



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

**THE CHALLENGES OF ADOPTION INTERNATIONAL FINANCIAL  
REPORTING STANDARDS (IFRS) AMONG MEDIUM ENTERPRISES:  
THE CASE OF ADDIS ABABA CITY ADMINISTRATION.**

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**The Challenges of Adoption International Financial Reporting Standard  
(IFRS) Among Medium Enterprises: The Case of Addis Ababa City  
Administration.**

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This is to certify that the thesis prepared by Surafel Tekeste entitled: The challenges of adoption International Financial Reporting Standard (IFRS) among medium enterprises: the case of Addis Ababa City Administration and submitted in partial fulfillment of the requirements for the degree of Master of Science in Accounting and Finance complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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## **Statement of Declaration**

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of my advisor Degefa Duressa (PhD). All sources of materials used for 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 for the purpose of earning any degree.

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## Acronyms

AABE-	Accountants and Auditors Board of Ethiopia
CSA	Central Statics Agency
FGD	Focus Group Discussion
IFRS	International Financial Reporting Standard
KII	Key Informant Interviews
NGO	Non-Governmental Organizations
IASB	International Accounting Standards board
IASC	International Accounting Standards Committee
IAS	International Accounting Standards
ROSC	Reports on Observance of Standards and Codes
UNCATD:	United Nations Conference on Trade and Development

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## **Abstract**

*This study examines the challenges of adoption International Financial Reporting Standard (IFRS) among medium enterprises of Addis Ababa City Administration, Ethiopia. However, the study raised research question that is, what are the practical challenges face while adopt IFRS for the selected companies. To answer this research question the study uses survey research design and adopt the mixed research approach. In addition, the study used multiple data collection method, including face-to-face interview, questioners and document review. The questionnaire data were also analyzed using descriptive statistics, data from interview and document reviews were interpreted qualitatively. Based on the analysis it was found out that there is a considerable awareness among the medium enterprises that the implementation IFRS improves the quality of financial reporting, transparency, accountability and economic efficiency the results also indicated that that medium enterprises in Addis Ababa face numerous challenges in the process of implementing IFRS include significant cost of adoption of IFRS, lack of consistent training and awareness about IFRS, lack of readiness to implement within the time frame set by the board, lack of adequate implementation guidance and lack of enforcement capacity. The thesis, thus, pointed out practical implications for the government of Ethiopia and regulatory bodies in setting a firm deadline for the IFRS adoption and in following the proper application of all the adopted standards. The findings also suggest that a consistent and well focused IFRS capacity building program should be designed by the government, all regulatory bodies, firms and training institutions in order to provide the needed manpower for IFRS implementation.*

## CHAPTER ONE

### INTRODUCTION

#### 1.1. Background of the Study

The emergence of the only village global system or globalization has been inflicting giant monetary, buying and selling, political and social convergence manner all around the global. Recent years have visible essential changes in economic reporting global under which the maximum obvious is the persevering with adoption of international monetary reporting general (IFRS) all-inclusive. Worldwide monetary reporting well known (IFRS) is designed as a not unusual global language and similar throughout international obstacles. Progressive convergence procedures update many distinct countrywide accounting standards. They a consequence of developing global shareholding and trade and are precise significance for groups which have dealings in numerous nations (Rao & Malyadri, 2015)

The spreading out of international change and the openness to foreign stock and debt market has given pressure to growing the argue on whether or not or no longer there's need to be a worldwide set of accounting requirements. As businesses participate international for inadequate assets, traders and creditors in addition to multinational corporations are required to face the price of unification financial statements that are prepared using national requirements.

a set of studies have been performed in relation to the significance (Apostols A, 2010; Iyoha & Faboyede, 2011) and the demanding situations of adopting (Alessandro, Elena, & Patrizia, 2009; Robyn & Graeme, 2009). The other set of studies have been conducted on the effect IFRS has on companies and international locations at large (Jermakowicz E. K., 2004; Susana, Jose, & Jose, 2007; William, Shaomin, & Robert, 2010). Many countries began obligatory adoption of worldwide financial reporting requirements (IFRS). IFRS eliminates many allowable accounting options and a few initial evidence shows that IFRS limits managerial discretion to govern earnings, thereby enhancing earnings excellent (Rahman & Courtenay, 2012).

IFRS implementation calls for imparting greater a ways–accomplishing facts; transparency, satisfactory and manage systems of groups get bolstered. Consequently IFRS no longer handiest effect the accounting figures but additionally brings in modifications inside the organization by way of strengthening their internal systems and methods. Average the outcomes indicate that adoption of honest cost accounting and strict requirement in stick on to accounting

standards have reinforced the economic figures and supplied choice makers a obvious, proper and honest accounting image. Though the initial cost worried in transition is excessive, groups need to undertake IFRS to participate in a globalized financial marketplace, to allow traders and different users of monetary statements (Kumar, 2015).

Considering 2014, Ethiopia ratified a proclamation on the adoption of the IFRS through Proclamation No.847/2014 for monetary reporting and regulation No. 332/2014 “for the status quo and resolution of the process of the accounting and auditing board of Ethiopia”. The ratification of such proclamation was predicted to fill in the gaps troubles related to the Ethiopian accounting device and monetary reporting infrastructures and criminal frame works and offer robust monetary infrastructures and prison frameworks in a given jurisdiction required for the effectiveness of IFRS adoption and implementation. The Accountants and Auditors Board of Ethiopia (AABE) was installed to control the effective implementation of the IFRS. The Proclamation units out monetary reporting frameworks relevant to one of a kind reporting entities and mandated AABE with the obligation of regulating the accountancy profession and ensuring its development within the country.

In spite of fantastic profits on the subject of the adoption and implementation of IFRS in Ethiopia, there remained unmet demanding situations (Worku, 2012). Several research have been performed on the adoption of IFRS, challenges and opportunities in Ethiopia, which focused at the adoption of IFRS in a country wide at large-scale rank, there has no observe made on the demanding situations faced via medium companies in Ethiopia. To the expertise of the researcher, there has no longer been any have a look at undertaken on challenges of adoption worldwide financial Reporting fashionable (IFRS) amongst medium establishments. Despite the fact that there had been several researches at better corporations, the distinct capabilities of the small and medium companies in Ethiopia makes it hard to attract conclusions in our context primarily based on those studies. Except, to the understanding of the researcher, there is simplest little information available about the demanding situations of adoption worldwide economic reporting trendy (IFRS) among Medium and Small firms in Addis Ababa city management. Consequently, this research tries to observe the demanding situations of adoption global economic Reporting general (IFRS) among medium organizations within the case of Addis Ababa city administration. For this reason, this take a look at may bridge the gap and could viable function a stepping stone for in addition studies.

## 1.2. Statement of the Problem

Because of International Financial Reporting Standard (IFRS) provides acceptable financial systems for countries and multinational companies, many countries successfully adopted it as their accounting systems (Apostolos A. Ballas, 2010; William, Shaomin, & Robert, 2010; Alessandro, Elena, & Patrizia, 2009; Robyn & Graeme, 2009; Jermakowicz E. K., 2004)

As (Bui & Dao, 2020) indicated that in spite of the pretty many benefits of IFRS adoption, it's also a hard venture and has many challenges. As evidenced by using the worldwide experience, convergence with IFRS has enormous demanding situations not unusual to all nations and corporations (Khlif, Ahmed, & Alam, 2020) and there are also positive precise demanding situations that are particular to unique countries (Khlif, Ahmed, & Alam, 2020).

Growing bodies of literature (Iyoha & Faboyede, 2011) discovered that extra complicated economic reporting requirements; resultant growth in expenses; availability of resources with know-how in IFRS; moral environment, the capacity to defend certified and able personnel from being poached by way of other corporations and from an average angle, amendments to regulatory requirements and tax legal guidelines; and impact on IT systems and repayment systems are the main challenges of IFRS (Iyoha & Faboyede, 2011; Apostolos A. Ballas, 2010; Jermakowicz, Prather-kinsey, & Wulf, 2007; Jermakowicz E. K., 2004; Wong, 2004; Alexander, 2003).

Adoption of IFRS has some of critical advantages for a extensive range of stakeholders together with, multiplied comparison of consolidated accounts, multiplied tiers of transparency, better get admission to the worldwide capital markets and different stakeholders would gain from overall higher reporting and statistics (Iyoha & Faboyede, 2011; Apostolos A. Ballas, 2010; Jermakowicz, Prather-kinsey, & Wulf, 2007; Alicja, Justyna, Malgorzata, & Maciej, 2007; Susana, Jose, & Jose, 2007; Jermakowicz E. K., 2004).

The available studies in Ethiopia ((Firdawok, 2017), (Fikru, 2012), (Worku, 2018) indicated that the high level economic enterprises especially financial institutions like banks and insurance companies frown to adopt the International Financial Reporting Standards (IFRS) mainly due to IFRS enforcement capacity is a key challenge for transition, the process is costly, complex, and burdensome, Institutional readiness require more attention for transition to IFRS, the more

comprehensive the approach to conversion, the more respondents tend to agree with the factors influencing the transition, the complexity of IFRS as well as the lack of implementation steering and uniform interpretation also are key demanding situations in technical capability place. It would be easier, thus, to guess the challenges faced by the medium enterprises in adopting and implementing the International Financial Reporting Standards (IFRS) is far apparent.

### **1.3. Research Questions**

Having taken into consideration the truth and assumptions, this observe might awareness on investigating the demanding situations of adoption international Financial Reporting Standards (IFRS) among medium enterprises. Specifically, the study has a look at attempts to address the following studies questions:

- What is the current status of the medium enterprises in adopting the International Financial Reporting Standard (IFRS)?
- Has their business affected since they started implementing the International Financial Reporting Standard (IFRS)?
- What are the problems faced by the stakeholders in the process of adoption of IFRS?
- What are the legal or regulatory barriers, which affect the implementation of the International Financial Reporting Standard (IFRS)?
- Was the right human resource available in the market for the implementation of the International Financial Reporting Standard (IFRS)?
- Which one or more of underlying factors (i.e., Government Policy, Professional Bodies, Company Size, Capital Market, and Educational Level) that International Financial Reporting Standard (IFRS) could affect the level of adoption of IFRS?
- What are the coping strategies adopted by the enterprises to deal with the situation?
- What intervention strategies should the concerned bodies use to reduce the challenges with regards to the adoption of the IFRS?

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

### **1.4.1. General Objective**

The general objective of this study is, therefore, to identify and explore the main challenges of adoption International Financial Reporting Standard (IFRS) among medium enterprises in the case of Addis Ababa City Administration.

### **1.4.2. Specific Objectives**

This research had the following specific objectives:

- To identify the current status of the medium enterprises in adopting the International Financial Reporting Standard (IFRS);
- To assess whether their business affected since they started implementing the International Financial Reporting Standard (IFRS);
- To explore the main challenges faced by the stakeholders in the process of adoption of IFRS;
- To identify the underlying factors (i.e., Government Policy, Professional Bodies, Company Size, Capital Market, and Educational Level) that International Financial Reporting Standard (IFRS) could affect the level of adoption of IFRS;
- To explore the coping strategies adopted by the enterprises to deal with the situation;
- To suggest potential intervention strategies should the concerned bodies use to reduce the challenge

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

This study would have the following significances:

- It motivates the concerned bodies to give due attention to the problems related to the challenges of adoption International Financial Reporting Standard (IFRS) among medium enterprises and play an active role in reducing such challenges.

