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COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

The Processes, Challenges and Prospects of Mandatory Adoption of International Financial Reporting Standards in Ethiopian Commodity Exchange Member Companies.

By: Abebe Kebebe

Advisor: Tekalign Nega (PHD)

A THESIS SUBMITTED TO DEPARTMENT OF ACCOUNTING AND FINANCE IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR MASTER OF SCIENCE DEGREE IN ACCOUNTING AND FINANCE

June 2020

Addis Ababa; Ethiopia

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Statement of Declaration

I, Abebe Kebebe, declare that this thesis entitled The Processes, Challenges and Prospects of Mandatory Adoption of International Financial Reporting Standards in Ethiopian Commodity Exchange Member Companies; is my original work, prepared under the guidance of Tekalegn Nega (Ph.D.). All resources used in the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution to earn any degree.

Name: Abebe Kebebe

Signature_____

Date_____

Addis Ababa University

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Department of Accounting and Finance

Certification

This is to certify that the thesis prepared by Abebe Kebebe, entitled: The Processes, Challenges and Prospects of Mandatory Adoption of International Financial Reporting Standards in Ethiopian Commodity Exchange Member Companies; and submitted in partial fulfillment of the requirements for the degree of Master of Science in Accounting and Finance complies with the regulations of the University and meets the accepted standards concerning originality and quality.

Approved by:

External Examiner: _____ Signature _____ Date _____

Internal Examiner: _____ Signature _____ Date _____

Advisor: Tekalegn Nega (PhD)

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Abbreviations

AABE	Accounting and Auditing Board of Ethiopia
ACCA	Association of Chartered and Certified accountants
AISG	Accountants International Study Group
ECX	Ethiopian Commodities Exchange
EU	European Union
FASB	Financial Accounting Standard Board
GAAP	General Accepted Accounting Principle
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
IPSA	International Public Sector Accounting
NEAA	National Exchange Actors Association
OECD	Organization for Economic Co-operation and Development
UN	United Nations

Abstract

The goal of financial reporting is to make information available for decision making. Historically, there is diversity of financial reporting in different countries due to culture, legal systems, tax systems and business structures. International Financial Reporting Standards (IFRS) harmonizes diversity by making information more comparable and easier for analysis, promoting efficient allocation of resources and reduction in capital cost. The main objective of this study was empirically to assess the processes, prospects and challenges of IFRS evidenced by ECX member companies' in Ethiopia. The study employed a descriptive research design and a mixed research approach. The study used both primary and secondary data collected through structured and semi-structured questionnaires and interviews. This study used multi-stage sampling techniques in which simple random sampling and purposive sampling methods were applied. The data collected were analyzed by descriptive statistics of mean, frequency, and the percentage by using SPSS version 20, software. The main findings of the present study revealed that adoption of IFRS in ECX member company has significant advantageous among others; it increases the quality of financial statements, increase transparency and comparability, and it would be more reliable so that it is a means to give more confidence and attract investors, clients and lenders. The challenges are insufficient period for implementation; poor documentation, absence of permanent accountant, shortage of trained professionals, lack of proper IT system, IFRS require intensive training, absence of a capital market, and an adequate number of evaluators are some of the challenges for the adoption and implementation of IFRS in ECX member companies. the study recommends the ECX member companies shall hire full time and professional accountants than hiring part-time accountants.

Keywords: IFRS adoption: Challenges and Prospects: ECX member companies.

Chapter One: Introduction

1.1 Background of the Study

Globalization affected the accounting field as it does in others. It generates great motivation for the harmonization of accounting practices all over the world. Harmonization, in the field of accounting is a kind of using a single language of business to promote universal understanding. This reality has resulted in the emergence of International Financial Reporting Standards (IFRS). Thus, one of the global reality in the field of accounting has been the adoption of IFRS in the recent decade. For instance, EU required all EU listed companies to comply with IFRS for consolidated financial statements(Uyar et al., 2016). Beginning from early January 2005, the union has produced considerable progress towards the convergence of accounting standards (Uyar et al., 2016).

Since 2005, the adoption of IFRS has received much attention in the professional and academic literature of the developed, emerging, developing, and underdeveloped countries (Hossain et al., 2015). IFRS refers to a widespread, high-quality set of accounting standards and interpretations used in the preparation of financial statements(Diriba, 2019). It is principles-based set of standards that set up broad rules with greater importance on interpretation and the use of judgment, rather than reliance on specific bright-lines (Diriba, 2019).

IFRS standards are used for reporting financial information that sets out recognition, measurement, presentation, and disclosure requirements dealing with transactions and events that are important in preparing general purpose financial statements. It is a well-structured set of accounting standards which will increase transparency, understandably and promote global acceptance on financial reporting (Epstein and Jermakowicz, 2008; IFRS Foundation, 2017).

IFRS Foundation (2018) stated that more than 166 countries in the world now require or permit the use of IFRSs. Although many countries have faced challenges in their decisions to adopt IFRS, its widespread adoption has been promoted by the argument that the benefits outweigh the costs (Iyoha and Faboyede 2011). There are arguments that IFRS is inappropriate in developing and emerging economies.

Emerging economies, in pursuing the global financial advantages offered by the adoption of IFRS, face challenges in adapting their regulatory infrastructure and culture to western-oriented accounting standards (Irvine and Lucas, 2006).

As indicated in the existing literature, several studies carried out in different countries have highlighted the benefits of having a single set of financial reporting standards across the globe. Few of the studies have also brought out the procedural aspects of the implementation of IFRS. Some of the studies have given a contradictory view about the difficulties and complications faced in adopting IFRS in countries in question (Diriba, 2019). Therefore this study was examine the processes, challenges and prospects of mandatory adoption of International Financial Reporting Standards in Ethiopian Commodity Exchange Member Companies.

1.2 Statement of the Problem

The widespread adoption of IFRS has been promoted by the argument that the benefits outweigh the cost. However, According to Wayne (2010), cited in Hailemichael (2016), many countries have faced challenges in their decisions to adopt IFRS. UNCTAD (2008) similarly noted as depending on the general economic situation, existing regulatory framework and financial reporting tradition of a given member state, adoption of IFRS pose considerable challenges. Therefore, there are many jurisdictions cultural, legal, or political circumstances that put tremendous obstacles to full adoption of IFRS.

In Ethiopia, the journey towards adoption of IFRS was started in December 2014 by establishing the Accounting and Auditing Board of Ethiopia (AABE) under Regulation No. 332/2014 and proclamation No.847/2014. With its establishment, AABE has issued the IFRS adoption road map which was broken down into three phases (AABE, 2015). Accordingly, significant Public Interest Entities (PIEs), primarily financial institutions and federal public enterprises are required to adopt IFRS standards from the calendar year 2017, with reporting under IFRS starting in 2018 in the first phase. Other Public Interest Entities (ECX member companies and reporting entities that meet PIE quantitative thresholds) and IPSAs for charities and societies are expected to mandatorily adopt IFRS and IPSAs (for charities and societies), will statutorily be required to issue IFRS based financial statements for the year ending July 7, 2019, in the second phase.

Lastly, Small and Medium-Sized Entities (SMEs) are required to adopt IFRS for SMEs, will statutorily be required to issue IFRS based financial statements for the year ending July 7, 2020.

As indicated in AABE, IFRS adoption road map, ECX members companies were under the second phase and required to prepare IFRS based financial statement for the year ended July 7, 2019.

However, the implementation plan is not going on as expected. For example under phase one; Significant Public Interest Entities: Primary Financial Institutions and Public Enterprises are ordered to implement international financial reporting standards and required to issue IFRS based financial statements for the year ended on July 7, 2018. But a number of numerical studies shows that most of companies didn't completed the implementation process and IFRS based financial statements are not issued as of the stated date (Diriba, 2019).

With this regard a lot of studies were conducted to identify the challenges and prospects of international financial reporting standard in Ethiopia taking as phase one mandatory adopters.. For instance in Ethiopia on IFRS related issues, Fantahun (2012) conducted a study on the key benefits and challenges of IFRS adoption in Ethiopia. Mihret (2016) conducted a study on the process, issue, and implication of IFRS adoption in Ethiopia. Diriba (2019) studied the processes and practical challenges of IFRS implementation in Ethiopia. Some of those past studies were conducted before mandatory IFRS was introduced in the country (Tesfu 2012). Whereas other studies conducted after mandatory IFRS is introduced in Ethiopia were focused on first phase implementers' challenges of IFRS implementation (Diriba, 2019).

As stated under phase two adopters; all other public interest entities (Ethiopian Commodity exchange (ECX) member companies and reporting entities that meet the qualitative thresholds for public interest entities (PIE)) are expected to mandatorily adopt IFRS for statutory purposes, by July 8, 2018. In addition to this; there is greater expectation that phase two adopters better perform than phase one adopters since they get more input from different studies conducted in Ethiopia.

However, most of the Ethiopian Commodity exchanges (ECX) member companies did not implement as well as prepare IFRS based financial statements and also to the knowledge of the researcher, there is no single study conducted on the mandatory adoption processes, challenges and prospects from EXC member companies' perspective. Therefore, this study examined the mandatory adoption processes, prospects and challenges of IFRS in Ethiopia by considering EXC member companies.

1.3 Research Questions

This study answer the following research questions

1. What are the processes followed in IFRS adoption by EXC member companies?
2. What are the challenges faced by EXC member companies in IFRS adoption?
3. What are the potential benefits of IFRS adoption in EXC member companies?

1.4 Objectives of the Study

1.4.1. General Objective of the study

The general objective of this study is to examine the processes, prospects and challenges of mandatory adoption of IFRS in Ethiopia from EXC member companies' perspectives.

1.4.1 Specific Objectives of the Study

By considering the above stated general objective of the study, the following specific objectives were developed.

1. To identify the processes followed to adopt IFRS in EXC member companies
2. To investigate the challenges faced by EXC member companies in IFRS adoption
3. To examine the potential benefits of IFRS adoption in EXC member companies

1.5 Significance of the Study

The study has many advantages and includes the following; firstly, the study identifies the processes undertaken and used by EXC member companies in adopting IFRS in the respective companies. This helps reporting entities intending to adopt IFRS in the future as lessons so that companies focused on the important issues in adoption.

