06% of the respondents only agree with the participation 72.97% of respondents answered yes for the existence of implementation road map however still there were entities who have not have such document. For the involvement of the board of directors only 57.66% of respondents answered yes to the question so still the involvement and guidance of those senior management groups are very important.

For risk assessment made before the implementation of IFRS 59.46% of the respondents were answer yes so the assessment made was not complete and there is a gap in these regard.

Before the start of implementation the entities required to assess the existing gap the study result indicate that 71.17% respondents were answered yes but the assessment need to be done for all entities under consideration.

The conversion period and preparation period provided to entities by AABE were not adequate since 69.4% of respondents answered yes so that the period was in adequate which is a factor influencing the implementation of IFRS.

Most respondents' of the survey believe that the implementation of IFRS influenced by economic growth, the legal system, the external environment, the need for existence of capital market and non-availability of previous GAAPs in Ethiopia.

The majority of the respondents of the study agreed that the benefit of harmonized accounting system bring in providing quality financial standards, ensuring the use of one accounting standards for parent and subsidiary companies, increased access to global market, facilitate information for control and decision making and increase FDI in flow in the Country.

The survey result of majority of respondents' indicate that they agree with the .assertion that mechanism to ensure complicate to IFRS includes training on IFRS, stakeholders awareness on IFRS, providing guideline on implementation process, harmonizing with regulator bodies, establishing efficient and enforcement mechanism to ensure compliance and develop a supported version IFRS to make it user friendly.

Problem encountered during compliance to IFRS includes IFRS are increased volatility of earning , Changes on IFRS high cost of implementation complex nature of IFRS, problem related to IFRS implementation of guidance, inadequate level of technology implementation of IFRS , inadequate Technical capacity implementation of IFRS all these assertion were all agreed almost by majority of respondents.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter incorporates three main components which are the major findings drawn from the research, conclusion and necessary recommendations to the field of study.

5.2 Conclusion

This study examined the implementation of International Financial Reporting Standards (IFRS), its prospect, the challenges of implementation of International Financial Reporting Standards, and implementation in selected banks, insurance and public owned enterprises in Ethiopia which was implemented IFRS. Six research Questions were developed and examined in this study. The first question is to assess increased volatility of earning, the second question is Changes on IFRS high cost of implementation, third question is complex nature of IFRS, the fourth question is to assess the problem related to IFRS implementation of guidance, fifth question is inadequate level of technology implementation of IFRS and the sixth question is inadequate Technical capacity implementation of IFRS, in the selected banks, insurances and public owned enterprises in Ethiopia. The study used document analysis (annual reports, legislations, directives, and other documents) and questionnaire to selected organization staff. Questionnaire data were analyzed using SPSS software and descriptive statistics research design.

The government of Ethiopia has expressed an initiative to integrate its financial statements with international standards. Intention of the government to implement IFRS is manifested by the recently issued proclamation called “Financial Report Proclamation of Ethiopia” which obliges “public interest entities” to follow IFRS in their financial reporting.

The results of the survey reveal that IFRS should have been implemented in Ethiopia to the greater benefits it has compared to the associated problems. On the other hand the company which is required to use IFRS in preparing their financial reports is unable to apply all the standards. In other words there is a serious compliance problem with IFRS in Ethiopia.

Implementation of IFRS has the benefit of more transparent financial statements to company which in turn reduce the agency problem between management and shareholders as increased transparency causes managers to act more in the interests of the shareholders. Implementation of IFRS would also significantly foreign direct investment and improve quality of financial information insure one standard for parent and subsidiary, positive effect on information control and decisions making.

The main challenges in the process of implementation of IFRS include increased volatility of earning, Changes on IFRS high cost of implementation, complex nature of IFRS, problem related to IFRS implementation of guidance, inadequate level of technology implementation of IFRS and the inadequate Technical capacity implementation of IFRS risks for different local or national interpretations of IFRS and increases the risk for manipulation in interpretation of financial statements.

5.3 Recommendation

Based up on the findings of the study, the following recommendations are forwarded.

Management should enhance its understanding and give due attention for IFRS implementation as one of the strategic issue and During implementation of IFRS increased volatility of earning will exist so Management and IFRS implementation team will plan to resist the occurrence to make necessary preparation.

Management should enhance its understanding and give due attention for IFRS implementation to forecast properly the cost of implementation and try to minimize the cost.

Management should enhance its understanding and give attention to complex nature of IFRS during the Implementation Management and the team will try to minimized the complex nature of IFRS before the implementation process by arrange difference tanning program and to improve the capacity of the team through experience sharing with others company.

Management should enhance its understanding and give attention Problem related to IFRS implementation guidance and need to prepare the guidance to solve the problem.

Management should enhance its understanding and give due attention for IFRS implementation and IFRS Implementation team will try to minimize the problem of inadequate levels of technology during the implementation of IFRS. By Preparation of all the necessities adequate levels of technology.