- It gives insight to the concerned government organizations on the importance of policy implications and designing possible intervention program for the enterprises so as to offset the challenges.
- As to the knowledge of the researcher, there have not been any research undertaken challenges of adoption International Financial Reporting Standard (IFRS) among medium enterprises particularly in the Addis Ababa City Administration. Thus, this study might bridge the gap and could possibly serve as a stepping stone for further research.
- Suggest viable intervention strategies to curb the problems.

### **1.6. Delimitation of the Study**

The study is delimited to the challenges of adoption International Financial Reporting Standard (IFRS) among medium enterprises in the Addis Ababa City Administration only.

### **1.7. Limitation of the Study**

The main limitations of the study were lack of sufficient literature on the area, lack of getting information of the companies, difficulty to get concerned enterprises in their registered address and several of them will be changed their phone numbers. Financial and time constraints are also big challenges in undertaking this study.

### **1.8. Organization of the Paper**

This study is organized in to six chapters. The first chapter describes the general introduction of the study. Chapter two delves in to the reviewing the related literature regarding the research area of International Financial Reporting Standards and its adoption and therefore will set out the theoretical foundations for the research. The third chapter describes the research methodology which comprises research design, target population, sampling technique, sample size, data collection method and instrument, data analysis method and reliability test used in the study. The research results are presented in chapter four. Chapter five summarizes the main findings of the study while the last chapter draws conclusions and implications and wind up the report by way forwards with regards to policy implications and future research areas.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

#### 2.1. The Concept of IFRS

International Financial Reporting Standards (IFRS) is a particularly a new phenomenon within the international of accounting world. IFRS are requirements for reporting financial outcomes and are relevant to standard purpose financial statements and other monetary reporting of all profit oriented entities. Alistair 2010 cited in (Ojeka & Mukoro, 2011) gives a sentiment that International Financial Reporting Standards (IFRS) as a system of accounting statements published by the International Accounting Standards Board (IASB) to help preparers of financial statements, throughout the world, produce and present high quality, transparent and comparable financial information in order to keep uniformity, universal accord and mutual acceptance by all of the concerned.

IFRS set out popularity, size, presentation and disclosure necessities handling transactions and different occasions and conditions which can be crucial in preferred cause monetary statements. They will not also set out such requirements for transactions, activities and situations that get up in particular in particular industries. IFRS are based totally at the Framework, which addresses the concepts underlying the facts supplied in standard purpose monetary statements. The objective of the Framework is to facilitate the steady and logical system of IFRS. It additionally affords a foundation for using judgment in resolving accounting troubles (IASB, 2009).

#### 2.2. International Accounting Standards

The ultimate purpose of reducing accounting range is to have all businesses around the arena follow one set of global accounting standards (Hoyle, Schaefer, & Douprik, 2009; Baker, Lembke, & King, 2009). With growing worldwide markets and worldwide investing possibilities, the blessings of uniform international accounting requirements as an international language of economic facts have become more and more apparent (Apostols A, 2010).

Adoption of global financial reporting standards is becoming trend amongst international locations because of the big range of advantages it presents for nations and multinational

businesses. As of February, 2020 approximately 220 nations and reporting jurisdictions permit or require IFRS for domestic listed companies of which 110 countries have fully conformed with IFRS as promulgated by the IASB and included a statement acknowledging such conformity in audit reports (AICPA, 2020).

According to the proponents of accounting harmonization, international comparison of economic assertion is important for the globalization of capital markets. It would be clean for traders to assess potential investments in overseas securities and it'd additionally simplify multinational groups' evaluation of viable foreign takeover objectives. International economic reporting requirements might reduce the price of preparing worldwide consolidated economics statements. Multinational companies could also find it less difficult to switch accounting workforce to other international locations (Apostols A, 2010; Iyoha & Faboyede, 2011; Jermakowicz E. K., 2004; Alicja, Justyna, Malgorzata, & Maciej, 2007; Susana, Jose, & Jose, 2007; William, Shaomin, & Robert, 2010).

To meet the needs of international capital markets and their participants, companies must supply current and potential investors with accurate and useful information that provides the necessary data to make investment decisions. Paul Volker, chairman of the International Accounting Committee Foundation Board of Trustee in 2001, said:

*If markets are to function properly and capital is to be allocated efficiently, investors require transparency and must have confidence that financial information accurately reflects economic performance. Investors should be able to make comparisons among companies in order to make rational investment decision. In a rapidly globalizing world, it only makes sense that the same economic transactions are accounted for in the same manner across various jurisdictions (page 21-22).*

According to Jermakowicz and Gornik-Tomaszewski (2006) IFRS are not only relevant to external parties but are useful to management decision making as well. Caramanis and Papadakis (2008) found that accounting information provided by financial statements prepared according to IFRS is reliable, relevant, understandable and comparable. In general, they believe that the quality of financial information has improved as a consequence of the introduction of IFRS.

On the other hand some scholars argue against harmonization. Opponents of harmonization argue that it is unnecessary to force all companies worldwide to follow a common set of rules. For example Richard (1991, p.85-86) stated that:

*Full harmonization of international accounting standards is probably neither practical nor truly valuable....It is not clear whether significant benefits would be derived in fact. A well-developed global capital market exists already. It has evolved without uniform accounting standards.*

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

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

According to Jermakowicz (2004) the adoption of IFRS will boom comparison of consolidated debts as well as degrees of transparency for lots corporations, e.g. through multiplied phase disclosures, reporting unfunded pension responsibilities and the popularity of derivatives on stability sheets at fair fee. Even though IFRS has the aforementioned blessings the instruction of the economic statements will become time-eating due to the quantity of information that is required which in flip results in an growth within the accounting sports (Apostolos et al., 2010).

Iyoha, and Faboyede, (2011), performed a research at the adoption of international financial reporting requirements in Nigeria. The outcomes of the look at show that the creation of IFRS in Nigeria will bring about a number of important advantages for a wide range of stakeholders. The benefits of ease of the use of one consistent reporting standard in subsidiaries from specific nations will accrue to corporations whilst traders will benefit, amongst others,

extra confidence inside the statistics supplied in monetary statements which they could recognize and use. For policy makers (management), the adoption of IFRS will create better get right of entry to the world wide capital markets and a better popular of economic disclosure for countrywide regulatory our bodies. Similarly, other stakeholders might benefit from usual higher reporting and information on new and different elements of the commercial enterprise.

#### Definition of IFRS for SMEs

It is commonly regarded that there is no the world over mentioned that means for SMEs. In reality, it is not clean to undertake a widespread meaning for SMEs due to variant in firm size, sectors, subculture and the development popularity of economies wherein SMEs prompt Kushnir, 2010; UNCTAD,2007b).

The IASB is adopted a definition for SMEs when IFRS for SMEs came into effect in July 2009. According to the standard, SMEs are entities that:

- a) Do not have public accountability, and
- b) Publish general purpose financial statements for external users. Examples of external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies (IASB, 2009a, 10).

An entity has public accountability if:

- a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the counter market, including local and regional markets); or
- b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/ dealers, mutual funds and investment banks (IASB, 2009a, 10 , Cited in Alax 2019).

Especially, the definition of an SME within the context of IFRS for SMEs is notably one of a kind to that of most different nations and is based totally on the listed reputation of an entity in preference to on its size-thresholds. Authorities at the individual jurisdiction level are approved

to determine what constitutes an eligible entity, entitled to apply the IFRS for SMEs (IASB, 2009a).

The IFRS for SMEs is a self-contained standard of 230 pages, designed to satisfy the desires and competencies of Small and Medium sized Entities (SMEs) that are estimated to account for over 95 in step with cent of all corporations round the sector. Compared with complete IFRSs (and plenty of national GAAPs), the IFRS for SMEs is less complicated in a number of methods (IASB, 2009).

It was in 2001 when IASB formally commenced to develop accounting standards for the suitability of SMEs at the same time as retaining the emerging economies in focus. For this reason a dialogue paper became formulated in 2004 with the identify of initial views on accounting requirements for Small and Medium-sized Entities and the comments had been invited on this discussion paper from round the sector. Emphasis and advice had been directed to the middle elements of any accounting requirements that are reputation, dimension, presentation and disclosure of economic statements. The primary exposure draft of IFRS for SMEs turned into posted with the aid of IASB in February 2007, with the aim to offer simple and self-explanatory set of accounting principles for non-indexed businesses based totally on full IFRS. Primarily based on this exposure draft discipline assessments have been conducted by way of IASB on a pattern of 116 small entities from 20 distinct nations. On the idea of remarks and critiques of exposure draft, and outcomes from area checks eased the job for IASB in addition enhancing and simplifying the accounting requirements for SMEs, and finally launching the respectable and final version of IFRS for SMEs on 9th July, 2009 (IASB, 2009).

Subsidiaries of a massive corporation aren't prohibited from the use of IFRS for SMEs, in the event that they themselves aren't publicly accountable to all of us. Economic statements of SMEs offer their meant customers with the facts about the company's financial function, its overall performance and coins-flows of the company. type of users of these economic statements is predicated at the facts provided in these statements for his or her future financial selections (IASB, 2009).

The adoption of IFRSs would provide the following benefits to SMEs: (IASB, 2007, Ojeka and Dickson, 2011)

1. Adoption of IFRS for SMEs will improve the comparability of financial information of SMEs at either national or international levels.
2. Adoption of IFRS for SMEs will make easier to implement planned cross-border acquisitions and to initiate proposed partnerships or cooperation agreements with foreign entities.
3. Adopting IFRS for SMEs can help SMEs to reach international markets.
4. Adoption of IFRS for SMEs will have a positive effect on the credit rating scores of enterprises, this will strength SMEs' relationships with credit institutions.
5. Vendors want to evaluate the financial health of buyers before they sell goods or services on credit. The adoption of IFRSs will enhance the financial health of the SMEs.

The IFRS for SMEs are a simplified version of the entire IFRS that's based at the fundamental ideas of the overall IFRS (IASB, 2009b). However, IFRS for SMEs is a stand-by myself file—logically dependent into 35 sections by subject matter. The IFRS for SMEs processes with extensively decreased disclosures of round three hundred, compared to the whole IFRS of 3000 disclosures, and with reduced steering. The same old is based totally on simplified popularity and measurement standards and numerous smooth accounting policies. Several subjects have been unnoticed from the IFRS for SMEs which are not relevant to SMEs (e.g. profits in line with proportion, interim financial reporting, section reporting, and special accounting for assets held on the market), and additional considerations unique to SMEs (e.g. mixed financial statements, unique issue of stocks or other fairness contraptions, sale of options, rights and warrants, and capitalization or bonus problem of stocks and proportion splits) had been included (IASB, 2009b). The main simplifications of recognition and measurement principles of the IFRS for SMEs compared to the full IFRS are contrasted in several sections of the IFRS for SMEs.

### **2.3. IFRS for SMEs**

While many countries have followed full IFRS for publicly responsible entities, they had been reluctant to adopt this set of complicated, exhausting and pricey standards for non-publicly responsible entities, in particular SMEs (Tyrrall, Woodward, & Rakhimbekova, 2007; Dang-Duc, 2011). The IFRS for SMEs become therefore an final results of a rigorous system pioneered by means of the international Accounting standards Board (IASB) to introduce a simplified model of the entire IFRS with substantially reduced recognition and dimension principles and disclosure necessities. IFRS for SMEs were issued in anticipation that they may be implemented by way of entities that do not have public responsibility however who put together standard motive financial statements for outside customers (IASB, 2009a).