Secondly, the study examines and describes the challenges that EXC member companies faced in IFRS adoption by identifying the factors and constraints that determine companies to successfully adopt IFRS. This brings the EXC member company's perspective of the challenges in IFRS adoption into the international context through the literature. Thirdly, this study examines the current status of IFRS adoption in EXC member companies, under which whether companies required to issue IFRS financial statements in a required time have complied with the standards and identify those companies which failed to comply with the standards and address why those companies fail to comply with the standards within the required time. Finally, the study provides future research Prospects for accounting scholars interested in understanding the prospects and challenges in IFRS adoption. The outcomes of the study could serve as a reference to researchers who are specifically interested in conducting similar research in other countries in general and other sectors in Ethiopia in particular.

1.6 Scope of the Study

The general objective of the study is to examine the processes, prospects and challenges of IFRS adoption in Ethiopia limiting its scope to the EXC member companies. The reason behind for limiting the scope of the study to ECX member companies was that, a lot of studies were conducted on International Financial Reporting Standard in Ethiopia from the prespective of processes, prospects and challenges by taking a case of first time adopters (public entities). However, ECX member companies were classified as the second time adopters of IFRS. Besides, ECX member companies were the largest group among the second time adopters of IFRS. Based on this fact this study aim to examine whether processes, prospects and challenges of IFRS in ECX member companies are the same as the first time adopters.

1.7 Organization of the Study

This study is organized into five chapters. The first chapter states the general introduction of the study and the second chapter presents the literature review regarding the research area of IFRS and its implementation. The third chapter outlines the research methodology. The research results also presented in the fourth chapter. The last chapter draws conclusions and implications and winds up the report by highlighting future research areas.

Chapter Two: Reviews of Related Literature

The purpose of this chapter is to review related literature on International Financial Reporting Standards (IFRS) related issues. These reviews of related literature are classified and presented in three parts. Accordingly, the first part presents theoretical literature reviews followed by empirical literature reviews in the second part. Conclusion and knowledge gaps are presented in the last part of the chapter.

2.1 Theoretical Perspectives

Over the years, attracting financing needed for economic development has become more competitive. Economic resources have become more mobile across borders. Enterprises that provide potential investors with reliable and comparable financial statements are more likely to attract domestic and international investment. Recognizing the significant influence that corporate reporting has on investment decisions, both developed and developing countries are attaching greater importance to transparency in corporate accounting and reporting and they are making efforts to strengthen the various components of the accounting infrastructure in their respective jurisdictions so that financial resources can be mobilized and used more efficiently (UNCTAD, 2008).

However, different countries have been using different national accounting standards, making it difficult and costly to compare investment Prospects in different countries. Besides, the faster pace of globalization, the growing interdependence of international financial markets and the increased mobility of capital have added to the pressure and demand for the harmonization of accounting and financial reporting frameworks and related standards around the world resulted from the emergence of International Accounting Standards (IAS), now renamed International Financial Reporting Standards (IFRS) and which is gaining acceptance worldwide (Mirza et al., 2008; Chaudhry et al., 2015).

International financial reporting standards (IFRS) are standards and rules for reporting financial information, as established and approved by the International Accounting Standards Board (IASB). IASB succeeded in the International Accounting Standards Committee (IASC), which

promulgated International Accounting Standards (IAS), in 2001 (Epstein and Jermakowicz, 2008; Chaudhry et al., 2015).

The objectives of the IFRS Foundation are to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles, to promote the use and rigorous application of those standards, to take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings, and to promote and facilitate the adoption of the IFRS Standards, being the Standards and IFRIC Interpretations issued by the Board, through the convergence of national accounting standards and IFRS Standards (Chaudhry et al., 2015; IFRS Foundation, 2017).

2.1.1 The International Accounting Standards Board (IASB)

The International Accounting Standards Board (IASB) was established in 2001 as part of the International Accounting Standards Committee (IASC) Foundation. The objectives of the IASB are: (a) to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based on clearly articulated principles. These standards should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the various capital markets of the world and other users of financial information make economic decisions; (b) to promote the use and rigorous application of those standards; (c) in fulfilling the objectives associated with (a) and (b), to take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings; and (d) to promote and facilitate the adoption of IFRSs, being the standards and interpretations issued by the IASB, through the convergence of national accounting standards and IFRSs (Chaudhry et al., 2015; IFRS Foundation, 2017).

The IASB achieves its objectives primarily by developing and publishing IFRSs and promoting the use of those standards in general purpose financial statements and other financial reporting. Another financial reporting comprises information provided outside financial statements that assists in the interpretation of a complete set of financial statements or improve users' ability to make efficient economic decisions. In developing IFRSs, the IASB works with national

standard-setters to promote and facilitate the adoption of IFRSs through the convergence of national accounting standards and IFRSs (UNCTAD, 2008; Chaudhry et al., 2015).

IFRSs are designed to apply to the general purpose financial statements and other financial reporting of profit-oriented entities. Profit-oriented entities include those engaged in commercial, industrial, financial, and similar activities, whether organized in corporate or in other forms. They include organizations such as mutual insurance companies and other mutual co-operative entities that provide dividends or other economic benefits directly and proportionately to their owners, members, or participants. Although IFRSs are not designed to apply to not-for-profit activities in the private sector, public sector, or government, entities with such activities may find them appropriate. The International Public Sector Accounting Standards Board (IPSASB) prepares accounting standards for governments and other public sector entities, other than government business entities, based on IFRSs (Chaudhry et al., 2015; IFRS Foundation, 2017).

IFRSs apply to all general purpose financial statements. Such financial statements are directed towards the common information needs of a wide range of users, for example, shareholders, creditors, employees, and the public at large. The objective of financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to those users in making economic decisions. A complete set of financial statements includes a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and accounting policies and explanatory notes (Chaudhry et al., 2015; IFRS Foundation, 2017).

2.1.2 Adoption of International Financial Reporting Standards

According to Wong (2015), as those countries in the EU and other countries continue to prepare to meet their upcoming deadlines for the adoption of international accounting standards, they have faced unique challenges. The results of the recent Coopers survey of more than 300 European companies indicated that, given the greater risks involved, large entities have made more progress towards the implementation of the IFRSs than smaller ones. Also, financial services companies were slightly further advanced with their preparations. According to the survey results, this could be because they are intensely affected by the international accounting standards on financial instruments. The results of the survey set out seven steps that

entities need to work through to embed IFRSs and indicated the degree to which those surveyed have achieved them.

The steps according to the survey include assess the high-level impact of IFRSs on the business (at least preliminary assessment), decide on accounting policies (at least for high priority areas), identify the missing data, enhance systems to collect data (at least for high priority areas), put processes in place to ensure data collected is robust, design internal controls to demonstrate reliability of data, and embed IFRSs and use for internal management reporting.

Entities that are planning to or have adopted IFRSs are encouraged to actively contribute to the international standard-setting process, in particular, to identify practical implementation issues. Entities that are planning to adopt IFRSs are encouraged to identify differences between the previously applied national accounting standards and IFRSs, design and implement an IFRS transition program, and address required financial reporting system changes. They should also provide training to staff at all levels. Additionally, professional accountancy bodies, national standard setters, and entities that are planning to or have adopted IFRSs should communicate to the users of the financial statements, including analysts and journalists, the effect of the adoption of IFRSs on entities' financial positions and results of operations. Local seminars could be held in this regard (Wong, 2015).

2.1.3 Benefits of International Financial Reporting Standards Adoption

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

IFRS standards (i) bring transparency by enhancing the international comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions; (ii) strengthen accountability by reducing the information gap between the

providers of capital and the people to whom they have entrusted their money, and (iii) contribute to economic efficiency by helping investors to identify Prospects and risks across the world, thus improving capital allocation (IFRS Foundation, 2018).

2.2 Empirical Literature Reviews

Fantahun (2012) conducted a study on the benefits and key challenges of International Financial Reporting Standards adoption in Ethiopia. The objective of this study was to investigate the adoption of IFRS in Ethiopia including the factors that could influence its adoption, with particular reference to companies that adopted this standard. The results of the study indicated that IFRS adoption in Ethiopia will result in several important benefits to a wide range of stakeholders. According to the study, the high cost of adopting, the complex nature, lack of proper instructions from regulatory bodies for implementing IFRS, as well as IFRS's emphasis on fair value accounting, were listed among the most important challenges of IFRS adoption in Ethiopia. The findings also suggested that a rigorous IFRS capacity building program should be embarked by the government, all regulatory bodies, firms, and training institutions to provide the needed manpower for IFRS implementation.

Owolabi and Iyoha (2012) conducted a study on the benefits, prospects, and challenges of adopting the International Financial Reporting Standards in Africa. The objective of the study was to find out the perception of users and preparers about the benefits, prospects, and challenges of IFRS adoption are in African countries. The results of the study indicate that IFRS adoption in Africa will have the potential to be beneficial to a wide range of stakeholders. The benefits notwithstanding, there are, however, several challenges to be faced in the process of adoption of the new standard including the ethical environment in Africa. The study recommends among others that a rigorous IFRS capacity building program should be embarked upon by all regulatory bodies, firms, and training institutions to provide the needed manpower for IFRS implementation, monitoring, and compliance.

Simegn (2015) empirically investigated the adoption of International Financial Reporting Standards (IFRS) in Ethiopia. The purpose of the study was to assess the adoption of international financial reporting standards (IFRS) in Ethiopia by focusing on the benefits, challenges, and critical factors affecting its adoption. The study found that adoption of IFRS

by Ethiopia would improve the quality of accounting to make a judgmental decision among users of accounting information. The study however found out as lack of proper financial reporting guidance, lack of proper instructions from regulatory bodies, additional training for professionals, and modernized IT systems in handling the transitions to IFRS are the main challenges of IFRS adoption. The study also noted that the benefits of IFRS adoption out ways its challenges and suggested as the regulatory body should adopt IFRS as early as possible to strengthen the financial reporting system of the country and cop up with financial reporting standards used internationally.

Mihret (2016) also conducted a study on IFRS adoption in Ethiopia: a critical analysis of the process, issues, and implications. The objectives of the study were to highlight and articulate the Ethiopian IFRS adoption process rhetoric, to examine the deliberations in the IFRS adoption process in Ethiopia with a particular focus on the IFRS adoption project, to explore the progress of IFRS adoption process in Ethiopia, to identify the stakeholders involved in the Ethiopian IFRS adoption process and their roles as well as interests, and to identify the phases and components of IFRS adoption process in Ethiopia. The study illustrated that the IFRS adoption in Ethiopia is the result of the translation processes involving the actor-networks of the state, accounting, professionals, the private sector and international financial institutions while the state. The study showed that while the Ethiopian IFRS adoption experience illustrates the macro-economic rationale driven nature of IFRS adoption, the rationales and the processes of translating the idea into the Ethiopian context illustrates the socially constructed nature of IFRS adoption. The study also suggested that more resources and stakeholders need to be coordinated by AABE to build the capacity of preparers in terms of IFRS reporting practices to achieve the IFRS implementation strategic objectives.