In addition to strengthening local capacity building institutions, there should be state sponsored scholarship program to IFRS Implementation team and try to minimized the inadequate technical capacity implementation of IFRS during the implementation process by arrange difference tanning program and to improve the capacity of the team by experience sharing with others company

5.4. Further Study

The present study used only selected organization of Ethiopia future studies should consider expanding their scope to include governmental, microfinance financial institutions and other private Banks in Ethiopia. Further studies related to the study can be conducted especially the effective implementation of IFRS in Ethiopia according to the time table of Accounting and Auditing Board of Ethiopia Roadmap implementation Task Force.

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Appendix



ADDIS ABEBA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS DEPARTMENT OF ACCOUNTING AND FINANCE

QUESTIONNAIRE

First of all I would like to thank you in advance for your cooperation and for sparing your valuable time. This questionnaire is designed to extract information targeted at helping me to write my Master's Degree thesis. The topic of this thesis is **Challenges and prospects of IFRS (International Financial Reporting Standard) Implementation in Ethiopia**. The information collected is purely for academic purpose and any information given will be treated with high confidentiality.

Part one: Demographic characteristics of the respondents.

Please use a tick mark (✓) where it applies.

- (1) Gender: 1. Male
 2. Female

- (2) Age: 1. Less than 25
 2. 26-35
 3. 36-45
 4. 46- 55
 5. More than 56

(3) What is your highest level of education or which professional qualification do you have?

- 1 . Diploma holder
- 2. Bachelor degree
- 3. Master's degree
- 4. PhD
- 5. ACCA
- 6. Public certified Accountant (USA)
- 7. Others (specify).....

(4) How long have you worked within the sector?

- 1. less than 2 years
- 2. 3-6 years
- 3. 7- 10 years
- 4. 11-14 years
- 5. 15years or more

Part Two: The following factors that directly affect the implementation process of IFRS in Ethiopia. Based on your experience and opinion please select yes or no for each question from the given below.

(5) Is there implementation guideline on implementation of IFRS in your entity?

Yes

NO

(6) Is the audit committee of your entity fully participates in the transformation process to IFRS implementation?

Yes

NO

(7) Is there a road map that had been approved by the board of directors of your entity?

Yes

NO

(8) Is the participation of the board of directors of your entity in the translations process was satisfactory?

Yes

NO

(9) Did risk assessment was conducted before transition to IFRS was started in your entity?

Yes

NO

(10) Did gap assessment was done before starting the IFRS implementations in your entity?

Yes

NO

(11) Did time - period for the preparation to transition to IFRS provided was adequate?

Yes

NO

Part III: Factors that influenced your entity to implement IFRS

Please, indicate the point to which you agree with each statement about the factors that influenced the implementation of IFRS by your entity. use a scale of 1 – 5,

with

Strongly Agree = 5

Agree = 4

Neutral = 3

Disagree = 2

Strongly Disagree = 1

QUESTION	1	2	3	4	5
(12) Economic growth in Ethiopia greatly					
(13) IFRS implementation in Ethiopia influenced by the legal system?					
(14) The external environment forces such as IMF, WORLD BANK influenced IFRS implementation?					
(15) The need for existence of capital market Influenced IFRS implementation?					
(16) Previous accounting standards were Ineffective or accounting standards were not available?					

PART Four: Benefits or Prospects of Adopting IFRS in Ethiopia

The following are benefits or prospects of adopting IFRS in Ethiopia: please indicate your perception on each statement made below by ticking the –box according to the Agreement legend supplied;

Strongly Agree = 5

Agree = 4

Neutral = 3

Disagree =2

Strongly Disagree =1

Prospects of adopting IFRS in Ethiopia	1	2	3	4	5
17.1. Is IFRS improves the quality of financial statements and increase access to global capital markets?					
17.2. Is IFRS adoption ensures the use of one standards for both parent and subsidiary companies ?					
17.3. Is IFRS has positive effect on the information for control and decision making using financial statements by like investors ?					
17.4. Is IFRS adoption has significant effect on FDI (Foreign Direct Investment) Inflows?					

Part Five: Mechanism to Ensure Compliance to IFRS

Please the following are the mechanisms to which IFRS compliance can be ensured. Indicate your perception on each statement made below by ticking the –box according to the agreement legend supplied.

Strongly Agree = 5

Agree = 4

Neutral = 3

Disagree = 2

Strongly Disagree = 1

Variables	1	2	3	4	5
18.1 Training on IFRS					
18.2 Stakeholders awareness of IFRS					
18.3 Providing guidelines and implementation					
18.4 Harmonizing with other regulatory bodies					
18.5 Establish efficient and enforcement mechanisms to ensure compliance					
18.6 Develop a supported version IFRS to make it user friendly					

Part Six: Problems Facing IFRS

(19) The following are problems facing IFRS; please indicate your perception on each statement made below by ticking the –box according to the Agreement legend supplied.

Strongly Agree = 5

Agree = 4

Neutral = 3

Disagree =2

Strongly Disagree =1

Problems facing IFRS	1	2	3	4	5
19.1. IFRS are increased volatility of earning?					
19.2 changes on IFRS high cost of implementation?					
19.3 Complex nature of IFRS?					
19.4 Problem related to IFRS implementation of guidance?					
19.5 Inadequate Level of Technology implementation of IFRS?					
19.6 Inadequate Technical Capacity implementation of IFRS?					