Knowing that, the majority of entities round the sector are represented via 'SMEs' may be very massive (Alp & Ustundong, 2009). Moreover, the SME quarter is regard as the main part of many economies in both developed and growing international locations. These companies make endless roles to activity introduction; technological development and economic output (see Chen, 2006; OECD, 2005; Reddy, 2007). Earlier than the creation of IFRS for SMEs in 2009, every jurisdiction adopts either neighborhood normally prevalent accounting concepts (GAAP) or full IFRS for the financial reporting purposes of non-publicly responsible entities and SMEs round the sector (Alp & Ustundong, 2009; Tyrrall, Woodward, & Rakhimbekova, 2007). The IASB accept as true with that the adoption of IFRS for SMEs will possibly enhance SMEs' get admission to international finance through corresponding and high best monetary data (IASB, 2009a). It is miles in all likelihood that a worldwide economic reporting conversation will make higher the international comparison and global recognition of SMEs across the globe. Consequently, this revolution is anticipated to be a main breach for SMEs if the like benefits are efficiently conventional via international allocations and they enforce IFRS for SMEs.

#### **Main Differences between IFRS for SMEs and full IFRSs**

IFRS for SMEs does not provide the same provisions and necessities as complete IFRSs. Masses of differences may be decided and the economic statements organized below IFRS for SMEs

do no longer equal to the monetary statements prepared according with complete IFRSs. Some of the principle differences are as follows:

- **Financial statements**

Complete IFRSs: A declaration of adjustments in equity is needed, providing a reconciliation of equity items among the beginning and stop of the period.

IFRS for SMEs: identical requirement. But, if the handiest adjustments to the fairness at some stage in the period are a result of profit or loss, charge of dividends, correction of previous-length errors or adjustments in accounting policy, a combined declaration of earnings and retained income can be supplied instead of both a announcement of complete income and a declaration of changes in equity.

- **Expense recognition – Research and development costs**

Full IFRSs: studies expenses are expensed as incurred; development charges are capitalized and amortized, but most effective when specific standards are met. Borrowing costs are capitalized if positive criteria are met. IFRS for SMEs: All studies and development fees and all borrowing charges are diagnosed as cost.

- **Non-economic belongings and goodwill**

Full IFRSs: For tangible and intangible property, there is an accounting policy preference among the value model and the revaluation version. True will and different intangibles with indefinite lives are reviewed for impairment and now not amortized.

- **Funding belongings**

Full IFRSs: IAS forty investment belongings offers a choice of honest price and the price method.

IFRS for SMEs: investment property is carried at fair price if this honest price can be measured without undue price or effort.

- **Non-cutting-edge assets held on the market**

Complete IFRSs: IFRS 5 Non-modern-day assets held on the market and discontinued operations calls for non-current property to be categorized as held for sale in which the sporting amount is recovered mainly via a sale transaction as opposed to although continuing use. IFRS for SMEs: property held for sale is not included; the decision to sell an asset is taken into consideration an impairment indicator.

- **Deferred tax**

Complete IFRSs: A deferred tax asset is most effective diagnosed to the extent that it's miles probable that there will be enough future taxable earnings to enable recovery of the deferred tax asset.

IFRS for SMEs: A valuation allowance is diagnosed in order that the net carrying quantity of the deferred tax asset equals the very best quantity this is more likely than not to be recovered. The net wearing quantity of deferred tax asset is probable to be the equal between full IFRS and IFRS for SMEs.

- **Business combinations**

Full IFRSs: Transaction fees are excluded under IFRS 3 (revised). Contingent consideration is diagnosed no matter the opportunity of charge.

IFRS for SMEs: Transaction expenses are included in the purchase costs. Contingent concerns are covered as part of the purchase value if it is possibly that the amount may be paid and its honest fee may be measured reliably.

## **2.4. Challenges of Adopting IFRS for SMEs**

The discussions on problems in the economic reporting convergence method were inspired since the inception of the implementation technique of the total set of IFRS. There had been several practical complications pronounced in the convergence manner of IFRS by nations that have adopted IFRS (Alp &Ustundag, 2009; UNCTAD, 2007a; Wong, 2004). Conversely, because of the current e-book of the IFRS for SMEs and the slow take-up of the new general via diverse jurisdictions throughout the globe, the effects of adopting the IFRS for

SMEs are still presumed to be coming near. Diverse complications and controversial troubles in adopting the IFRS for SMEs have been said through many jurisdictions, specially from the developed countries. Taking examples from the implementation of the overall set of IFRS and the IFRS for SMEs context, the following section gives a holistic view at the issues experienced and the feasible demanding situations in enforcing IFRS for SMEs throughout the globe.

### ***2.5. Complexity and other difficulties in implementing IFRS for SMEs***

The problem of the complexity of the global standards has been consistently discussed for the reason that inception of the IFRS implementation system. A number of studies have recognized that the complex nature of the whole set of IFRS poses several practical difficulties, particularly in growing economies (Alp &Ustundag, 2009; UNCTAD, 2007a; Wong, 2004). Furthermore, loss of technical expertise within the accounting and auditing professions and the capacity knowledge shortfall in coping with global requirements has been widely articulated (Alp &Ustundag, 2009; UNCTAD, 2007a).

The IFRS for SMEs are deemed to be a much less complicated and simplified model of the entire set of IFRS, but as a ways as the intended users of the new trendy are worried; several arguments were made approximately the incongruity and the load of IFRS for SMEs. For instance, having experienced several problems in adopting complete IFRS in 2005, Australia is greater worried approximately the viable transition troubles which could get up throughout the implementation process of the IFRS for SMEs (AASB, 2010a). The transition manner from neighborhood GAAP/complete IFRS to the IFRS for SMEs may also impose positive problems on business practices, approaches and structures, which often turn out to be expensive, complicated and prolonged for small entities to take on.

Australia is of the view that the IFRS for SMEs nonetheless appear like complicated in the popularity and measurement necessities (AASB, 2010a). Deloitte Touche Tohmatsu (Australia) reports that: The method of correctly adopting IFRS for all entities in Australia from 2005, albeit with an overlaid ‘reporting entity’ idea, has meant that a variety of the ‘pain’ of adopting IFRS has already been incurred within the Australian context. in comparison with IFRS, the IFRS for SMEs does not result in a substantial reduction in complexity in the reputation

and measurement requirements — and in fact many ‘simplifications’ may be more exhausting in exercise (e.g. introduction of ‘unsure tax role’ accounting for earnings taxes), be counterintuitive (e.g. mandatory amortization of goodwill over a ten year period) or may additionally in the long run be followed in ‘IFRS right’ (e.g. rewrite of monetary devices requirements). Furthermore, there are as yet no broadly ordinary interpretations of contentious troubles under the IFRS for SMEs, a position much like the unique IFRS transition in 2005, with all of the uncertainty this added on transition (AASB, 2010 a, 1) Problems in imposing an global preferred due to the fact of the lack of significant technical understanding in the accounting environment is additionally a difficulty. Australia is likewise of the view that coexistence of opposing IFRS popularity and measurement ideas for identical circumstances harms the standards and also the practitioners. For these reasons, Australia has to this point no longer adopted the IFRS for SMEs.

In addition, the European Commission fee has stored the adoption of the IFRS for SMEs inside the EU Union optionally available. There appears to be no sturdy objection to adopting the new well-known; however, the EC is of the view that the targets of simplification and discount of administrative burden would not be served with the aid of the IFRS for SMEs (European fee (EC) Explanatory Memorandum, 2011).

## **2.6. *Technical difficulties inherent in IFRS for SMEs***

With appreciate to the technical subjects that keep on with the implementation of the full set of IFRS, the UNCTAD argues that “practical implementation of IFRS calls for good enough technical capability amongst preparers, auditors, customers and regulatory government. Nations that enforce IFRS face a ramification of capability-related issues; depending on the method they take” (UNCTAD,2007a, eleven). The practical implementation of IFRS for SMEs could also be hard, due to the fact the potential obstacles of economic markets, establishments and regulatory government range across the globe.

The outstanding professional accounting networks consisting of percent (2011), Ernst and young (2010) and KPMG (2010) exhibit the feasible problematic sections of the IFRS for SMEs that might broaden with so-known as capability problem troubles. As exact via segment 26 proportion based bills of the IFRS for SMEs, if the fair fee of stocks in fairness-settled

proportion-based totally payments isn't observable and obtaining entity particular marketplace statistics is impracticable, the directors need to use their judgment to apply the most appropriate evaluation technique. Given that the overall IFRS (IFRS 2 Share Based bills) permits the usage of "Intrinsic price" within the absence of is liable estimate of truthful cost, the IASB believes that the simplified valuation of proportion-based bills would be appropriate for SMEs. However, % (2011) points out that handiest in rare situations it is unable to estimate the dependable honest cost. Moreover, the Institute of Chartered Accountants Australia (ICAA) (2012, three) points out that "an intrinsic value version could require a valuation to be performed on the SME's stocks in any event. it is tough to see any simplifications here". Therefore, ICAA (2012) indicates that it's miles necessary to specify valuation fashions for SMEs to decide the honest fee.

The technical challenges in fair cost-based totally size necessities in IFRS have, but, been a prime difficulty of problem. Greater especially, variations inside the liquidity of capital markets and the lack of availability of recent capital marketplace facts of different economies could be challenging issues, for which practitioners want to be seeking for alternative sources of measurement. The correct estimation and constant application of those opportunity measurements might though be a confronting trouble (Alp & Ustundag, 2009; Mala& Chand, 2012;UNCTAD, 2007a).

Accounting for borrowing charges of the IFRS for SMEs will be some other region where technical implementation difficulties may arise. SME to fee all borrowing prices to income or loss in the length in which they may be incurred. However, Ernst and younger (2010) points out that this reputation can be a considerable burden for certain industries, along with 'production', because it would affect the earnings or loss with a big value being charged to earnings declaration.

Deferred tax assets (phase 29), which have to be recorded with offsetting valuation allowances, and reputation and size below "unsure tax positions", have been newly incorporated into the IFRS for SMEs. ICAA (2012) and Ernst and young (2010) consider that those new necessities could be hard for small entities to apply in exercise and that the incomprehensible nature of them will cause interpretation troubles for the preparers of financial statements. Further, the insufficiency of to be had guidance on the foreign currency translation (section 30), which may

additionally bring about extraordinary interpretations being adopted by way of one-of-a-kind entities, is likewise a situation (Ernst & young, 2010).phase 17 of the IFRS for SMEs has prohibited the revaluation option of accounting for belongings, Plant and gadget (PPE) believing that the revaluation of PPE is one of the complicated accounting policy options in complete IFRS.

Considering this as a significant barrier to the adoption of IFRS for SMEs in jurisdictions in which SMEs normally revalue their PPEs, many accounting regulatory our bodies around the world have made representations to the IASB to reconsider incorporating there evaluation choice in IFRS for SMEs. Revaluation of PPE has been a common exercise among unlisted groups in many countries, particularly where there has been a record of inflation (ACCA, 2012).

Many jurisdictions are of the view that revaluation option does not add significant complexity; instead the fair cost size in PPE might enhance the relevance and reliability of economic statements for users of SMEs. It would also facilitate access to capital, as in lots of instances the wearing value of PPE can be a sizeable part of an entity's belongings (Chartered Accountants of Sri Lanka, 2014; EFRAG, 2014).