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

related implications of the transition, and issues with capturing the necessary information for reporting under IFRS.

Bahadır et al. (2016) conducted a study on the benefits and challenges of IFRS implementation in Turkey. The study examined the application of IFRS in Turkish publicly traded companies that have been preparing their financial statements under IFRS since 2005 and highlighted some key issues that arise in IFRS implementation by using a questionnaire-based survey, which was completed by 90 Turkish listed firms. According to the findings of the study, the implementation of IFRS is believed to improve financial reporting by increasing the comparability, quality, and transparency of financial statements. However, the lack of IFRS implementation guidance, sufficient sector-adopted regulations, and the difficulty in applying fair value concepts were considered major challenges to IFRS implementation in Turkey.

Lema (2017) researched the benefit and challenges of adopting IFRS in the case of the Commercial Bank of Ethiopia. The objectives of the study were to assess the challenges in the adoption of IFRS in case of Commercial Bank of Ethiopia, to assess the benefits of adopting IFRS by the Commercial Bank of Ethiopia, to assess the impact of adopting IFRS on the quality of financial reporting in Commercial Bank of Ethiopia. The study found that the commercial bank of Ethiopia has started using IFRS voluntarily for the preparation of its financial statements without making necessary awareness but nationally. The finding of the study also indicated that the IFRS on the quality of financial reporting has a significant relationship with transparency, accountability, and economic efficiency.

Ayalew (2018) conducted a study on the challenges and prospects of adopting international financial reporting standards in the manufacturing sector of Ethiopia. The objective of the study was to assess whether IFRS adoption attracts foreign direct investment, to assess whether IFRS adoption bridges the communication gap with stakeholders. to examine whether IFRS adoption will bring uniformity of accounting language, to examine whether there is resistance/negative perception to adopt the new standard IFRS from employees and owners, and to assess manufacturers' perception of challenges arising in asset valuation due to adopting IFRS. The results of the study showed that IFRS adoption in the manufacturing sector of Ethiopia will provide benefits to this sector such as the attraction of more foreign direct investment and financial support, bridging the communication gap with stakeholders and will bring uniformity of

accounting languages. On the other hand, the study also mentioned different challenges of adopting IFRS in the manufacturing sector of Ethiopia such as conversion cost of adoption, required training and education, legal and enforcement mechanisms, employee's resistance to change, asset valuation, and availability of professional bodies.

Diriba (2019) studied the implementation of the International Financial Reporting Standards in Ethiopia. The objective of the study was to examine the process and the progress of IFRS implementation in Ethiopia, to identify the practical challenges in the implementation of IFRS in Ethiopia and to describe the lessons from reporting entities that fully implemented IFRS in Ethiopia by considering the first phase implementers. The finding of the study indicated that the implementation of IFRS in Ethiopia benefits the country by enhancing the quality and comparability of financial reporting, reducing the inconsistent and fragmented financial reporting, attracting foreign direct investments, and helping in the establishment of the stock market in the country. The finding of the study also noted that the process of IFRS implementation in Ethiopia started in a rush without considering the minimum requirements and the readiness of the country for the project. Additionally, the study noted as reporting entities in Ethiopia have encountered several practical implementation challenges including lack of competent human resources with IFRS knowledge, lack of top management's support, lack of strong regulatory and enforcement institutions, lack of strong accounting practices in the country. The results of the study also showed that the implementation of IFRS in public enterprises is more difficult than that of financial institutions due to such additional challenges as the problem of backlog clearances, poor records keeping mechanisms, lack of updated book of accounts and lack of corporate memory.

Hache (2019) also conducted a study on challenges and Prospects in adopting IFRS by private Commercial Banks. The objectives of the study were to identify the challenges private commercial Banks in Ethiopia faced in the first time adoption of IFRS and to identify the Prospects that private commercial Banks in Ethiopia could get from using the first time adoption of IFRS. The result of the study indicated as the challenge includes lack of knowledge to practically apply the standard, the problem of data asymmetry, compatible technology which can embed accounting information with the requirement of IFRS, and lack of competent training having the capacity to provide beyond the theory of IFRS and the Prospects according to the

study includes access to finance, comparability, improve analysis of information for decision making and better access to the capital market.

2.3 Conclusion and Knowledge Gap

As mentioned above, international financial reporting standards (IFRS) are standards and rules for reporting financial information, as established and approved by the International Accounting Standards Board (IASB). It is designed to apply to the general purpose financial statements and other financial reporting of profit-oriented entities. It brings transparency by enhancing the international comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions; strengthen accountability by reducing the information gap between the providers of capital and the people to whom they have entrusted their money, and contribute to economic efficiency by helping investors to identify prospects and risks across the world, thus improving capital allocation.

On the other hand, challenges related with IFRS adoption are mentioned and among other challenges; high cost of adopting, the complex nature, lack of proper instructions from regulatory bodies for implementing IFRS, as well as IFRS's emphasis on fair value accounting, lack of competent human resources with IFRS knowledge, lack of top management's support, lack of strong regulatory and enforcement institution, lack of strong accounting practices are some of them. Besides, the processes followed by each companies in implementation of IFRS are expected to be similar since it is highly based on IASB, however different studies conducted in Ethiopia found unsimilar processes for different companies. As far as IFRS related studies are concerned many studies were conducted in Ethiopia. Those studies were categorized into two. Some of those studies were conducted before the introduction of mandatory IFRS, whereas the other studies were conducted on first phase implementers of IFRS in the country. But to the best knowledge of the research, there is no study conducted on the processes, prospects and challenges of mandatory adoption of IFRS in Ethiopia commodity exchange member companies. Therefore this study filled the stated gap by examining the processes, challenges and prospects of mandatory adoption of IFRS in Ethiopia commodity exchange member companies.

Chapter Three: Research Methodology

3. Introduction

The purpose of this chapter is to discuss the underlining principles of research methodology and the research methods adopted to achieve the objective of the study along with justification for selecting a particular method for the study. Accordingly, the discussion in this chapter is organized in seven sections. Section 3.1 outlines the research design. Section 3.2 discusses the research approaches, Section 3.3 determine target population, Section 3.4 discusses Sampling Techniques and sample size , section 3.5 discusses the source of data and method of data collection, while section 3.6 checks the validity of the study. At the end method of data analysis is presented.

3.1 Research Design

The objective of this study is to examine the challenges and prospects of IFRS adoption in Ethiopian commodity exchange member companies. To achieve this, it is important to view and explore the perspectives of different groups along with supplementary documents. Therefore, a descriptive research design is appropriate and employed in the study.

3.2 Research Approaches

There are three alternative approaches to inquiry: qualitative, quantitative, and mixed approaches. A qualitative approach to research is concerned with the subjective assessment of attitudes, opinions, and behavior. Research in such a situation is a function of the researcher's insights and impressions (Kothari, 2004). Besides, it do not bring individuals into a lab (a contrived situation), nor typically send out instruments for an individual to complete (Creswell, 2009). It is used basically to describe what is happening within a study area and it mainly includes three kinds of data collection: in-depth interviews, direct observation, and written documents (Patton, 2003). In the in-depth type of interview, the researcher attempts to achieve a holistic understanding of the interviewees' point of view or situation (Dawson, 2002). Document analysis is another form of qualitative instrument in which documents are interpreted by the researcher to give voice and meaning around an assessment topic (Bowen, 2009). In contrast, the

quantitative approach involves the generation of data in a quantitative form which can be subjected to rigorous quantitative analysis formally and rigidly (Kothari, 2004). Mixed methods are the general term for when both quantitative and qualitative data collection techniques and analysis procedures are used in research design. It is subdivided into two types. It uses quantitative and qualitative data collection techniques and analysis procedures either at the same time (parallel) or one after the other (sequential) but does not combine them (Saunders et al., 2007). Among the three stated research approaches mixed research approach is used in this study in collecting and analyzing data as discussed in the following section.

3.3. Target Population

The target population of the study includes all existing ECX member companies. The numbers of companies are 346. In addition to ECX member companies, the researcher has included IFRS consultants, financial statement auditors, AABE, and National Exchange actors, as the target population of the study.

3.4. Sampling Techniques and Sample Size

Sampling is the process of choosing from a much large population, a group about which the researcher wishes to make statements so that the selected part will represent the total group (Leedy, 1989). Based on this fact, the researcher has used multi-stage sampling which combines both probability (simple random) and non-probability (purposive) sampling. Simple random sampling is used to give equal chance to all respondents; and this sampling technique is used to manage the questionnaires' distributed. To get detailed information over the issue in question, interview was conducted with some authorized personnel's and this was managed through purposive sampling. As stated in the target population of the study there are 346 ECX member companies. To give an equal chance for all EXC members simple random sampling technique was applied. The sample size of the study consisted of 185 ECX member companies who were picked using a simple random sampling technique. The sample size was computed by using experience from Yamane (1967) who provided a simplified formula for calculating sample size from large populations.

3.5. Source of Data and Data Collection

This study used both primary and secondary source of data. Primary sources of data was collected through interviews and questionnaires tools, whereas secondary source of data was generated through a review of relevant documents. In the questionnaires two different formats were used. The first format was a close-ended question and the second format was an open-ended question. It was distributed to Accountants, Auditors, and IFRS implementation teams in the samples that are deemed to be knowledgeable about IFRS and could provide an important perspective on its implementation. The response is expected to help understand the factors that could explain the implementation of IFRS in ECX member companies, the prospects, and the encountered challenges. While the semi-structured interview was used to gather information about the issues. Secondary data were collected through document reviews from published and unpublished documents that take a variety of forms such as Proclamation, Regulation, annual financial statements of Ethiopian commodity exchange member companies, and other documents related to the adoption of International Financial Reporting Standard (IFRS).

3.6. Methods of Data Analysis

After the necessary data were collected on processes, prospects and challenges of IFRS adoption in Ethiopian commodity exchange member companies.