Hence, the inclusion of revaluation choice would provide a possibility for special jurisdictions to pick a size alternative which suits their situations (EFRAG, 2014). The EFRAG (2014) additionally signifies that the negative results of the software of complicated accounting policy alternatives will be outweighed via the expanded usefulness of the financial records provided by means of SMEs. ACCA (2010) and KPMG (2010) have raised worries approximately problems bobbing up from the effect of adjustments in recognition and measurement concepts of the IFRS for SMEs on tax and the distributable profits of SMEs. KPMG (2010) factors out that the modifications in quantity of taxes payable (that is either suffering from changes in internet earnings or tax law based at the accounting treatment), the capability to pay dividends; and management compensation (that's based totally on either internet income or other economic metrics) are the viable impacts of modifications in recognition and measurement ideas of the IFRS for SMEs.

Therefore, KPMG (2010) urges the need for sufficient forward making plans to govern the adverse impacts of adopting the IFRS for SMEs. Moreover when developing the IFRS for SMEs, a few key concepts and application guidance were dropped in certain sections of the IFRS for SMEs. For example, beneath intangible property obtained in a commercial enterprise combination, there may be an absence of steerage at the types of intangibles that might be recognized, in addition to no detail on fair value measurement concerns. Similarly, popularity requirements of financial guarantees are not stated (ICAA, 2012). Although, even in the framework of standards-primarily based standards, reduced steering of IFRS for SMEs may also pose positive difficulties while accountants' workout the professional judgment.

It is argued that the absence of specific guidance on a selected accounting problem leads the customers of the standards (specially the accountants) to a tiered hierarchy to allow the selection of the appropriate accounting policy. This hierarchy flows from the SME's personal accounting framework (IFRS for SMEs) of pervasive standards, to the utility of judgment in consultation with the whole set of IFRS (ICAA, 2012).

## **2.7. Tax Regulation**

A key problem of accounting based on IFRS is the tax foundation that is acquired from the accounting earnings in the jurisdictions. Because of this, agencies reporting under IFRS framework by way of law need to transform their accounting earnings to this sort of result which they will have in keeping with country's accounting regulations.

The agencies which said additionally in step with every other machine than international locations modify evaluation of property and economic leases; in addition they ought to adjust provisions, trade fees, corrections, depreciation, and measurement of inventories, financial assets and accruals.

## **2.8. Blessing of implementing IFRS for SMEs**

The adoption of IFRS has several benefits as evidenced with the aid of preceding research executed by way of numerous students some of which include the following: (Leuz& Verrecchia, 2000): reduced fee of capital, (Bushman and Piotroski,2006): performance of capital allocation, (younger and Guenther, 2008): international capital mobility, (Ahmed, 2011): capital market

improvement (Adekoya,2011): improved marketplace liquidity and fee (Okere, 2009): better comparability (Bhattacharjee and Hossain 2010): go border movement of capital, (Mike,2009): advanced transparency of results.

In step with Jermakowicz and Gornik-Tomaszewski (2006) IFRS are not handiest applicable to outside events but are useful to control selection making as nicely. Caramanis and Papadakis (2008) found that accounting data supplied via financial statements prepared in step with IFRS is dependable, relevant, understandable and comparable. In well-known, they trust that the satisfactory of economic facts has advanced attributable to the creation of IFRS.

According to Jermakowicz (2004) the adoption of IFRS will growth comparison of consolidated debts in addition to tiers of transparency for lots agencies, e.g. thru expanded section disclosures, reporting unfunded pension duties and the recognition of derivatives on balance sheets at honest value. Iyoha, and Faboyede, (2011), performed studies on the adoption of global economic reporting requirements in Nigeria.

The consequences of the observe display that the advent of IFRS in Nigeria will result in a number of important benefits for a huge variety of stakeholders. The advantages of ease of the usage of one regular reporting widespread in subsidiaries from exceptional nations will accrue to companies at the same time as buyers will gain, amongst others, more confidence in the statistics provided in economic statements which they are able to recognize and use. For policy makers (management), the adoption of IFRS will create higher access to the worldwide capital markets and a better trendy of monetary disclosure for countrywide regulatory bodies. In addition, other stakeholders might gain from basic better reporting and statistics on new and unique elements of the business.

## **2.9. The Utility of IFRS in Ethiopia**

Step with ROSC (2007), so far there may be no precise accounting well-known in Ethiopia, even though some of the legal guidelines imply to apply generally popular accounting principles for instance the earnings tax proclamation of Ethiopia article fifty eight(1), neither of the global standards are formally adopted. But now an afternoon, the government of Ethiopia issued a proclamation known as "economic Reporting Proclamation No. 847/2014", which

obliges all reporting entities set up in accordance with the Ethiopian regulation or working in Ethiopia.

In step with the economic Reporting Proclamation of Ethiopia, an authoritative our bodies “the board “specifically, Accounting and Auditing Board of Ethiopia (AABE), is established through the Ethiopian council of ministers to manual and dictate the implementation of IFRS. It also state that, the role includes, “offering professional qualification schooling, assisting education and continuous expert improvement applications; implementing the monetary reportin g regulation and taking disciplinary measures on people who do no longer observe the provisions of the regulation and the law set by the government and directives, different applicable guidelines and guidelines issued through the Board.” AABE, Its targets, amongst others, are to sell the improvement of the accounting career; and make certain the accountancy profession and acts inside the public hobby. The Proclamation also sets out economic reporting frameworks applicable to different reporting entities and mandated AABE with the responsibility of regulating the accountancy career and making sure its development within the u .s .a ..

The Board plans a 3 phase transition over a length of three years for reporting entities in Ethiopia. (AABE) The transition plan is ready on the idea of Article fifty four (1) of the Proclamation and anchored at the expertise that the Board and all stakeholders will observe the milestones and timelines as defined in strategic plan of AABE. (AABE) It also sets the financial reporting standards that reporting entities in Ethiopia need to use when preparing their monetary statements. These are:

- a) IFRS issued by IASB or its successor;
- b) IFRS for SMEs issued by IASB or its successor and;
- c) International Public Sector Accounting Standard (IPSAS) issued by the International Public Sector Accounting Standards Board or its successor.

Despite the fact that have its Owen undertaking most expert who are interviewed consider that the trade in accounting and reporting below IFRS, consisting of the strong disclosure necessities, have to improve comparison and enhance financial transparency given the transition to IFRS may take lots longer time than predicted.

## **2.10. Factors Determining the Implementation of IFRS**

International Financial Reporting Standards (IFRS) are standards for reporting financial outcomes and are applicable to trendy purpose economic statements and other financial reporting of all earnings orientated entities. The term IFRS accommodates. IFRS issued by using IASB; IAS issued with the aid of IASC; and interpretations issued by means of the standing Interpretations Committee (SIC) and the worldwide monetary Reporting Interpretations Committee (IFRIC) of the IASB (Hoyle B., et al., 2009, Baker E. et al., 2009 and Larsen E. 2008).

Globalization of accounting requirements underneath the lead of global economic Reporting requirements (IFRS) is turning into trend amongst nations due to the advantages it presents for international locations and multinational agencies. According to the proponents of accounting harmonization, international comparison of financial declaration is important for the globalization of capital markets.

It might be easy for traders to assess potential investments in overseas securities and it might also simplify multinational organizations " evaluation of viable overseas takeover targets. Global economic Reporting requirements would lessen the cost of getting ready global consolidated monetary statements. according to studies through (Apostolos et al., 2010; Iyoha and Faboyede, 2011; Jermakowicz, 2004; Alicja et al., 2007; Susana et al., 2007; William et al., 2010) the main factors that determine the a hit implementation of the IFRS encompass government coverage, worldwide marketplace, availability of capable experts and the and the scale of the business enterprise are the various key.

- ***Government Policy:***

The government coverage performs an essential role in IFRS adoption in lots of growing nations (Jermakawicz, 2007, Chamisa, 2000). In step with Najjar (2007) as stated in Sharif (2010, p. 26) authorities policy affect the adoption or non-adoption of IFRS in growing nations. There's evidence that after settingup communistic economies, the authorities of those countries reviewed and redefined the role of accounting under the political and monetary gadget (Chamisa, 2000). The formation of the subsequent hypothesis has become essential so that it will

confirm the possibility of presidency policy having an influence in the adoption of IFRS in Ethiopia.

- ***Capital Market:***

Many of the factors mentioned to be influencing the adoption of IAS in growing countries, availability of capital market is singled out as very cogent (Zeghal and Mhedhbi, 2006). Capital marketplace here is stated a marketplace for securities (debt or equity), wherein commercial enterprise organizations and governments can raise long term funds. Most authors argue that capital markets in developing international locations are small and inefficient and consequently the adoption of IFRS is beside the point to those nations. In line with Al-Shammari, et al, (2008) and Chamisa, (2000) the increase and starting of capital markets in a developing nations placed pressure on government to undertake IFRS, inside the expectation that adoption could meet demands by using neighborhood and global investors for greater specific and comparable financial reporting.

- ***Expert Availability:***

In keeping with Sharif, (2010) a expert body is a set of human beings in a found out profession who're entrusted with maintaining control or oversight of the legitimate exercise of the profession; also a body appearing to safeguard the general public interest; companies which represent the hobby of the professional practitioners, act to keep their own privilege and effective function as a controlling frame. In line with Mir and Rahman (2005) the life of expert accounting our bodies is a primary thing that drives the selection to undertake IFRS. Similarly, Aljifriand Khasharmeh, (2006) and Chamisa(2000) confirmed that professional bodies play critical roles in IFRS adoption in growing countries.

- ***Enterprise size:***

Company length here is referred to as everything the agency has in terms of asset and liquidity. Aljifriand Khasharmeh, (2006) within the observe of the United Arab Emirates accounting practice located that employer length (massive–medium-small) affect the adoption of IFRS. Russell et al (2008) as referred to in Sharif (2010, p.29) alternatively located that organization size has massive function closer to adoption of IFRS. Therefore, on this regard, the

next hypothesis is formulated to look the relations of business enterprise size as an issue for the adoption of IFRS.

- ***Educational Level:***

Chandler and Holzer (1984) indicated that one of the factors affecting the accounting gadget of growing international locations is the instructional stage of accountants. A wonderful relationship among schooling level and the competence of professionals has been established through the growing bodies" literature (Chandler and Holzer, 1984). In line with Zeghaland Mhedhbi, (2006) the adoption of IFRS requires an excessive level of training, competence, and information with a purpose to apprehend, interpret after which make use of those standards.

## **2.11. Summary and Gap in the Existing Literature**

Adoption of IFRS has a number of critical advantages for a wide variety of stakeholders along with, accelerated comparison of consolidated accounts, multiplied levels of transparency, better access to the worldwide capital markets and different stakeholders could advantage from universal better reporting and information (Iyoha and Faboyede, 2011; Apostolose et al., 2010; Jermakowicz et al. 2007; Alicja et al., 2007; Susana et al., 2007; Jermakowicz, 2004).