Accordingly, after the interview and questionnaire were conducted the data were analyzed through different methods like tabulation, descriptive statistics, and frequency distributions. For this purpose SPSS 20 was used.

3.7. The validity of the study

Validity refers to the degree to which a study accurately reflects the specific concept that the researcher is attempting to measure or describe. To keep the validity of the study, researchers should be concerned with both external and internal validity. Internal validity refers to the extent to which the researcher can demonstrate that he has reliable and adequate evidence for the statement (Grix, 2004).

External validity on the other hand stands for the extent to which the conclusion is generalized to the population (Yin, 1994). He suggests that using multiple sources of evidence as a way to

ensure construct validity. Due to this the researcher used multiple sources of data such as document review, questionnaire and interview that helps to cross-validate the data. Moreover, the study used instruments developed by Iyoha and Faboyede (2011), and Sharif (2010). Since questions are tested upon their clarity and understandability and significant conclusions are drawn using those questions, it adds both to the internal and external validity of the study.

To keep the validity the researcher chose representative respondents who are familiar with the issue and are experts in the field, which enhances the external validity of the result. Cronbach Alpha was also used to measure internal consistency for the study survey, based on the sample estimation. Although George and Mallery (2003) suggest 0.7 as the accepted level, a value of more than 0.6 is regarded as a satisfactory level (Pallant, 2007). The reliability test was conducted for all items. According to Sekaran (1992: p.173), “The reliability of a scale indicates the stability and consistency with which the instrument is measuring the concept and helps to assess the goodness of a measure” After coding all answers from completed questionnaires, the reliability test using Cronbach’s alpha was conducted. The result of the test discussed in the fourth chapter.

Chapter Four: Data Presentation, Analysis and Discussion of Results

4. Introduction

This chapter aims to explain the results of the analysis and compare the results with existing literature. Accordingly, Section 4.1 presents the demographic characteristics of the respondents. Section 4.2 discusses the issue of challenges and prospects of the adoption of international financial reporting standards and Section 4.3 discuss document reviews.

4.1 Demographic characteristics of the respondents

The researcher has distributed 185 questionnaires to respondents; which includes three items, the first item included in the questionnaire distributed was to analyze the process required in the adoption of international financial reporting standards, the second item was organized to identify challenges of international financial reporting standards, and the third item was to know prospects and prospects of international financial reporting standards. So, the overall returned questionnaire was 176 questionnaires 95.13% and the rest of the respondents 4.87% did not return the questionnaire. In the following section, the respondent's personal information is presented. It covers gender, education, and experience of respondents. So, the data collected concerning the processes, prospects and challenges of an international financial reporting standard in ECX member companies are portrayed in following sub sections.

4.1.1. Cronbach's Alpha Reliability

Cronbach's alpha is a measure used to assess the reliability or internal consistency of a set of scales or test items. The reliability test of items of questionnaires of the study was measured using Cronbach's alpha test.

Table 4.1: the result of the reliability test.

Reliability Statistics

Cronbach's Alpha	N of Items
.856	33

Source: SPSS 20 output

As shown in table 4.1 above, the result of the reliability test measured using 18 questionnaires with 33 items in each questionnaire. The more homogeneous the items in the scale are, the higher the Cronbach’s alpha will be. Generally, “a value that approaches to 0.90 is high and the scale can be considered reliable.” (Gross-Portney and Watkins, 2001, p. 577). Acceptable values for the alpha reliability test must be greater than 0.7 or 70% George and Mallery (2003). As shown in table 4.1 above the overall reliability test result was above the recommended or acceptable value 0.7. Hence, Cronbach’s alpha reliability for this study is found to be 0.856 which shows high reliability of the instrument used.

4.1.2. Gender, Experience, and Education Distribution of the Respondents

Gender, experience, and educational level demographic characteristics of the respondents are to be analyzed in the following tables. Accordingly, the researcher has gathered and presented the demographic characteristics of the respondents covering their gender distribution in Table 4.2 below:

Table 4.2: Gender of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Female	68	38.6	38.6	38.6
Valid Male	108	61.4	61.4	100.0
Total	176	100.0	100.0	

Source: primary data, 2020.

The result of table 4.2 above shows 108 respondents of which 176 respondents were male and 68 respondents were females. This means 61.4% of the respondents were male whereas the proportion of female respondents were 38.6%. The result of the data collected implies that the majority of the employees in the ECX members are male and females are the minority.

Table 4.3: Education of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Diploma	24	13.6	13.6	13.6
BA Degree	108	61.4	61.4	75.0
Masters	44	25.0	25.0	100.0
Total	176	100.0	100.0	

Source: researcher own computation

The education level of the respondent is another variable that was investigated in the course of this study. Table 4.3 above showed that 61.4% the respondents were BA degree holders, 25% had a master's degree and 13.6% were Diploma holders. This reveals that the people who were assigned to fill the questionnaires of this study had great knowledge about their profession and therefore could contribute by providing insights necessary for this study.

Table 4.4: Experience of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 5	64	36.4	36.4	36.4
5-10	72	40.9	40.9	77.3
11-15	28	15.9	15.9	93.2
16-20	8	4.5	4.5	97.7
Above 20	4	2.3	2.3	100.0
Total	176	100.0	100.0	

Source: researcher own computation

As shown in table 4.4 above, the analysis of the experience of the respondents shows that 36.4 percent of the respondents had an experience of less than 5 years, 40.9 percent of the respondents had an experience of 5-10 years, 15.9 percent of respondents had an experience of 11-15 years, 4.5 percent of respondents had experience of 16-20 years and 2.3 percent of respondents had an experience of above 20 years. This implies that the majority of employees had an experience of greater than 5 years in ECX member companies and this is helpful for the

reliability of the study since the respondents are reacted to the questions based on their experience.

Table 4.5: Summary of Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Process	176	1.00	5.00	3.2330	1.06757
Prospects	176	3.00	5.00	4.1818	.56660
Challenges	176	2.00	5.00	3.9489	.70322
Valid N (listwise)	176				

Source: SPSS output

According to Best (1977), the decision rule and interpretation of descriptive statistics of variables can be made as if the average mean value is less than 3 considered as low, the average mean equal to 3 was considered as medium and average mean greater than 3 was considered as high.

As observed from table 4.5 this study is conducted to identify challenges and prospects of international financial reporting standards evidenced by ECX members. In doing so, the study considered identifying the issues from different perspectives like identification of processes involved in the implementation of IFRS, challenges of IFRS, and prospects of international financial reporting standards.

The mean distribution of the processes involved in the implementation of IFRS has a mean value of 3.2330 and a standard deviation of 1.06757. The minimum score of the variable is 1 which represents (strongly disagree) and a maximum score of 5 (strongly agreed). The standard deviation of the variable shows that each observation has deviated from its mean value by 1.06757 values and this shows the non-similarity of respondent's responses. In addition to this, since the mean value of the variable is greater than 3 it is considered as the process implementation of IFRS in ECX member companies has made inline with the criteria set by ISAB.

The mean distribution of Prospects of adopting international financial reporting standards has 4.2 value with a standard deviation of 0.567. On the other hand, the minimum and the maximum response of this variable were 3 (neutral) and 5 (strongly agree) respectively.

The standard deviation of the variable shows that each observation has deviated from its mean value by 0.567 values and this shows the non-similarity of respondent's responses. Since the mean value of the variable is greater than the moderate value of 3; it is considered as high mean value and the implication is that the questions involved as a proxy of an opportunity of IFRS clearly explain the variable. Additionally, this mean value implies that adopting IFRS has a high opportunity for ECX member companies in the future.

Finally, the mean value of the challenges of IFRS implementation has 3.95 and a standard deviation of 0.703. The maximum and minimum value of the observation was 5 (strongly agree) and 2 (disagree) respectively. The standard deviation of 0.703 is an indication of how much each observation has deviated from its mean value. The mean value of this variable is greater than 3, which implies that in the implementation of IFRS in ECX member companies there were high challenges.

4.2. Processes, Challenges, and Prospects of International Financial Reporting Standards.

The parameters used to describe variables for this study also measured by a five-point Likert scale comprising the level of agreements or disagreements of the respondents. The levels and their ordinal values are: 1=Strongly Disagree on the statement (SD) 2=Disagree on statement (D) 3= Undecided /Neutral on the statement (N), 4= agreed on statement (A), 5=Strongly Agreed on the statement (SA). Each statement has been analyzed by taking the percentages of respondents choosing each response options, the mean and standard deviation of the summed score of an individual's response to all items comprising the variable considered for the study has been taken to evaluate and conclude that the process, Prospects, and challenges encountered in IFRS adoption and compliance towards the IFRS implementation in the case of ECX member companies.

3.4.1. Process of International Financial Reporting Standards

In the implementation of international financial reporting standards, each company should follow the process that seated by IASB and One of the concerns of this study was to identify the processes followed in implementing International Financial Reporting Standards among ECX member companies. The details of the data collected along with analysis are depicted hereunder.

Table 4.6: Descriptive statistics of Processes.

Mean	N	Std. Deviation
3.2330	176	1.06757

Source: researcher own computation

The researcher has used three proxy questions in line with international accounting standard boards; the questions included are to identify the difference between the company's GAAP and IFRS, to review each affected account in financial statements due to the adoption of IFRS, and to trace the effects of IFRS on the required processes and procedures.

The data collected shows that the ECX members companies properly identifies the difference between international financial reporting standards and generally accepted accounting principles as evidenced from respondents response rate. It properly review each affected account in financial statements due to the adoption of IFRS, and properly trace the effects of IFRS on the required processes and procedures as it is required for the implementation process of international financial reporting standards.

And this can be evidenced from respondents response rate since 43.2%, 45.5%, and 43.1% of respondents agreed or strongly agreed with the stated staements under process stage (please refer appendix 3 for more information). This implies that the number of respondents agreed on the process followed by ECX member companies to implement international financial reporting standard is greater than the number of respondents disagreed on the statements.

The overall result of the respondent's response rate shows that; ECX member companies properly follow the processes required by international accounting standards board criteria in the implementation of international financial reporting standards. This can be evidenced by the respondent's response rate as a grand 47.2% of respondents agree with the questions provided

under the process stage with 20.5% percent remain neutral(please refer to appendix 3 for more information).