Despite the quite many benefits of IFRS adoption, it's also a tough mission and has many demanding situations. As evidenced with the aid of the worldwide experience, convergence with IFRS has good sized demanding situations common to all international locations and organizations and there also are sure precise demanding situations which might be specific to specific countries and organizations. Growing our bodies of literature revealed that greater complex financial reporting requirements; resultant increase in prices; availability of assets with knowledge in IFRS; ethical environment, the capacity to guard certified and equipped employees from being poached with the aid of other corporations and from an typical attitude, amendments to regulatory necessities and tax legal guidelines; and effect on IT structures and repayment structures are the primary demanding situations of IFRS (Iyoha and Faboyede, 2011; Apostolose et al., 2010; Jermakowicz et al., 2007; Jermakowicz, 2004; Wong, 2004; Alexander, 2003).

Even though IFRS appears to be similarly crucial for all nations, there is a scarcity of empirical look at that examines the data from growing international locations and particularly Ethiopia. Therefore, this look at makes an attempt to bridge this hole and elaborated the advantages, demanding situations, and the factors that would affect the adoption of IFRS in Ethiopia.

The to be had research in Ethiopia (Firdawok, 2017) ,(Fikru, 2012),(Worku, 2018) indicated that the financial institutions in Ethiopia inclusive of banks and coverage corporations to adopt the global monetary Reporting standards (IFRS) in particular because of IFRS Enforcement potential is a key project for transition, the system is high-priced, complicated, and burdensome, Institutional readiness require extra attention for transition to IFRS, the extra complete the technique to conversion, the extra respondents generally tend to consider the factors influencing the transition, the complexity of IFRS in addition to the dearth of implementation steerage and uniform interpretation are also key demanding situations in technical ability area. It would be simpler, as a consequence, to guess the challenges confronted by way of the medium enterprises in adopting and implementing the International Financial Reporting Standards (IFRS) is some distance apparent.

## CHAPTER THREE

### METHODOLOGY

This chapter describes the technique used so that it will behavior the observe. It describes the kinds of strategies decided on for statistics collection and analysis and the reasons for why these strategies were chosen in contrast to the other alternative methods.

Quantitative studies are a look at accomplished with the usage of numerical data and statistical techniques. Quantitative approach is used to describe new phenomena. It emerged from a positivist role, which has evolved extra latterly into a post-positivist approach. The approach helps to locate the relationships among variables in addition to answer hypotheses or research questions through a scientific method.

The quantitative designs particularly utilized in research are experimental, quasi-experimental and survey. The questionnaire survey used on this research is designed to gain facts from representative sample of elderly citizens. It's far appropriate for descriptive and co-relational research. It helps to provide dependable and significant effects that can be in comparison. It is generally accomplished in massive scales evaluation (Moule, P & Goodman, and M 2009, 184-288.)

Qualitative studies are an inquiry method, wherein the researcher believes that the world encompasses several realities (Kisely and Kendall, 2011). This doesn't regard truth as agreeing upon shared realities (objectivity), however as a subjective truth that is skilled differently by way of every man or woman (Vishnevsky and Beanlands, 2004). Strauss and Corbin (1990, p.11) define qualitative research as:

*Any type of research that produces findings not arrived at by statistical procedures or other means of quantification. It can refer to research about persons' lives, lived experiences, behaviors, emotions, and feelings as well as about organizational functioning, social movements, cultural phenomena, and interactions between nations.*

Qualitative research is used while the studies objective calls for a deep know-how of a phenomenon enabled via collecting designated and wealthy facts. It does not require any

statistical exams. It is described as an interactive approach, characterized via flexibility and openness to alternate because the research layout may be modified consistent with events that show up all through the studies technique (Maxwell, 2012;Rahman, 2016). Some other benefit of this method is that it entails a ramification of epistemological viewpoints, studies methods, and interpretive strategies of information human reviews (Denzinand Lincoln, 2002).

In this look at, but, the researcher used mixed research method; the motive for combining each quantitative and qualitative records is to better recognize a research trouble by way of combining both numeric values from quantitative studies and the element of qualitative research and to neutralize limitations of applying any of a single method. In line with Creswell (2009) the combined studies method uses separate quantitative and qualitative techniques as a method to offset the weaknesses inherent within one technique with the strengths of the other approach. To look the adoption IFRS in Ethiopia the concurrent mixed approach design is used. The concurrent triangulation approach might be the most acquainted of the principal blended approach models. it is selected because the version, whilst a studies makes use of different techniques in an try to affirm, go-validate, or corroborate findings within a unmarried have a look at (Creswell, 2009). In this example, the quantitative and qualitative facts collection is concurrent, happening in a single section of the studies.

### **3.1. Study Population**

The primary target population is all the medium enterprises registered in Addis Ababa City Administration. Whereas, the total population of the study includes tax regulatory bodies, ABBE, and branch office tax officers.

### **3.2. Sample Size Determination**

In principle, the determination of the sample size usually takes many factors into account, of which the study cost, the variability of the characteristics measured, and the degree of confidence required are the major inputs for the estimation of sample size.

In view of this, the sample size is determined by using the level of statistical significance (95%), margin of error (5%) and variability factor for one indicator number of beneficiaries. Since non-

response is an inevitable phenomenon in studies, it is at this stage that the sample size increased by a non-response insurance factor. Accordingly, 5% allowance for the possibility of non-response out of the selected respondents was considered.

According to the register of Accountants and Auditors Board of Ethiopia (ABBE) as of December, 2019, the total numbers of small and medium sized companies which are registered to adopt IFRS in Addis Ababa City Administration are 17,395. Therefore, out of the total number of companies in the city which are registered sample companies are selected. Due to incomplete registry by ABBE, the researcher will be used a purposive sample size of 120 which is fairly enough to do this study.

### **3.3. Information Gathering tools**

#### **3.3.1. Questionnaire**

Questionnaires had been dispensed to finance officers and accountants of the selected agencies. Finance officials and accountants have been selected as respondents because they are deemed to be informed approximately IFRS and could provide vital perspective on its adoption.

The response is predicted to help understand the elements that would explain the adoption IFRS by means of Ethiopian groups, the perceived and real benefits and demanding situations of international economic Reporting requirements each for agencies and for the USA at huge. The research evidence was accumulated by means of the usage of both close-ended and open-ended questionnaires. Blended questionnaires have many merits; the maximum crucial of this gain is its enormous flexibility (McNabb, 2005).

The questionnaire gadgets were structured primarily based on those utilized by Iyoha and Faboyede (2011), and Sharif (2010). with reference to the close-ended questions, the respondents had been asked to suggest their stage of agreement on a five factor Likert scale with the subsequent rankings. Strongly agree (SA; or five), agree (A; or four), impartial (N; or 3), disagree (D; or 2), and strongly disagree (SD; or 1). on this scale a score of 5 or 4 indicates that the item is appeared to be critical even as a rating of 3 or 2 suggests that the object is looked as if it would be fairly critical, however now not essential, at the same time as a rating of 1 indicates that the item can be ignored for being unimportant. Comparable

scales had been used by Courtis (1992) and Iyoha and Faboyede (2011) and were located suitable. With respect to the open ended questionnaires the respondents have been asked to provide open ended responses to the questions that require opinion and in the event that they have reviews they sense the researcher would discover beneficial.

### **3.3.2. Interview**

Semi structured interview with financial managers and audit directors of the selected companies were conducted. It allowed the investigator some degree of flexibility at the time of interviewing for the pursuit of unexpected line of inquiry which was arising at the study progresses. Questions in the interview checklist were constructed based on the review of literature. In the process of preparing, testing and using the instruments, the following procedures have been followed. Case interview was prepared to explore the very knowledge of the participants about IFRS in detail so as to substantiate the findings obtained in other means. The reason case interview is selected is that it provides an opportunity to the investigator to question thoroughly certain areas of inquiry and it permits greater of responses, which is not possible through any other means.

The basic criteria adopted to select these samples were the ability and consent to self-disclosure so as to get in-depth information about them. Interviews were semi-structured (Merriam, 1988). Initial interview questions were prepared based on the literature and observations of the group, but individual interviews varied as themes emerged through the respondent's input.

### **3.3.3. Document Review**

The assessment of files helped the researcher to apprehend the important thing information of the companies. The documents have been reviewed by means of referring latest facts from authorized documents and one-of-a-kind reviews. Annual reports, legislation, directives and other files related to the adoption and use of IFRS were used. The file critiques had been used to triangulate the facts amassed with the aid of the questionnaires and interviews.

## **3.4. Pre-test of Survey Instruments (Questionnaires)**

It is miles a commonplace exercise to undertake a pre-check of the survey devices (Questionnaires) for the motive of identifying and correcting mistakes and shortcomings before the implementation of the real survey. It also facilitates to evaluate the general receptivity and

feasibility of the questionnaire, consistency of the questions and appropriateness of the wording used and to perceive precise problems of conversation among the interviewer and the respondent.

### **3.5. Data Collection and Data Quality Assurance Plan**

The researcher will actively participate inside the normal coordination and conduct of mapping and study the paintings of the enumerators; assessment a pattern of crammed in questionnaires and video display units the development of the fieldwork. Furthermore, he turned into responsible to conduct overview and test all the crammed in questionnaires, behavior random in person follow up interviews and closely work with the interviewers. It is also assessments that if interviewers are acting their each day paintings and manage that the field work is going on as scheduled. Facts great warranty is looked after starting from statistics collection phase as much as the quit of records evaluation thru one-of-a-kind mechanisms and strategies employed in each level (which can be defined in every level).

### **3.6. Validity and Reliability of Data Collection Instrument**

#### **3.6.1. Validity**

Validity is the extent to which facts series method(s) appropriately degree what they may be meant to quantify (Saunders et al., 2009). Mackenzie (2003) additionally clarifies that assemble validity is the diploma to which a check measures the concept or theory that it is supposed to measure, consequently, the look at ensured the assemble validity by means of administering each theoretical and conceptual opinions in making ready questionnaires. The researcher guarantees validity of the observe by pre-checking out (external validity) with questionnaires to correct any ambiguity within the questions while detected and additionally by using asking truly stated inquiries to the respondents.

According to Fink (2003) it's far considerable to pilot take a look at the questionnaire in ensuring validity and the minimum quantity of questionnaires to be pilot tested have to no longer be under 10 questionnaires. The pretesting, hence, may be completed with the aid of dispensing 10 questionnaires to advertising and income managers of real estate agencies excluded from the look at. They go through the questionnaires to affirm suitability of questions,

language and style of expressing the questions and the suggestions included to improve the questionnaire.

### 3.6.2. Reliability

According to Mugenda (2003) reliability is the ability of a research instrument to produce consistent results after repeated trials. According to Nachmias (2004) reliability refers to the degree to which a measuring instrument includes variable errors that appear variably from observation to observation during any one measurement attempt or at the same measuring instrument. It can be considered as a means of assurance for accurate coding and numbering to the subjects. A reliability computation will also be used to compute mean reliability coefficient estimates for Cronbach Alpha with a significance level of  $p \leq 0.05$ .

The use of Cronbach Coefficient to measure reliability of instrument enabled to identify the strength of items included in the questionnaire such that measure between 0.7 and 1.0 signifies a strong consistency of item used in questionnaire. However, the acceptable Alpha value that meets the statistical prerequisite for the instrument to be characterized as reliable should be between 0.70 and 0.9 as the value more than 0.9 could be an implication of redundant variables measuring same subject. The Alpha score for the questionnaires fall within the given range, the data collection instrument will be taken as the suitable tool for conducting data analysis due to its capability of producing stable and consistent results (Travakol, 2011).