Besides, this can be understood from descriptive statistics of the variable since the questions provided under the process stage score greater than an average value set by Best (1977). From this, the researcher can concluded that the processes followed by ECX member companies in the implementation of international financial reporting standards are properly applied in line with the criteria set by international accounting standard board. However, the adoption process may localized and used in different way. The finding of the study is consistent with the finding established by Jote (2019) and Teshome (2017).

In addition to the questionnaire distributed interview was conducted with some respondents sampled in chapter three. The researcher has made an attempt to get an information through interview from consultants in order to identify the processes followed to adopt IFRS in the companies they are consulting.

The respondents responded by saying; the processes adopted are starts with conversion of the current accounting system to IFRS then followed by; review the current accounting system, Identify the gap between the existing and new system and accounting policies, provide gap analysis report to the management of the entity, Assist on developing accounting procedure and policy manual, Provide data analysis sheet which assists us on conversation process, Covert the financial data from current GAAP to IFRS and provided the adjusting entries to the entity, Provide training to the finance staff on the first-time adoption of IFRS, Produce the IFRS based financial statements to the client in accordance to our agreement, and Support the client on the post-implementation process are were highlighted by those consultants working on IFRS.

Besides, the same question was provided to the ECX member companies to identify the process they have followed in adoption of IFRS. The respondent responses shows that ECX member companies are relied on the process advised by International Accounting stnadrad board (IASB) and practically followed by national and international consultants.

Furthermore, the researcher has asked to identify the strength and weakness that the companies have in the adoption of international financial reporting standard. The respondents response implies that; following the IASB requirement on IFRS adoption is considered as the strength of their companies and they have highlight their weakness as the difficult of understand the concept of international financial reporting standard because of lack of adequate knowledge of accounting concepts and principles.

Finally, the researcher has asked the respondents to know the progress of IFRS adoption in ECX member companies. The result of respondents response implies that; the implementation of international financial reporting standard progres is going better as they are near to complete the conversion stage. However, they have feared the issue of COVID 19 since it hinders a number of training programs with regard to international financial reporting standard.

Besides a plenty of respondents have confused about wich departments shall involved in the implementation of IFRS. As per the interview data, the involvement of key departments in the IFRS implementation and sustainability processes were weak. Because, top Management of the ECX member companies perceived that IFRS will be managed by the Accounts and Finance Department only. However, the implementation and sustainability of IFRS will need coordination of different departments as per their respective organizational structure of each company.

On the other hand, the researcher has conducted an interview with AABE on the issue of the process followed by ECX member companies on the implementation of international financial reporting standards. The data collected through the interview from AABE implies that; the process that was followed by ECX member companies are; impact assessment (Business and financial), GAAP analysis with the previous reporting framework, Transition adjustment for Opening Statement of Financial Position (SFP), Preparing Comparative Financial Report (SFP), Preparing Final IFRS based Financial Report (Statement of Financial Position (SFP), Cash flow (CF), Statement of other cooperative income and expense (SOCIE) and Disclosure) and Finally, the firms Submit the IFRS report to AABE and AABE reviews the report to check whether they are implemented in line with the standard or not.

From the interview conducted with regard to process followed in IFRS implementation. The researcher has found consistent among the respondents participated in this study. Namely(IFRS consultants, ECX member companies, National Exchange Actors Association, and AABE). Hence, the adoption process of international financial reporting standard fulfills IASB criteria among ECX member companies.

3.4.2. Prospects in convergence with IFRS

One of the concerns of this study was to identify the Prospects of implementing International Financial Reporting Standards. The details of the data collected along with analysis are depicted hereunder.

Table 4.7: Descriptive stastics of Prospects in convergence with IFRS

Mean	N	Std. Deviation
4.1818	176	.56660

Source: SPSS 20 output

Table 4.7 shows respondents summary response rate to the Prospects of IFRS were measured by the number of questions. The first question was to identify if adopting IFRS improved the efficiency of financial reporting; concerning this question, 84.1% of respondents were agreed or strongly agreed that adoption of international financial reporting standards improved efficiency of financial reporting. On the other hand, 9.1% of respondents have disagreed on the issue. Based on this fact it possible to conclude that the adoption of international financial reporting standards improves the efficiency of financial reporting among ECX member companies.

The second question was to know if the financial statements prepared in line with the requirement of IFRS are reliable and comparable in ECX member companies. The respondent response rate shows that 88.6% of respondents were agreed and strongly agreed on the reliability and comparability of financial statements. On the other hand, 11.3% of respondents have disagreed on the issue. From this, the researcher can conclude that once international financial reporting standard is implemented and financial statements are prepared through it, it is expected that the reliability and comparability of the financial statements will be improved when

compared to the previously issued financial statements by generally accepted accounting principles.

The third question is to know if there are greater reporting transparency processes and procedures in line with the adoption of international financial reporting standards. The data collected with this question implies that; 84.1% of the respondents agreed or strongly agreed on the question; this implies that; adoption of international financial reporting standards provides greater reporting transparency in ECX member companies. On the other hand, 4.6% of respondents have disagreed on the issue.

The fourth question was to know if the adoption of IFRS enhanced transparency of ECX through better reporting or not. The data collected with this question implies that 86.4% of respondents agreed or strongly agreed on the issue. On the other hand, 13.7% of respondents have disagreed on the issue. The other question is to know if IFRS improves internal control effectiveness of the companies; the data collected with this regard implies that; 86.4% of the respondents agreed or strongly agreed on the issue. On the other hand, 13.7% of respondents disagreed on the issue. From this, it can be understood that the adoption of international financial reporting standards can enhance transparency and to improve internal control effectiveness of the ECX member companies.

Concerning the adoption of IFRS in promoting cross border investment; 81.8% of respondents agreed or strongly agreed that the adoption of international financial reporting standards plays a significant role in promoting cross border investment. On the other hand, 4.5% of respondents disagree with the statement that the adoption of IFRS promotes cross broader investment. The other question involved in the questionnaire was to know if the adoption of IFRS improved management information for decision making. The data collected with this question implies that 81.8% of respondents were agreed on the issue. While 2.3% of respondents disagreed on the statements. From this, it is highly understood that the adoption of international financial reporting standards provides a wide range of cross border investments and this will results in attraction of foreign direct investment hence reduce in the unemployment rate.

The questions like IFRS role in enhancing national economic development, the usefulness of IFRS for shareholders and creditors, the role of IFRS in improving Professional development of accountancy, Adoption of IFRS to the introduce secondary market in Ethiopia, Adopting of IFRS in reducing the cost of capital, adoption of IFRS for development of the capital market in the country, Adopting of IFRS increasing depth of accounting development and regulation, and Adopting of IFRS in developing trust and confidence of shareholders are were provided to the respondents to measure the level of significance of adopting international financial reporting standards. The data collected on the questions from different respondents implies that the adoption of IFRS is very important in achieving the above-mentioned statements and this can be evidenced from the respondent's response rate (please refer appendix 4 for more information).

The overall result of the respondent's response rate shows that; ECX member companies addressed properly the prospects that adopting international financial reporting standards has for their companies as well as for the country. And, this can be evidenced by the respondents' response rate as 91.3% of respondents agreed or strongly agreed with the questions provided under the prospect's stage. Additionally, this can be understood from descriptive statistics of the variable since the questions provided under the prospects stage scores greater than an average value of 3. From this, the researcher can understand that the prospects that adopting international financial reporting standards have in the market are very encouraging for both ECX member companies and other stakeholders in the market. The finding of this variable is consistent with the study conducted by Dagneu (2017) and Simegn (2015).

In addition to the questionnaire distributed the result of an interview conducted implies that; the adoption of IFRS for EXC member companies has its prospects since they are public interest companies and in near future, the establishment of Capital Market directly enhances the information flow between members and other international companies and also to review the financial statements of these companies and make the decision by investors. In addition to that, the data collected through interviews implies that; IFRS has opportunities for ECX member companies. Some of them are, they can produce transparent (report with relevant and faithful information) financial report for users, promotes international trade, sell their commodities

internationally at an attractive price, and the loan from international finance organizations to export their commodities are some of the benefits highlighted.

4.2.3. Challenges with the convergence of IFRS

The main concern of this study was to investigate and identify the key challenges of ECX member companies in Ethiopia encountered in the process of adopting and complying with IFRS. The details of the data collected along with analysis are depicted hereunder.

Table 4.8: Descriptive statistics of Challenges with the convergence of IFRS

Mean	N	Std. Deviation
3.9489	176	.70322

Source: SPSS 20 output

The other issue about the adoption of international financial reporting standards is the issue of challenges that the company faces in the implementation of IFRS. To identify the challenges that ECX member companies faced in the implementation of IFRS the researcher has included a lot of questions on the questionnaire which are estimated to be the challenges of IFRS implementation. The first question was to know if there is a Difficulty to understand apparent technical complexities in IFRS. The data collected for this question implies that 79.5% of respondents were agreed or strongly agreed on the statement. The implication is, there was the difficulty of understanding the apparent technical complexities of international financial reporting standards. On the other hand, 11.4% respondents disagreed with the statement. That means, they defend the issue of difficulty in understanding international financial reporting standards (please refer to appendix 5 for more information).

The second question considered under the challenges of IFRS is to know if there is any difficulty in correctly applying IFRS to local realities. The respondent response rate implies that 68.1% of respondents agreed or strongly agreed on the difficulty of correctly applying IFRS to local realities. On the other hand, 13.6% of respondents have disagreed on the statement. From

this, the researcher can conclude that the ECX member companies faced difficulty in applying international financial reporting standards to local realities they are performing.

The third question was provided to the respondents to know if there is a difficulty in determining the fair value of assets and liabilities during implementation. With this regard, the data collected implies that; 84.1% of respondents agreed or strongly agreed that there is the difficulty of determining the fair value of assets and liabilities of the companies. On the other hand, 11.4% of respondents have disagreed with the statement. From this, it is simply understood that there is a difficulty of determining the fair value of assets and liabilities in the implementation period of international financial reporting standards among ECX member companies.

The other question of the study was to know if there is a difficulty in making a good choice where IFRS is not specific. The data collected about this question implies that; 54.6% of respondents were agreed or strongly agreed on the statement. On the other hand, 11.4% of respondents have disagreed on the statement that difficulty in making a good choice where IFRS is not specific.

The fifth question provided under the challenges of the study was to know if there is a lack of personnel with the necessary knowledge and expertise for the implementation of IFRS. The data collected on this question implies that; 86.3% of respondents were agreed or strongly agreed on the statement that the companies had a lack of personnel with necessary knowledge and expertise for the implementation of international financial reporting standards. This implies that; ECX member companies had a lack of trained personnel and knowledgeable on the area of international financial reporting standards. On the other hand, 4.5% of respondents disagreed on the statements.

Concerning the lack of implementation guidance; the data collected from respondents implies that; 81.8% of respondents agreed or strongly agreed on the statement that there is a lack of guidance from corned bodies about the implementation of international financial reporting standards. On the other hand, 6.8% of respondents have disagreed on the statement that shows

there is a lack of guidance from concerned bodies concerning the implementation of international financial reporting standards.

The other question was to know if there is the difficulty of integrating IFRS with the current accounting system. The data collected concerning this question implies that; 79.4% of the respondents agreed or strongly agreed on the statement. On the other hand, 11.4% of respondents disagreed on the statement that implies there is a difficulty of integrating IFRS with the current accounting system. From this, the researcher concludes that the implementation of the international financial reporting standard lacks better guidance from concerned bodies and also there is a difficulty of integrating IFRS with the current accounting system and this may be because of a lack of well-trained experts on the implementation.

The other questions which are used to measure challenges of IFRS are; if there are significant differences between the regulatory requirement and IFRS, if there is limited time for preparation and transition before full convergence, Cost of altering information systems and software, if there is insufficient Availability of Internal data for IFRS conversion if the secondary market is absent for fair value determination as per the requirement of IFRS impacted the IFRS implementation, if there is a lack of coherence between local laws and IFRS, if there is the absence of Defined Employee Benefit Valuator companies in Ethiopia, and if there is lack of availability of competent specialists.

The data collected concerning the above statements indicate that all the defined statements are considered as the main challenges of international financial reporting standards in ECX member companies and this can be evidenced from the respondent's response rate (please refer appendix 5 for more information).

The overall result of the respondent's response rate shows that; ECX member companies addressed properly the challenges that faced companies in adopting international financial reporting standards has for their companies as well as for the country. This can be evidenced by the respondents' response rate as 74.3% of respondents agreed or strongly agreed with the questions provided under the challenges stage (please refer to appendix 5 for more information).

Additionally, this can be understood from descriptive statistics of the variable since the questions provided under the challenge stage scores a mean value of greater than an average value cited by Best (1977). From this, the researcher can understand that the challenges that adopting international financial reporting standard has in the market is very difficult for both ECX member companies and other stakeholders in the market. The finding of this study is consistent with the finding established by Fantahun (2012) and Bahadır et al., (2016).

In addition to the questionnaire distributed the result of an interview conducted implies that; ECX member companies were faced the following challenges in the implementation of international financial reporting standard, the challenges and some of them are; lack of awareness about IFRS of owners, lack of knowledge and skills staffs, lack of knowledge and skills consultants, poor accounting documentation, absence of fair value evaluator, and absence of employee benefit evaluators and so on. Additionally, Getting experienced consultants concerning IFRS implementation, and the Unwillingness of members to implement IFRS standards are highlighted.

The other question attempt by a researcher was to know if ECX member companies should implement a full version of IFRS for ECX member companies. The respondents responded as saying ECX member companies shall implement a full version of IFRS since they are considered as highly public interest entity, or have the fiduciary capacity.

As per the respondents response rate full adoption of IFRS have the following advantages. In near future it has its advantage for the introduction of the stock market and the ECX members are the primary beneficiary from the stock market, implementing its financial report in full IFRS helps to compute in international trade, creates confidence for their clients because if its financial statements are done with Full IFRS clients create confidence and clients choose the profitable members and make agreements to sell or buy their commodities at the ECX and believe it didn't lose their money.

But one of the respondents disagrees with the issue by saying; full IFRS is not an appropriate standard for ECX member companies while IFRS for SMEs is an appropriate standard for ECX

member companies. The respondent explained the issue as saying that; “since there are different kinds of members in the Ethiopian Commodity Exchange, there is no room to apply the full version of IFRS”. The respondent justifies the issue by saying that; “ as they hear from a different meeting conducted by the Accounting and Auditing Board of Ethiopia(AABE) and National Exchange Actors Association(NEAA) most of the member's annual sales are less than 5 million birrs even there are members which their annual sales are less than 1 million. For example, our company's annual sales from 2008 to 2019 range from 700,000.00 to 1,500,000.00.and also most of the ECX member company's staff are owners, purchasers (floor representatives), and par-time accountants. so how can we implement Full IFRS with this capability even we didn't full-fill the threshold that is stated by AABE”.

Finally, the results of the findings have been explained and discussed based on the analysis done on the data collected and the interview conducted. The results of the study are discussed by the results of the different source: interview, questionnaire, and a related review of literature. The data collected using interviews and questionnaires were analyzed and answer the research questions. In an analysis of the result shows that adoption of IFRS in ECX member company has significant advantageous among others; it increases the quality of financial statements, increase transparency and comparability, and it would be more reliable so that it is a means to give more confidence and attract investors, clients and lenders.

There are related challenges, in the adoption. The challenges are insufficient period for implementation; shortage of trained professionals, lack of proper IT system, IFRS require intensive training, absence of a capital market, and an adequate number of evaluators are some of the challenges for the adoption and implementation of IFRS in ECX member companies. The prospects of IFRS adoption to different stakeholders, the related challenges, and the factors that could influence the adoption of IFRS in ECX member companies in Ethiopia have been analyzed in the chapter. In line with the questionnaire and interview conducted the researcher has made a document analysis to add more inset on the issue of international financial reporting standard. As a means of foreign direct investment attraction and providing high-quality financial reporting, IFRS is found significant in whole over the world. In line with high quality financial reporting its contribution to the business environment and economic growth is numerous.

By understanding the benefit of international financial reporting standard (IFRS); the Ethiopian government has declared officially the new financial reporting proclamation on 5th December 2014. The Proclamation Number was 847/2014.

These proclamation (847/2014), has its own objective which states that ‘the objectives of financial reporting law is to establish a sound, transparent and understandable financial reporting system applicable to entities in both private and public sectors; in addition to this, it is also highlighted that; having a uniform financial reporting law which enhances transparency and accountability in order to improve financial reporting structures of Ethiopia is found significant to ensure that the provision of financial information meets internationally recognized reporting standards and establish a body that undertakes regulatory responsibilities in financial reporting.

In line with these, Article 4(1) of the Proclamation No. 847/2014 gives an authority to the Council of Ministers with Regulations No. 332/2014 for the establishment of the Accounting and Auditing Board of Ethiopia.

Accordingly, the Accounting and Auditing Board of Ethiopia has established on January 2015 with an autonomous government organ having its own legal personality with the responsibility of regulating the accounting and auditing professions and financial reporting practices in Ethiopia. Whereas the Board shall be accountable to the Ministry, and the board shall have its head office in Addis Ababa and may have branch offices elsewhere, as may be necessary.

In addition to article 4(1) of the Proclamation No. 847/2014; the shall have the power to establish, publish and review a Code of Professional Conduct and Ethics for certified public accountants and certified auditors, which shall be consistent with that of the International Federation of Accountants or its successors; issue directives related to professionals including for the acceptance or rejection of application, suspension, cancellation or renewal of certificate and registration; issue its own examination and quality requirement directives are among the additional power given to the board. With regard to the duties given to the board; issuing standards and directives relating to financial reporting and auditing and ensure compliance therewith; conducting inquiry or investigation and impose administrative sanction in accordance

with the provisions of this Proclamation where appropriate on public interest entities and public auditors to enforce compliance with financial reporting and auditing standards.

Additionally, setting out criteria to distinguish reporting entities as either public interest entities or small and medium enterprises and register them accordingly: receive and register financial statements of reporting entities; review and monitor the accuracy and fairness of financial statement to enforce compliance with the reporting standards are some of duties given to the Board.

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

Apart from this, Article 5 of the Regulation No. 332/2014 indicates the objectives of the Board. As it is discussed on the beginning of the discussion; one of the objectives of Ethiopian Accounting and Auditing Board is to promote high-quality reporting of financial and related information by reporting entities.

With regard to the mission of the board it is clearly indicated that; the Board shall support investment and protect the public interest by promoting high-quality financial reporting in Ethiopia through appropriate oversight of the accountancy profession, in accordance with local laws and international standards (AABE 2015).

The mandate was given to the Board (Article 5(3) of the Proclamation No.847/2014) to specify, the minimum requirements for recognition, measurement, presentation and disclosure in annual financial statements, group annual financial statements or other financial reports which every

public interest entity or small or medium enterprise shall comply with, in the preparation of financial statements and reports.

To achieve the objective of the Board, the Board has developed a five-year strategic plan to fully implement IFRS in five years (AABE 2015). The Board has stated that;

The Accounting and Auditing Board of Ethiopia believes that it will be in the best interest of the nation to adopt IFRS as issued by the International Accounting Standard Board. The Board plans a three-phase transition over a period of three years for reporting entities in Ethiopia (AABE 2015 pp. 87) as cited on (Diriba, 2019).

To implement international financial reporting standard AABE has noted that entities would need two to three years to prepare properly for reporting under them. And the phases are classified in three stages and the following paragraph shows the detail.

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

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

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

However, the implementation plan is not going on as expected. For example under phase one; Significant Public Interest Entities: Primary Financial Institutions and Public Enterprises are ordered to implement international financial reporting standards and required to issue IFRS based financial statements for the year ended on July 7, 2018. But a number of numerical studies shows that most of companies didn't completed the implementation process and IFRS based financial statements are not issued as of the stated date (Diriba, 2019). With this regard a lot of studies were conducted to identify the challenges and prospects of international financial reporting standard in Ethiopia taking as phase one mandatory adopters. Besides, the challenges and prospects were identified and proper recommendation was given by different scholars.

As stated under phase two adopters; all other public interest entities (Ethiopian Commodity exchange (ECX) member companies and reporting entities that meet the qualitative thresholds for public interest entities (PIE)) are expected to mandatorily adopt IFRS for statutory purposes, by July 8, 2018. In addition to this; there is greater expectation that phase two adopters better perform than phase one adopters since they get more input from different studies conducted in Ethiopia. However, most of the Ethiopian Commodity exchanges (ECX) member companies does not implemented as well as prepared IFRS based financial statements for the ending July 7, 2019.