## 3.7. Data Analyses and Interpretation

Once data have been collected, it must be analyzed to calculate chosen indicators, to assess the current and to allow measurement of changes in indicators over time, and to explore relationships between variables. The probability sampling methods permit us to use statistical methods for analysis so that the statistical significance and accuracy of the data assessed. Accordingly, attempts were made to employ recommended methods of statistical analysis of data from repeated surveys. To this effect, statistical analysis computer packages i.e. SPSS version 23 was employed to analyze the data collected. Moreover, interpretations of statistical analyses were made; common sources of bias in the study were outlined followed by writing of reports as described in the work plan of the study.

### **3.8. Ethical considerations**

Studies related to financial system implementation and adherence in a single company has to be highly confidential and ethically sensitive (Sieber, 2003). As the nature of the study demands, the following ethical considerations were strictly taken care of throughout the research process: communicating respectfully and openly with the respondents throughout the data collection process, and providing a debriefing about the nature, findings, and value of the research were essential components for obtaining informed consent.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND DISCUSSION

#### 4.1. Introduction

As discussed earlier, this study is to assess the challenges of adoption International Financial Reporting Standard (IFRS) among medium enterprises. This chapter delves in to the description and analysis of the data collected through both quantitative and qualitative tools. These data have been gathered according to the method stated in the preceding chapter and it was analyzed as follows in this chapter.

##### 4.1.1. Sex of respondents

**Table 4.1: Sex distribution of respondents**

	N= no. of respondents	Percent
Male	96	80
Female	24	20
Total	120	100.0

Table. 4.1 indicated the gender of the respondents. From the findings, it was indicated that 80% were male and 20% of the respondents were female.

##### 4.1.2. Age of respondents

**Table 4.2. Ages of Respondents**

	N= no. of respondents	Percentage
25-34 years	20	31.7
35-44 years	60	50
45-54 years	22	18.3
Total	120	100

In terms of age the study also sought to establish the respondent's age group. From the findings 31.7% were shown in the age of 25-34 years, 50% of the respondents were between 35- 44 years, the respondents in the age of 45-54 years were shown by 18.3%, This indicates that the majority

of the respondents highly concentrated under youth and adult age who are in the productive group to potentially adopt IFRS in their corresponding organizations.

In terms of educational backgrounds, 78% of respondents have 1st degrees (BA/BSC Degree), and the remaining respondent 22% have diploma, this indicates most of officials are middle level professionals, this suggests our respondents give relevant and accurate information needed for the study of IFRS (table 3)

#### 4.1.3. Educational Background of Respondents

**Table 4.3 Educational Background of Respondents**

	N= no. of respondents	Percentage
Diploma	26	22
Degree	94	78
M.A/MSc	0	0
Total	120	100

#### 4.1.4. Medium Enterprises IFRS knowledge and Adoption Status

As indicated in the table 4 below, the majority of the respondents ‘heard about proclamation No 847/2014 on IFRS. This question was a Yes or No answer. 46 or 76.7% of respondents understands and uses proclamation No 847/2014 dated December 5, 2014 about IFRS and the remaining 14 or 23.3% of the respondents did not know and uses proclamation No 847/2014 about IFRS in the selected banks. On the other hand, the respondents were involved in training session or not. This question was a Yes or No answer. 40 or 33.3% of the respondents say that they were taking training activity when IFRS was introduced. 80 or 66.7% of the respondents could say that they were not involved in training activity when IFRS was introduced. 67% of respondents could say that they were not undergone training process when IFRS was introduced that means there hasn’t to be a form of training when IFRS introduce banks in Ethiopia. From the total respondents of the banks 48 or 40% of respondents could say there is lack of IFRS training institution’s to get formal training at the first time adoption of IFRS, 38 or 31.7% of respondents’ tight schedule of adoption given by AABE, 34 or 28.3% respondents state that lack of readiness of their enterprises, this implies that there is high need to get training on IFRS..

**Table 4.4. Summary of Medium Enterprises IFRS knowledge and Adoption Status**

Description		Frequency	Percentage
Does your enterprise adopt full IFRS			
Valid	Yes	12	10
	No	108	90
	Total	120	100
What is the difficulty encountered at the first time Adoption of IFRS			
Valid	Difficulty in understand how to implement IFRS	32	26.7
	Lack of regulation on how to implement IFRS	40	33.3
	Shortage of professionals in regarding to IFRS.	44	36.7
	Others	4	3.3
	Total	120	100
How many years IFRS was introduced in your Enterprise			
Valid	Less than 1 years	106	88.3
	2-5 years	14	11.7
	Total	120	100
Does your Enterprise understand and uses proclamation No. 847/2014			
Valid	Yes	92	76.7
	No	28	23.3
	Total	120	100
Did you get formal training when IFRS was introduced			
Valid	Yes	40	33.3
	No	60	66.7
If your answer for question No “11” is “No”, why			
Valid	Lack of training Institutions	48	40
	Tight schedule of adoption	38	31.7
	Lack of readiness of your Enterprise	34	28.3
	Total	120	100

#### 4.1.5. Perceived Benefits of IFRS Adoption

The perceived benefits of adopting and implementing IFRS among the study participant medium enterprises is summarized in table 5 below

**Table 4.5.** Summary of Medium Enterprises Perceived Benefits of IFRS Adoption

Based on Respondent the opportunities of adopting IFRS on quality of financial reporting valuation.	N	Mean	Std. Deviation
The adoption of IFRS provides high quality financial reporting.	120	4.38	.640
IFRS improved the reporting practice in your Enterprise better than GAAP.	120	4.32	.770
The adoption of IFRS brought about high quality with regards to transparency financial statements.	120	4.35	.755
The adoption of IFRS brought about high quality with regards to comparability of financial statements	120	4.37	.663
The adoption of IFRS brought about high quality with regards to accountability.	120	4.32	.792
IFRS helps shareholders to make better investment decisions than GAAP.	120	4.48	.792
Adoption of IFRS improves correspondent Enterprise relationship.	120	4.22	.691
IFRS adoption improves regulation oversight and enforcement	120	4.10	.858
Valid N (list wise)	120		

For this study eight questioners regarding opportunities of adopting IFRS also asked for response by statements with a 5 point Likert scale and indicate the extent they agree with the statements that is: 5- Strongly agree, 4-Agree, 3-Neutral, 2-Disagree, 1-Strongly disagree. A mean (M) score of 0-1.50 means that respondents strongly disagree, between 1.50 -2.50 means they disagreed, 2.50-3.50 means that the respondents were neutral or no sure, 3.50 – 4.50 means they agreed, and a mean above 4.50 means the respondents strongly agreed.

Based on the findings displayed on table 4.3.1 above (with Mean=4.38; SD=0.640), the respondents agreed that the adoption of IFRS provide high quality financial statements. Similarly, majority of the sample respondents (with a Mean =4.32; SD=0.770) agreed that IFRS could really improve the reporting practice in banking sector compared to the GAAP. On the other hand, a significant number of respondents (Mean=4.35; SD=0.755) adoption of IFRS will brought about high quality financial reporting with regard to transparency of financial

statements. Likewise, respondents with a Mean score of 4.37; SD=0.663, claimed that the adoption of IFRS could brought high quality financial reporting in terms of comparability of financial statements. While, respondents with Mean=4.32 & SD=0.792, indicated that the adoption of IFRS will bring about high quality financial reporting with respect to accountability. Still a significant portion of the sample respondents (Mean=4.48; SD=0.792) agreed that IFRS can help the local investors/shareholders to make better investment decisions to sell or buy shares compared to the GAAP. Some respondents (Mean=4.22; SD=0.691), on the other hand, agreed that the adoption of IFRS could improves correspondent bank relationship. Finally, moderately large number of bank officials (with Mean=4.10; SD=0.858) confirmed that the adoption of IFRS could improves regulation oversight and enforcement for regulators.

#### **4.1.6. Challenges of IFRS Adoption**

With regards to the challenges of IFRS implementation, most of the respondents clearly indicated the challenges of IFRS adoption with the Likert Scale questions asked. Standard deviations of the four questions were more than 1.00, which were “Shortage of financial source, inability to change management process, Shortage of training materials, limitation in the capacity by the independent Oversight body to enforce acc. standards”. This indicates that the respondents ‘perceptions were quite discordant and one differs from the other. The next subsequent questions had standard deviation of less than 1.00; standard deviation of less than 1.00 on the other hand shows that respondents’ perceptions were close to each other. The result in table 5 revealed that on average the respondents agreed up on the challenges of IFRS adoption.

The respondents agreed with the proposition that implementation of IFRS requires coordinated actions by regulatory institutions (with a mean response of 4.00). The main causes for such findings include absence formal accounting standard, complex and less understandable nature of IFRS and this is quite phenomenon in educated and skilled manpower scarce counties such as Ethiopia. This complexity requires a double workload during the transition year for finance and accounting people and many others. This implies a high cost intermesh of external monitoring costs and audit fees.

There is found a general consensus that one of the most important challenges in implementing IFRS is the complex nature of these standards. This complexity has contributed to the costs and efforts involved in financial reporting which often fall disproportionately on public companies and most Enterprises. (Almost all respondents with mean value 4.00 agree that financial resource and change management process are the key enforcement challenge to implementing IFRS).

As per the findings from the interview, the lack of guidance creates risks for different local or national interpretations of IFRS and increases the risk for manipulation in interpretation of financial statements.

Several of the respondents recurrently mentioned that the lack of availability of competent specialists, lack of proper instructions from regulatory bodies, problem with the IT system in handling the transition to IFRS, tax collection oriented foundation of previous standards as challenges of adopting IFRS. The interview result revealed that lack of specialists who could assist by providing reliable answers to accounting practices with which Ethiopian accountants were not acquainted is one of the major challenges in implementing IFRS. Another challenge is that the tax-driven nature of previous standards. Even though Ethiopia has no specific set of accounting standards to follow or its own national standard, the few that existed were driven by the countries tax system which causes major differences in accounting requirements under the previous standards and IFRS, requiring several reconciliation items in the conversion process. The transition to IFRS creates the need for the previous standards to be modified and to progressively converge towards IFRS (table 6).

As clearly depicted in the table 6 below, lack of good ethical environment followed by lack of software and information system, overlap of local or regional and international regulatory bodies, inconsistency of existing laws and regulatory frameworks, lack of clear responsibilities among regulatory institutes, lack or weakness of prof. accounting. body and oversight body to enforce acc. standards severely affected the smooth implementation of IFRS across the companies under this study.

Table 4.6.Descriptive statistics of challenges of IFRS implementation

Item description	N	min	max	Mean	st.deviation
Lack of good ethical environment	120	3	5	4.00	0.95
Lack of software and information system	120	3	5	4.00	0.92
Overlap of local or regional and international Regulatory bodies	120		3	2.00	0.75
Inconsistency of Existing laws and regulatory Frameworks	120	1	5	3	0.82
Lack of clear responsibilities among regulatory Institutes	120	4	5	4.5	0.65
Lack or weakness of prof. accounting. body	120	4	5	4.5	0.78
Lack of capacity by the indep. oversight body to enforce acc. standards	120	1	5	3.00	1.57
Follow up action on financial report	120	3	5	4.00	0.89
Lack of adequate time period for transition to IFRS	120	3	5	4.00	0.65
Shortage of financial source	120	3	5	4.00	1.82
Lack of change management process	120	3	5	4.00	1.6
Lack of coordination among regulatory institute	120	3	5	4.00	0.87
Lack of clear guide for IFRS implementation	120	3	5	4.00	1.6
Lack of training materials	120	3	5	4.00	0.89
Lack of technical skill due to complex nature of IFRS	120	3	5	4.00	0.82
The need for training of relevant professional	120	3	5	4.00	0.67
Weakness of accounting education in Ethiopia	120	1	3	2.00	0.67

## CHAPTER FIVE

### 5. SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATION

As described above the general objective of this thesis is to identify and explore the main challenges of adoption International Financial Reporting Standard (IFRS) among medium enterprises in the case of Addis Ababa City Administration and this study shows that the medium enterprises in adopting the International Financial Reporting Standard (IFRS) face numerous challenges before and after implementation of IFRS. This research has come up with some relevant findings which are an indicative of the actual phenomenon of the area under study concerned with the adoption of IFRS. The data analyzed from this research be concluded here under and recommendations are forwarded both for the government and concerned bodies with regards to Government Policy, Professional Bodies, Company Size, Capital Market, and Educational Level) that International Financial Reporting Standard (IFRS) so as to improve the level of adoption of IFRS and its maximum utilization.