Chapter Five

Summary of Measure Finding, Conculision and Recommendation

5. Introduction

The previous chapter presented the results and discussion of the findings obtained from primary data sources. The purpose of this chapter is to present the conclusions and recommendations of the study. Accordingly, the chapter is organized into two parts, the first part presents the conclusions of the study and the second part presents the recommendations provided based on the findings of the study.

5.1. Summary of Major Finding

The objective of this study was to analyze the processes, prospects and challenges of international financial reporting standards as evidenced by Ethiopian Commodity Exchange(ECX) member companies. To achieve the objective of the study, the study adopted a descriptive research design and mixed research approach. Furthermore, simple random sampling and purposive sampling techniques were used to select ECX member companies from the total population of the study. More specifically, primary and secondary data were used to analyze the processes, prospects and challenges of IFRS; the primary data was collected through questionnaires, interviews, and document reviews, the questionnaire was prepared in two different formats. The first format contains closed-ended questions and the second format contains open-ended questions. To achieve the objective of the study 185 questionnaires' were distributed to respondents and 176 of them were returned the questionnaire and the remaining 9 was unreturned.

The main findings of the present study reveal that adoption of IFRS in ECX member company has significant advantageous among others; it increases the quality of financial statements, increase transparency and comparability, increase cross border investment and it would be more reliable so that it is a means to give more confidence and attract investors, clients and lenders. There are related challenges, in the adoption. The challenges are insufficient period for implementation; shortage of trained professionals, lack of proper IT system, IFRS require

intensive training, absence of a capital market, and an adequate number of evaluators are some of the challenges for the adoption and implementation of IFRS in ECX member companies.

Furthermore, the identification of the difference between the company's GAAP and IFRS, reviewing each affected account in financial statements due to the adoption of IFRS, and tracing the effects of IFRS on the required processes and procedures were found as the main processes followed by EXC member companies in adoption IFRS.

The benefits of IFRS adoption to different stakeholders, the related challenges, and the factors that could influence the adoption of IFRS in ECX member companies are were highlighted in the finding of the study. In addition to this, the finding of the study reveals that the Adoption of IFRS has also the benefit to produce more transparent financial statements to the companies which in turn reduces the agency problem between management and government as increased transparency causes managers to act more in the interests of the Government. Adoption of IFRS would also significantly reduce the cost of capital of firms through the lower cost of information, make confidence for the lender, reduction in bad earning management, greater marketability of membership right(seat), and reduced information asymmetry. Investors ,lenders,international traders and clients of ECX members will benefit, amongst others, more confidence in the information presented in financial statements which they can understand and use. For management, the adoption of IFRS will create improved management information for decision making and enables better risk management. Similarly, other stakeholders such as regulatory bodies and accounting professionals would benefit from improved regulatory oversight and greater creditability and improved economic prospects for the accounting profession.

5.2. Conclusion of the Study

Based on these facts the researcher has concluded that since the benefits are longer lasting than the costs of adopting IFRS, the AABE and other regulatory bodies build their employee capacity to follow up and helps to adopt and implement IFRS and prepare financial statements based on this international standard and also, ECX members properly follow up and give attentions for their companies accounting system. This implies that all concerned bodies should continue their follow up for the proper and timely execution of IFRS in ECX member companies.

5.3. Recommendations

Based on the finding of the study the following recommendations are formulated

To overcome the challenges concerning the absence of a secondary market for fair value determination as per the requirement of IFRS, the Ethiopian Government shall find a way to establish a stock market in Ethiopia.

The top management of ECX companies shall be coordinate multi-disciplinary efforts including Accounting and Finance, Credit Management, Risk Management, Internal Audit, Facility Management, Information Technology and the related resources to ensure the sustainability of IFRS adoption.

The time given for ECX member companies to implement IFRS is found not to be enough; so AABE shall revise the road map especially for classification of companies and time for implementation.

Based on the finding of the study the researcher strongly recommends the concerned bodies to focus on providing trained and knowledgeable manpower by establishing strong training center on IFRS than forcing companies for the implementation of IFRS. Especially different incentives shall be considered to attract highly qualified manpower.

ECX member companies shall hire full time and professional accountants than hiring part-time accountants.

National Exchange Actors Association (NEAA) shall improve its capacity to facilitate all EXC member companies in the implementation of International Financial Reporting Standards.

5.3. Further Research study

The International Financial Reporting Standards (IFRS) is a broader scope of accounting which cannot be dealt with in its entirety in a few studies alone. This study focused on the adoption, implementation, prospects, challenges, and Factors that could influence the adoption of these standards in ECX member companies. However, it would be highly appropriate for future research to be conducted on the issue of accounting procedure manual specific to the industry which is helpful to guide accountants when they analyze and record transactions and to facilitate

audit process, on fair value measurement, how to adopt or apply the newly issued IFRSs, disclosure, and compliance with IFRS. And also, measure the quality of financial report by comparing financial statement produced in GAAP with IFRS.

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APPENDIX

APPENDIX 1: QUESTIONNAIRE

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Dear respondent,

I am a graduate student in the Department of Accounting and Finance, Addis Ababa University. The purpose of this questionnaire is to collect information on — *Challenges and Prospects of Mandatory Adoption of International Financial Reporting Standards in Ethiopian Commodity Exchange Member Companies.*

” The information that you share with me will be kept confidential and only used for academic purposes and cannot affect you in any case. So, your genuine, honest, and timely response is vital for the accomplishment of this study on time. Therefore, I kindly ask you to give your response to each item/question carefully.

If the contents of the questionnaire are not clear or would like further information, please contact me using the following addresses:

Mobile: 0913-15-76-01

Email: abe.kebe37@gmail.com

Thank you for cooperation

With best regards

Abebe Kebebe (MSC student)

PART- 1: Demographic Background

Please kindly tick (√) your answer in the appropriate boxes or respond by writing if required.

1. Gender:

Female

Male

2. Field of Study

Certificate (Diploma) Bachelor's degree Master's degree PhD

If other (specify) _____

3. Working Experience in the company.

Less than 5 years 6 to 10 years 11 to 15 years 16 to 20 years Over 20 years

4. Your current position in the company _____

Part-II: Your perception towards Challenges and Opportunities of International Financial Reporting Standards (IFRS) Implementation in your companies.

In this section the researcher is seeking your specific perceptions toward Challenges and Opportunities of International Financial Reporting Standards (IFRS) Implementation in your company (*Ethiopian Commodities Exchange Member*).

Please kindly indicate the appropriate scale for your opinion by ticking (√) on the spaces that indicate your choice from the options that ranging from (SA-Strongly Agree, (5) A, Agree, (4) UD- Undecided, (3) DA- Disagree (2), and SDA- Strongly Disagree (1)).

No	Questions	SA	A	UD	DA	SDA
	Processes followed by the company in adopting IFRS					
1	Identify the difference between the company's GAAP and IFRS					
2	Review each affected account in financial statements due to the adoption of IFRS					
3	Trace the effects of IFRS on the required processes and procedures					
	opportunities in convergence with IFRS					
1	Adoption of IFRS improved the efficiency of financial Reporting					
2	Financial statements prepared in line with requirement of IFRS are reliable and comparable					
3	It provided greater reporting transparency					
4	Adoption of IFRS enhanced transparency of ECX through better reporting					
5	IFRS improved improves internal control effectiveness					
6	IFRS promoted cross border investment					
7	IFRS improved management information for decision Making					
8	IFRS enhances national economic development					
9	IFRS useful for shareholders and creditors					
10	IFRS improved Professional development of accountancy					

11	Adoption of IFRS for introduced secondary market in Ethiopia					
12	Adopting of IFRS in reduced cost of capital					
13	Adoption of IFRS developed capital market in the country					
14	Adopting of IFRS increased depth of accounting development and regulation					
15	Adopting of IFRS developed trust and confidence of shareholders					
	Challenges in Convergence with IFRS					
1	Difficult to understand apparent technical complexities in IFRS					
2	Difficulty in correctly applying IFRS to local realities					
3	Difficulty in determining fair value of assets and liabilities					
4	Difficulty in making a good choice where IFRS is not specific					
5	Lack of personnel with necessary knowledge and expertise of IFRS					
6	Lack of implementation guidance					
7	Difficulty of integrating IFRS with the current accounting system					
8	Significant differences between the regulatory requirement and IFRS					
9	Limited time for preparation and transition before full convergence					
10	Cost of altering information systems and software					
11	Insufficient Availability of Internal data for IFRS conversion					
12	Absence of secondary market for fair value determination as per					

	the requirement of IFRS impacted the IFRS implementation					
13	lack of coherence between local laws and IFRS					
14	Absence of Defined Employee Benefit Valuator companies in Ethiopia					
15	Availability of competent specialists					

Part-III: Open ended questions

1. What is the current status of IFRS adoption in your company?

APPENDIX 2: INTERVIEW GUIDE

Some start-up questions that respondent from companies IFRS consultants will be asked on in-depth interviews

1. Do you believe on the benefits of IFRS adoption in EXC member companies?
2. What are the processes followed to adopt IFRS in the company you have consulted?
3. Do you think it is the right process to be followed for IFRS adoption? If not why?
4. Can you explain the strengths and weakness of the processes you followed/ following to adopt IFRS?
5. How do you see the mechanism followed by AABE in IFRS adoption in EXC member companies?
6. What were the roles of AABE in facilitating the adoption of IFRS in your client?
7. What are the challenges of adopting IFRS in EXC member companies?
8. How do you describe the progress of IFRS adoption in your client?
9. Can you explain the reasons for the delay of IFRS adoption progress, if any?

10. What are the challenges that you encountered during your involvement with IFRS adoption at your client?
11. Can you prioritize these challenges and explain your reasoning?

Some start-up questions that respondents from finance directors will be asked on in-depth interviews

1. Do you think IFRS is the appropriate standards for your company to prepare financial statements?
2. What do you think about the benefits of using IFRS for your company?
3. What are the processes used in your company to adopt IFRS?
4. How do you describe the progress of IFRS adoption in your company?
5. Can you describe your involvement with IFRS adoption at your company?
6. Can you explain the challenges that you encountered to adopt IFRS in your company?
7. Can you explain the reasons for the challenges you identified and how were those challenges addressed and resolved?