#### 5.1. Summary of Major Findings

The major purpose of this study was to identify and describe the main the main challenges faced by the stakeholders in the process of adoption of IFRS with a special reference to Addis Ababa City Administration.

In order to find out answers for the research questions, the medium enterprises registered in Addis Ababa City Administration, the tax regulatory bodies, ABBE, and branch office tax officers were selected as subjects of the study. Data were collected from 120 samples selected using stratified and purposive sampling.

To gather the required information for the study, both quantitative and qualitative methods were used, the literature was reviewed. To analyze the data, descriptive statistic was applied for the quantitative data using SPSS. With the help of the interview schedule and the key informant interview, the status and challenges of medium enterprises implementing and have to implement IFRS was assessed. Findings were analyzed and discussions were reported on the basis of existing literature

## **5.2. Conclusion**

This study assessed the implementation of status of International Financial Reporting Standards (IFRS) and its challenges in the implementation process of adopting the IFRS among the medium enterprises. The results of the study indicated that that IFRS should have been far utilized by the medium enterprises considering the greater benefits it has compared to the associated problems. Adoption of IFRS has also the benefit of more transparent financial statements to company which in turn reduce the agency problem between management and stakeholders as increased transparency causes managers to act more in the interests of the stakeholders. Adoption of IFRS would also significantly reduce cost of capital of firms through lower cost of information, reduction in bad earnings management, greater marketability of shares, and reduced information asymmetry.

The main challenges in the process of adopting IFRS include significant cost of adoption of IFRS, need for training, the complex nature of some of the IASB's standards and the lack of adequate implementation guidance. This lack of guidance creates risks for different local or national interpretations of IFRS and increases the risk for manipulation in interpretation of financial statements.

Increased volatility of earnings, tax driven nature of previous standards and problem with IFRS use of fair value accounting was one of the key fears among the IFRS implementers. IFRS use of fair value accounting instead of historical cost is considered as a challenge because some conditions in developing countries like Ethiopia are not favorable for implementing fair value accounting such as achieving observable market prices and accurate estimates of liquid market prices due to less perfect market liquidity.

## **5.3. Recommendation**

Based on the results of this research, the following recommendations can be forwarded:

- The concerned regulatory bodies such as AABE and others should strictly follow the application of all the standards with regards to IFRS adoption by medium enterprises. To ensure a smooth switch from the existing inconsistent accounting Standards to

- IFRS, Continuous training to staff and addressing all the difficulties that would be experienced while carrying out the adoption of IFRS with quality financial reporting.
- ABBE in collaboration with professional associations should design sensitization of their members and users of accounting in order to apprise them of the fundamental change that will occur in financial reporting of the country through advocate it's advantage.
  - ABBE should arrange to train the trainers programme for its accounting teachers, assessors and examiners who otherwise be pioneers for the implementation of IFRS.
  - ABBE should collaborate with the ministry of education and Professional association outside Ethiopia in order to spread the promulgate knowledge of IFRS (through the review of Accounting and Auditing curriculum).
  - ABBE should develop an integration, experience sharing platform among the previously IFRS implemented financial intuitions and the medium enterprises so as to deliberate fears and confusions with regards to IFRS adoption.
  - All regulatory stakeholders should consider careful planning and allocation of resources, implementing a legal and regulatory support system with strong management system to help the effective adoption of IFRS.

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## Appendix I

### English Questionnaire

The purpose of these questionnaires is to gather primary data in order to assess the challenges of adoption International Financial Reporting Standard (IFRS) among medium enterprises: the case of Addis Ababa City Administration. The researcher is grateful for your cooperation and assures you that all the information gathered will be kept confidential if necessary, you do not need to write your name on the questionnaire and since the data is processed and analyzed in aggregation your individual answer cannot be separately identified. Your cooperation in giving genuine and frank answers in the questionnaires is highly crucial to obtain relevant and reliable information for the success of this study. Thank you for your cooperation.

1. Sex

- Male
- Female

2. AgeBracket

- Less than 25Years
- 25-34 Years
- 35-44 Year
- 45-54 Years
- Over55Years

3. Educational Background

- Diploma
- BA/BSCDegree
- MSc/MA
- OtherSpecify\_\_\_\_\_

4. Does your company fully adopt IFRS?

- Yes
- No

If No, why?

5. If your answer for question No.4 is 'Yes', What difficulty you encountered at first time adoption of IFRS?

- Difficulty in understanding how to implement IFRS
  - Lack of regulation on how to implement IFRS.
  - Shortage of professionals in regarding to IFRS.
  - Other Specify
- 

6. Number of years since IFRS was introduced in your Enterprise?

- Not applicable
- Less than 1 years
- 2-5 years
- 5-10years

7. Does your Enterprise understand and uses proclamation No. 847/2014 dated December 5, 2014 about IFRS on Share Company?

- Yes
- No

If No, please Specify

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8. Did you get formal training or seminar on first time adoption of IFRS?

- Yes
- No

9. If your answer for question No "8" is "No", why

- Lack of training Institutions
- Tight schedule of adoption
- Lack of readiness of your Enterprise

Other, please specify \_\_\_\_\_

## **PART 2: Adoption IFRS on Quality of Financial Reporting**

The scale below will be applicable as Five-point scales ranging from “Strongly disagree” to “Strongly agree” that are: 1 = Strongly disagree, 2 = Slightly disagree, 3 = Neutral, 4 = Slightly agree 5 = Strongly agree

<b>S.NO</b>	<b>Bases of Respondent for Opportunities of adoption of IFRS on Quality of Financial Reporting Evaluation</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>10</b>	The adoption of IFRS provide high quality financial statements.					
<b>11</b>	IFRS has really improved the reporting practice in your Enterprise better than GAAP.					
<b>12</b>	The adoption of IFRS has brought about high quality in financial reporting with regards to transparency financial Statements					
<b>13</b>	The adoption of IFRS has brought about high quality in financial reporting with regards to comparability of financial statements					
<b>14</b>	The adoption of IFRS has brought about high quality financial reporting with regards to accountability.					
<b>15</b>	IFRS helps shareholders to make better investment decisions than GAAP.					
<b>16</b>	Adoption of IFRS improves correspondent Enterprise relationship.					
<b>17</b>	IFRS adoption improves regulation oversight and enforcement.					

**PART 3: Challenges Faced in the Adoption of IFRS.**

The scale below will be applicable as Five-point scales ranging from “Strongly disagree” to “Strongly agree” that are: 1 = Strongly disagree, 2 = Slightly disagree, 3 = Neutral, 4 = Slightly agree 5 = Strongly agree.

S.NO	Based on Respondent the Challenges Faced in the Adoption of IFRS on quality of financial reporting valuation.	1	2	3	4	5
18	Adoption of IFRS makes your Enterprise’s chart of account more bulky.					
19	There is a gap between local tax related proclamations and IFRS standards					
20	Lack of IFRS standards timely interpreted by local regulator.					
21	There is lack of proper instructions from local regulatory bodies.					
22	There is lack of expertise in setting IFRS standards.					
23	Absence of independent valutors for fair value measurements.					
24	There is delay in IFRS implementation and AABE’s roadmap.					
25	Having no previous national Accounting standards makes the adoption process of IFRS more time consuming.					
26	There is lack of adequate number of IFRS specialists in your Enterprise to guarantee high quality of financial Reports.					

**PART THREE: General Opinions**

Tell me the benefits you got as a result f your implementation of IFRS

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Tell me the challenges you faced during your implementation endeavor of IFRS?

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Tell me the challenges you faced from the government regulatory bodies with regards to IFRS implementation

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Any other comments/suggestions

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Appendix II

ለተመረጡ ጋራ ልንቱ የተወሰነ የግል ድርጅቶች የቀረበ ጻሕፍት መጠይቅ

ክፍል 0: የመለያ መረጃ

ጥ01 የመጠይቅ መለያ ቁጥር | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ |

ጥ02 ክልል \_\_\_\_\_

ጥ03 ወረዳ \_\_\_\_\_

ጥ03 ቀበሌ \_\_\_\_\_

ጥ04 የድርጅቱ ስም \_\_\_\_\_

ት05 የድርጅቱ የንግድ አይነት: \_\_\_\_\_

መግቢያ

“ስሜሱ ራጫል ተከስተ ይባላል። የአዲስ አበባ ዩኒቨርሲቲ የቢዝነስና ኢኮኖሚክስ ፋኩልቲ፣ የአካውንቲንግ ዲፓርትመንት የድህረምረቃት ምህርት-ተመራቂት ማሪኔ፣ ለመመሪያ ሚኒስቴር ጥናት እና የደረሰ ሲ.ሆን የጥናቱ ጭብጥም በአዲስ አበባ የሚገኙ የፌዴራል አገልግሎትና መከላከያ ግብርክፋቶች በአዋጅ ቁጥር 847/2007 ስለወጣው የኢንተርናሽናል ፋይናንስ ሪፖርቲንግ ሲስተም (IFRS) ያላቸው ግንዛቤ፣ እንዴት እየተገበሩ እንዳሉና፣ ከትግበራ ጋር ተያይዞ ስላለባቸው ችግሮች ማጥናት ነው።

በዚህ ጉዳይ የእርስዎን (የድርጅትዎን) ዕውቀት፣ አመለካከትና የትግበራ ልምድ እንዲሁም ከአካባቢው የአይ.ኤፍ.አር. ኤስተምክሮ ጋር የተያያዙ ልምዶች፣ ዋና መተዳደሪያ፣ ዕውቀትዎን እና ተያያዥ የሆኑ ልምዶችን ለማወቅ እንዲያስችሉ እጠይቅዎታለሁ። በዚህ ጥናት ውስጥ የእርስዎ ተሳታፊነት በፈቃደኝነት ላይ የተመሰረተ ሲሆን ተያያዥ የሆነ ምንም ዓይነት ክፍያ ወይም ጥቅም አይኖርም።

«በጣም የግል፣ የድርጅት ወይም የሆኑ አንዳንድ ሰዎች ለመመለስ የሚችሉ ገሩባቸው አይነት ጥያቄዎችን እጠይቅዎታለሁ። እርስዎ የሚነግሩኝን ለማንም አልነግርም። በዚህ ቅፅ ላይ የእርስዎ ስም አይጻፍም። የሚሰጡኝ መረጃ ለጥናቱ አላማብቻ እንጂ ለሌላ ጥቅም አይውልም። ለመመለስም ሆኖ ያላገኙትን ማናቸውም ጥያቄ እንዲመልሱ አይገደዱም። ይህንን መጠይቅ በፈለጉበት ሰዓት ማቋረጥ ይችላሉ። ለእነዚህ ጥያቄዎች የሚሰጡት የእርስዎ እውነተኛ ማሳሰቢያ ለእኔ የአይ.ኤፍ.አር. ኤስተምክሮ መረጃ ይሰጠኛል።

ይህን ቃለ መጠይቅ ለመመለስ በረከቱትን ድጋፍ በጣም አደንቃለሁ። ይህ መጠይቅ 50 ደቂቃ ያክል ጊዜ ይወስዳል። ለመሳተፍ ፈቃደኝነዎት።

1. አዎን: አመስግነውት/ ዋትቃለ መጠይቁን ይቀጥሉ
2. አይ: ምክንያቱን/ ቷንበአጭሩ መዘግበህ አመስግነህ ወደ ሚቀጥለው ተሳታፊ አለፍ \_\_\_\_\_

**ክፍል 1: መነሻ ባህርያት**

12	የመላሹ ንግድ መዝገብ	1= ወንድ 2= ሴት
7	እድሜ	[ ] [ ] አመት 98=አላውቅም
8	የትምህርት ደረጃ	1=መደበኛ ትምህርት ያላጠናቀቀ 2= ዲፕሎማ በቴክኒክና ሞያ 3=ዲፕሎማ በአካውንቲንግ 4=ዲግሪ በአካውንቲንግ ወይም ቢዝነስ 5=ዲግሪ በሌላ የትምህርት ዘርፍ 12=ማስተርስ 7=ሌላ -----
9	በዚህ ድርጅት ውስጥ ያለው የስራ ድርሻ	1=ባለቤት 2= ስራ አስኪያጅ 3=አካውንታንት 4=የፋይናንስ ኃላፊ 5=የተለያዩ ሌላ -----
10	ያለውት ጠቅላላ የሥራ ልምድ	1 =የተቀነባበረ 2 =በምርጫ የሆነ 3 =ጠለፋ 4=ሌሎች (ጥቀስ)..... .....
11	በዚህ ድርጅት ያለው የስራ ልምድ	[ ] [ ] (አመት)
12	የድርጅቱ ካፒታል ስንት ነው?	----- ብር
13	ድርጅቱ ከተመሰረተ ምን ያህል ጊዜ ነው?	[ ] [ ] (አመት)
14	በአዋጅ 847/2007 የወጣውን የኢንተርናሽናል ፋይናንስ ሪፖርቲንግ ስነ-ምግባር (IFRS) ድርጅቱ መጠቀም ጀምሮ አል?	1=አዎን 2=አልጀመረም
15	ለጥያቄ ቁጥር 108 መልስዎ አልጀመረም ከሆነ ለምን?	1= ስለኢንተርናሽናል ፋይናንስ ሪፖርቲንግ ስነ-ምግባር አልሰማንም 2= የመጀመሪያ ጊዜያዊ ችግር አልደረሰም 3= እውቀቱ የለንም 4= ሌላ (ይጠቀስ) .....
112	ድርጅቱ የኢንተርናሽናል ፋይናንስ ሪፖርቲንግ ስነ-ምግባር (IFRS) የሚጠቀም ከሆነ መቼ ነው የጀመረው?	ከ----- ዓ.ም ጀምሮ
17	በአዋጅ 847/2007 የወጣውን የኢንተርናሽናል ፋይናንስ ሪፖርቲንግ ስነ-ምግባር (IFRS) ድርጅቱ መጠቀም ከመጀመሩ በፊት የሚጠቀመው የፋይናንስ ሪፖርት ስርዓት ስርዓት ነው?	የ----- የፋይናንስ ሪፖርት ስርዓት

**ክፍል 2: ስለአይ.ኤፍ.አር.ኤስያውቃሉ ጥያቄዎች**

18	ስለአይ.ኤፍ.አር.ኤስያውቃሉ?	1= አዎን 2= አይ 3= እንጃ
19	በአዋጅ 847/2007 የወጣውን የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንዳርድ (IFRS) ግንዛቤ ስልጠና ወስደው ያውቃሉ?	1= አዎን 2= አይ 3= እንጃ
20	ለጥያቄ 15 መልስዎ አዎ ከሆነ ከማን ወሰዱ?	1. የገቢዎች ሚኒስቴር 1. አካውንቲንግና አዲቲንግ ቦርድ 2. አዲስ አበባ ከተማ አስተዳደር 3. ሌላ (ይጠቀስ)----- -----
21	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንዳርድ (IFRS) ለድርጅት ዋጥቅሙ ምን ድንገት ያሳያል? (ከአንድ በላይ መልስ መስጠት ይቻላል)	1= ----- 2= ----- 3= -----
22	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንዳርድ (IFRS) ለአገር ዋጥቅሙ ምን ድንገት ያሳያል? (ከአንድ በላይ መልስ መስጠት ይቻላል)	1= ----- 2= ----- 3= -----
23	ስለአይ.ኤፍ.አር.ኤስ በኢትዮጵያ የግል ድርጅቶች ያውቃሉ?	1= አዎን 2= አይ 3= እንጃ

**ክፍል 2: አይ.ኤፍ.አር.ኤስንአስመልክቶዎሉ አመለካከቶች**

ከዚህ በታች የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) አስመልክቶ ያሉ አመለካከቶች ዝርዝር ተቀምጧል፤ የአረፍተነገሩ ጎንባሉ ሳጥኖች ውስጥ የሰምሙነት ዎንክ የአረፍተነገሩ ጎንባሉ ትቦታዎች በማስቀመጥ (በጣም መስማማት ዎን፣ መስማማት ዎን፣ መሃከለኛ አቋም መያዝ ዎን፣ አለመስማማት ዎን፣ ወይም በጣም አለመስማማት ዎን) አመልክቱ። ለአንድ ሁኔታ አንድ ግዜ ብቻ ምልክቱን አስቀምጡ፤ ለመግለፅ ይህንን ምልክት “አድርጉ”

	Attitudes አመለካከቶች	በጣም አልስማማም	በመካከለኛ ደረጃ አልስማማም	መሃከለኛ አቋም ይዣለሁ	በመካከለኛ ደረጃ አስማማለሁ	በጣም አስማማለሁ
24	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) የፋይናንሽያል ሪፖርቲንግ ስታንደርትን ያቀላጥፋል					
25	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) ተአማኒና ተወዳዳሪ ነው					
212	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) የውጪ ሂሳብን ያቀላጣል					
27	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) ግልጽነትንና ተጠያቂነትን ያሰፍናል					
28	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) የውስጥ ኦዲትን ያሻሽላል					
29	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS)					
30	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) የካፒታል ወጪን (cost of capital) ይቀንሳል					
31	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) የፋይናንሽያል ሪፖርቲንግ ስታንደርትን ያቀላጥፋል					
32	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) ለትንንሽ ድርጅቶች ከጥቅም ይልቅ ጉዳቱን ያመለክታል					
33	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) ብዙ የባለሙያ ስልጠና ይጠይቃል፤ ወጪን ያያንራል					
34	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) ዓለም አቀፍ ኢንቬስትመንትን ያሳልጣል					
35	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS)					

	የስጋት አመራርን አስተማማኝ ያደርጋል				
312	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) የሂሳብ ቁጥጥርንና ጥንቃቄን ያሻሽላል				
312	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) የአካውንቲንግ ምድብ ተቀባይነትን ያሻሽላል				
37	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) በግብር ከፋይ ድርጅትና በገቢ ሰብሳቢ መስሪያ ቤት መካከል ያለውን መተማመን ይጨምራል				
38	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) በተበዳሪው ድርጅትና በአበዳሪ የገንዘብ ተቋም መካከል ያለውን መተማመን ይጨምራል				

**ክፍል 3: የገጠሙና ሊገጥሙ የሚችሉ ሁኔታዎች**

ከዚህ በታች አነስተኛና መካከለኛ ግብር ከፋዮች የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) ትግበራን አስመልክቶ የገጠሙና ሊገጥሙ የሚችሉ ሁኔታዎች ዝርዝር ተቀምጧል፤ የአረፍተነገሩ ጎን ባሉ ሳጥኖች ውስጥ የስምምነት ዎንክ የአረፈተ ነገሩ ጎን ባሉ ተባታዎች በማስቀመጥ (በጣም መስማማት ዎን፣ መስማማት ዎን፣ መሃከለኛ አቋም መያዝ ዎን፣ አለመስማማት ዎን፣ ወይም በጣም አለመስማማት ዎን) አመልክቱ። ለአንድ ሁኔታ አንድ ግዜ ብቻ ምልክቱ ንስብ ቀምጦ፤ ለመግለጫ ይህንን ምልክት “√” አድርጉ

	Attitudes አመለካከቶች	በጣም አልስማማም	በመካከለኛ ደረጃ አልስማማም	መሃከለኛ አቋም ይዣለሁ	በመካከለኛ ደረጃ አስማማለሁ	በጣም አስማማለሁ
39	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) የመተግበር የእውቀት ችግር					
40	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) የድርጅት ሂሳብ ስራ ዋጋን ያንራል					
41	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) ውስብስብ ስርዓት ነው					
41	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) ልምድና ክህሎት ያለው ባለሙያ እጥረት					
43	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) የመተግበር የእውቀት ችግር					
44	የኢንተርናሽናል ፋይናንሽያል ሪፖርቲንግ ስታንደርት (IFRS) መመሪያዎች አለመኖር					

45	የኢንተርናሽናልፋይናንሰሪንግስቴንዳርድ (IFRS) ከፍተኛቴክኖሎጂናኮምፒውተርመጠየቁ					
412	የኢንተርናሽናልፋይናንሰሪንግስቴንዳርድ (IFRS) ግብርንይጨምራል					
47	የኢንተርናሽናልፋይናንሰሪንግስቴንዳርድ (IFRS) መረጃንያወሳስባል					
48	ለድርጅቶችየኢንተርናሽናልፋይናንሰሪንግስቴንዳርድ (IFRS) የግንዛቤስልጠናአለመኖር					
49	የኢንተርናሽናልፋይናንሰሪንግስቴንዳርድ (IFRS) የትግበራዝግጅትጊዜአጭርመሆን					
50	የኢንተርናሽናልፋይናንሰሪንግስቴንዳርድ (IFRS) በድርታችንበገቢዎችሚኒስቴርና በአካውንቲንግናኦዲትቦርድየሁለትዮሽተጠያቂነትንያመጣል					

**ክፍል 3: አጠቃላይ አስተያየት**

51. በድርጅት ዎ የኢንተርናሽናልፋይናንሰሪንግስቴንዳርድ (IFRS) በመተግበር ዎ አገኘውት የሚሉትን ጥቅሞች በዝርዝር ይጥቀሱ.....

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52. በድርጅት ዎ የኢንተርናሽናልፋይናንሰሪንግስቴንዳርድ (IFRS) በመተግበር ዎ ወይም ለመተግበር ሲሞክሩ የገጠሙት ግዳሮችን በዝርዝር ይጥቀሱ.....

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53. የኢንተርናሽናልፋይናንሰሪንግስቴንዳርድ (IFRS) አተገባበር ላይ በአስፈጻሚ የመንግስት መስሪያ ቤቶች ያስተዋሉትን ችግሮች በዝርዝር ይጥቀሱ.....

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