Some start-up questions that respondents from AABE will be asked on in-depth interviews

1. What are the processes followed to adopt IFRS in EXC member companies?
2. Do you think that IFRS is important for EXC member companies? How and why?
3. What are the opportunities of adopting IFRS in EXC member companies?
4. How is the progress of IFRS adoption in EXC member companies?
5. What are the challenges that AABE is facing in adopting IFRS in EXC member companies?
6. Can you explain the challenges that reporting entities from EXC encountered during IFRS adoption?
7. How many reporting entities do you think have fully implement IFRS and prepare IFRS based financial statements?
8. Which reporting entities have already fully converted to IFRS as per scheduled?

Some start-up questions that respondents from auditors will be asked on in-depth interviews

1. Do you think IFRS is the appropriate standards for EXC member companies?
2. What do you think about the benefits of IFRS adoption for EXC member companies?
3. Do you think the progress of IFRS implementation in EXC member companies is moving as planned?
4. Can you explain the reasons for the delay of IFRS adoption progress, if any?
5. For how many reporting entities your audit firm audited their IFRS based financial statements?
6. What practical challenges did you encounter in processes of auditing IFRS based financial statements?

Some start-up questions that respondents from NEAA will be asked on in-depth interviews

1. Do you think full IFRS is the appropriate standard for EXC member companies?
2. What do you think about the benefits of IFRS adoption for EXC member companies?
3. What were the roles of NEAA in facilitating the adoption of IFRS in EXC member companies?
4. For how many EXC member companies NEAA facilitates IFRS adoption?
5. Do you think the progress of IFRS implementation in EXC member companies is moving as planned?
6. Can you explain the reasons for the delay of IFRS adoption progress, if any?
7. What practical challenges did you encounter in facilitating the adoption of IFRS for member companies?
8. How many reporting entities do you think have fully implement IFRS and prepare IFRS based financial statements?
9. **If you have any comment, please(optional)**

Appendix 3-Respondents Response rate of IFRS process in ECX member companies

S/R	Attributes	Response	Freq	Percent
1	Identify the difference between the company's GAAP and IFRS	Strongly Disagree		
		Disagree	60	34.1
		Neutral	40	22.7
		Agree	48	27.3
		Strongly agree	28	15.9
Total			176	100%
2	Review each affected account in financial statements due to the adoption of IFRS	Strongly Disagree	4	2.3
		Disagree	52	29.5
		Neutral	40	22.7
		Agree	48	27.3
		Strongly agree	32	18.2
Total			176	100%
3	Trace the effects of IFRS on the required processes and procedures	Strongly Disagree	4	2.3
		Disagree	52	29.5
		Neutral	44	25.0
		Agree	52	29.5
		Strongly agree	24	13.6
Total			176	100%

IFRS Process in ECX member companies aggregate result

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	4	2.3	2.3	2.3
Disagree	53	30.1	30.1	32.4
Valid Neutral	36	20.5	20.5	52.8
Agree	64	36.4	36.4	89.2
Strongly Agree	19	10.8	10.8	100.0
Total	176	100.0	100.0	

Appendix 4- Respondents Response rate of Prospects in convergence with IFRS in ECX member companies

S/R	Attributes	Response	Frequency	Percent
1	Adoption of IFRS improved the efficiency of financial Reporting	Strongly Disagree	12	6.8
		Disagree	4	2.3
		Neutral	12	6.8
		Agree	80	45.5
		Strongly agree	68	38.6
Total			176	100%
2	Financial statements prepared in line with the requirement of IFRS are reliable and comparable	Strongly Disagree	12	6.8
		Disagree	8	4.5
		Neutral	96	54.5
		Agree	60	34.1
		Strongly agree	12	6.8
Total			176	100%
3	It provided greater reporting transparency processes and procedures	Strongly Disagree	4	2.3
		Disagree	4	2.3
		Neutral	20	11.4
		Agree	68	38.6
		Strongly agree	80	45.5

Total			176	100%
4	Adoption of IFRS enhanced transparency of ECX through better reporting	Strongly Disagree	4	2.3
		Disagree	20	11.4
		Neutral	64	36.4
		Agree	88	50.0
		Strongly agree	4	2.3
Total			176	100%
5	IFRS improved improves internal control effectiveness	Strongly Disagree		
		Disagree	4	2.3
		Neutral	20	11.4
		Agree	80	45.5
		Strongly agree	72	40.9
Total			176	100%
6	IFRS promoted cross border investment	Strongly Disagree		
		Disagree	8	4.5
		Neutral	24	13.6
		Agree	56	31.8
		Strongly agree	88	50.0
Total			176	100%
7	IFRS improved management information for decision Making	Strongly Disagree		
		Disagree	4	2.3
		Neutral	28	15.9
		Agree	68	38.6
		Strongly agree	76	43.2
Total			176	100%
8	IFRS enhances national economic development	Strongly Disagree		
		Disagree		
		Neutral	16	9.1
		Agree	88	50.0
		Strongly agree	72	40.9

Total			176	100%
9	IFRS useful for shareholders and creditors	Strongly Disagree		
		Disagree		
		Neutral	8	4.5
		Agree	72	40.9
		Strongly agree	96	54.5
Total			176	100%
10	IFRS improved Professional development of accountancy	Strongly Disagree		
		Disagree		
		Neutral	4	2.3
		Agree	60	34.1
		Strongly agree	112	63.6
Total			176	100%
11	Adoption of IFRS for the introduced secondary market in Ethiopia	Strongly Disagree		
		Disagree	4	2.3
		Neutral	52	29.5
		Agree	72	40.9
		Strongly agree	48	27.3
Total			176	100%
12	Adopting of IFRS in reduced cost of capital	Strongly Disagree	4	2.3
		Disagree	16	9.1
		Neutral	44	25.0
		Agree	72	40.9
		Strongly agree	40	22.7
Total			176	100%
13	Adoption of IFRS developed capital market	Strongly Disagree		
		Disagree		
		Neutral	32	18.2
		Agree	80	45.5

	in the country	Strongly agree	64	36.4
Total			176	100%
14	Adopting of IFRS increased depth of accounting development and regulation	Strongly Disagree		
		Disagree		
		Neutral	4	2.3
		Agree	88	50.0
		Strongly agree	84	47.7
Total			176	100%
15	Adopting of IFRS developed trust and confidence of shareholders	Strongly Disagree	4	2.3
		Disagree	8	4.5
		Neutral	16	9.1
		Agree	68	38.6
		Strongly agree	80	45.5
Total			176	100%

Prospects in convergence with IFRS aggregate result

	Frequency	Percent	Valid Percent	Cumulative Percent
Neutral	15	8.5	8.5	8.5
Agree	114	64.8	64.8	73.3
Valid Strongly Agree	47	26.7	26.7	100.0
Total	176	100.0	100.0	

Appendix 5- Respondents Response rate of Challenges with the convergence of IFRS in ECX member companies

S/R	Attributes	Response	Frequency	Percent
1	Difficult to understand apparent technical complexities in IFRS	Strongly Disagree		
		Disagree	20	11.4
		Neutral	16	9.1
		Agree	88	50.0
		Strongly agree	52	29.5
Total			176	100%
2	Difficulty incorrectly applying IFRS to local realities	Strongly Disagree		
		Disagree	24	13.6
		Neutral	32	18.2
		Agree	72	40.9
		Strongly agree	48	27.3
Total			176	100%
3	Difficulty in determining the fair value of assets and liabilities	Strongly Disagree		
		Disagree	20	11.4
		Neutral	8	4.5
		Agree	64	36.4
		Strongly agree	84	47.7

Total			176	100%
4	Difficulty in making a good choice where IFRS is not specific	Strongly Disagree		
		Disagree	20	11.4
		Neutral	60	34.1
		Agree	60	34.1
		Strongly agree	36	20.5
Total			176	100%
5	Lack of personnel with the necessary knowledge and expertise of IFRS	Strongly Disagree		
		Disagree	8	4.5
		Neutral	16	9.1
		Agree	52	29.5
		Strongly agree	100	56.8
Total			176	100%
6	Lack of implementation guidance	Strongly Disagree		
		Disagree	12	6.8
		Neutral	20	11.4
		Agree	48	27.3
		Strongly agree	96	54.5
Total			176	100%
7	The difficulty of integrating IFRS	Strongly Disagree		

	with the current accounting system	Disagree	20	11.4
		Neutral	16	9.1
		Agree	80	45.5
		Strongly agree	60	34.1
Total			176	100%
8	Significant differences between the regulatory requirement and IFRS	Strongly Disagree		
		Disagree	9.1	9.1
		Neutral	25.0	25.0
		Agree	31.8	31.8
		Strongly agree	34.1	34.1
Total			176	100%
9	Limited time for preparation and transition before full convergence	Strongly Disagree		
		Disagree	4	2.3
		Neutral	44	25.0
		Agree	16	9.1
		Strongly agree	68	38.6
Total			176	100%
10	Cost of altering information systems and software	Strongly Disagree		
		Disagree	12	6.8
		Neutral	28	15.9

		Agree	64	36.4
		Strongly agree	72	40.9
Total			176	100%
11	Insufficient Availability of Internal data for IFRS conversion	Strongly Disagree	4	2.3
		Disagree	12	6.8
		Neutral	28	15.9
		Agree	88	50.0
		Strongly agree	44	25.0
Total			176	100%
12	Absence of secondary market for fair value determination as per the requirement of IFRS impacted the IFRS implementation	Strongly Disagree	4	2.3
		Disagree	8	4.5
		Neutral	24	13.6
		Agree	44	25.0
		Strongly agree	96	54.5
Total			176	100%
13	lack of coherence between local laws and IFRS	Strongly Disagree		
		Disagree	20	11.4
		Neutral	16	9.1
		Agree	52	29.5
		Strongly agree	88	50.0

Total			176	100%
14	Absence of Defined Employee Benefit Valuator companies in Ethiopia	Strongly Disagree		
		Disagree	8	4.5
		Neutral	20	11.4
		Agree	44	25.0
		Strongly agree	104	59.1
Total			176	100%
15	Availability of competent specialists	Strongly Disagree	52	29.5
		Disagree	28	15.9
		Neutral	16	9.1
		Agree	36	20.5
		Strongly agree	44	25.0
Total			176	100%

Challenges with the convergence of IFRS aggregate result

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	4	2.3	2.3	2.3
Neutral	36	20.5	20.5	22.7
Agree	101	57.4	57.4	80.1
Strongly Agree	35	19.9	19.9	100.0
Total	176	100.0	100.0	

