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

**CHALLENGES OF IFRS IMPLEMENTATION IN THE CASE OF
ETHIOPIAN PLYWOOD ENTERPRISE**

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A Thesis Submitted in partial fulfillment

**Of the requirements for the award of a Master's program in accounting and
finance**

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Declaration

I, Mamush Geresu, declare that this thesis is my original work. I have undertaken the research work independently with the guidance and support of Takel Fufa (Ph.D). This study has not been submitted for any degree or diploma program in this or any other institutions and that all sources of materials used for the research has been duly acknowledged.

Name: Mamush Geresu

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Certificate of Approval of Research

This is to certify that the thesis prepared by Mamush Geresu, the above signed, had prepared this thesis and submitted in partial fulfillment of the requirements for the Degree of Master of Science in Accounting and Finance complies with the regulations of the University and meets the accepted standards concerning originality and quality

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List of Abbreviation

AABE	-	Accounting and auditing Board of Ethiopia
FASB	-	Financial Accounting Standards Board
FDRE	-	Federal Democratic Republic of Ethiopia
GAAP	-	Generally Accepted Accounting Principles
IAS	-	International Accounting Standards
IASB	-	International Accounting Standards Board
IASC	-	International Accounting Standards Committee
IFRS	-	International Financial Reporting Standards
MoFED	-	Ministry of Finance and Economic Development
SPSS	-	Statistical package for social science
UN	-	United Nations
UNCTAD	-	United Nations Conference on Trade and Development
WB	-	World Bank

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Abstract

The process of financial reporting of business activities underwent a great change over the last few decades. Currently, the IFRS implementation process has been started in the country and businesses and government entities are employing consultants to help them in the implementation process-including the conversion process. The general objective of the study is to assess the challenges of implementing IFRS in the case of Ethiopia plywood enterprise. The research employed a descriptive research design. Quantitative and qualitative (Mixed) research approach was used. The study used both primary and secondary data sources. Among the non-probability sampling techniques, purposive sampling was used to select the samples from the total population and 27 employees have been selected as sample of the study. The collected data was coded, edited and cleaned. The mixed approach of the research explored the results of the collected data using descriptive statistics. The study found that knowledge related challenges are major challenges for the implementation of IFRS in Ethiopian Plywood Enterprise. The enterprise should focus on knowledge related actors of IFRS. Employees should get adequate understanding of IFRS requirements and reasons. Obstacles should be identified before the targets and a deadline of IFRS implementation has been made. Researchers may consider taking other factors that are challenging for IFRS implementation.

Key words: IFRS, Implementation, Challenges, Technical

CHAPTER ONE

INTRODUCTION

Introduction

This section includes the background of the research, problem statement, research questions and aims of the study, sources and limitations of the study, importance and organization of the study.

Background of the study

Purpose The aim of the IFRS Foundation and the International Accounting Standards Board (IASB) is to develop a system of sound, understandable, applicable and universal standards based on the clear public interest. Get financial statements. Many developed countries once had a specific set of accounting standards ("Nationally Accepted Accounting Principles"). Application of International Financial Reporting Standards - John Wiley & Sons (2014). The main purpose of IFRS is integration with the various business languages used by international business. However, its adoption and use brings opportunities and problems for consumers (Teferi and Pasricha, 2016). The business financial reporting process has changed a lot in the last few years. In this context, most countries in the world have revolutionized their accounting practices, especially in the last century of the 21st century (Nobes, 2004; Hoyle et al., 2009). These changes include the adoption and adaptation of local practices and their harmonization with International Financial Reporting Standards (IFRS) (formerly International Accounting Standards (IAS)). This change began in 2002, when the European Union made it mandatory for listed companies to present the following consolidated financial statements: The International Financial Reporting Standards come into effect on January 1, 2005 (Ermakovich, 2004; Susana et al., 2007; Apostolos et al., 2010). World Bank (November 30, 2016) Eth. Country profiles retrieved from [//www.worldbank.org](http://www.worldbank.org). Among the government's efforts, implementing high-quality International Financial Reporting Standards (IFRS) is critical to achieving and sustaining Ethiopia's economic growth potential. IFRS provides international investors with a brand of trust in the quality of financial reporting. That trust in financial reporting is essential if investors are to be encouraged to step in to promote continued economic growth. IFRS will also have a profound impact on the country's growth potential, because nationally supported IFRS will increase stability,

stewardship, accountability and transparency both at institutional and government level. IFRS is to enable the comparability of financial information prepared by entities located across the globe. It would facilitate investment decisions across Country and borders to intensify equity market efficiency and also cut down the costs of raising capital. The companies will be able to establish new relationships globally based on IFRS with investors, clients, vendors and other stakeholders. As an internationally recognized reporting platform, IFRS will improve the reputation and relationship of the company and provide it with a competitive edge in supporting its businesses (Hoang & Ngoc, 2019). In this regard Ethiopia has expressed an initiative to integrate its financial statements with international standards. According to World Bank on the Report on the Observance of Standards and Codes, there is no specific set of accounting regulations in Ethiopia and therefore accounting practices vary across institutions (ROSC, 2007). On 5th December 2014 Ethiopia Adopted International financial reporting standard (IFRS) as its financial reporting framework (Financial Reporting Proclamation 847/2014), with the aim to contribute to the Government efforts of improving good governance and reducing the level of corruption and rent seeking behaviors. (AABE 2015).

In this way, IFRS harmonizes this diversity and makes information more comparable and easier to analyze. Facilitating the effective allocation of resources and reducing capital costs of the organizations (Mekonnen, 2016).

Various research studies have been conducted to evaluate the adoption of International Financial Reporting Standards in various countries around the world. Many studies have been conducted on the importance (Apostolos et al., 2010; Iyoha and Faboyede, 2011) and challenges (Alessandro et al., 2009; Robin and Graeme, 2009) of IFRS implementation. Another series of studies have been conducted to examine the impact of IFRS on companies and countries in general (Ermakovich, 2004; Alicia et al., 2007; Susana et al., 2007; William et al., 2010). Most of the above studies were conducted using IFRS and analyzing data from EU member states. Comparatively fewer numbers of studies have been carried out on data from other countries. Until now, as per knowledge of the researcher very little empirical research on the adoption of IFRS has been conducted in Ethiopia. This study makes an attempt to bridge this gap and tries to study the Ethiopian data with reference to IFRS adoption, benefits of IFRS for Ethiopia, challenges faced by the stakeholders in the process of adoption of IFRS, and the factors that

affect the adoption. Therefore, the aim of this study is to investigate the practical challenges of IFRS adoption in Ethiopia plywood enterprise.

1.2 Statement of the Problem

In 2014, the Ethiopian Government issued Financial Reporting Proclamation which has the objectives of establishing a uniform financial reporting law and establishing a body that undertakes regulatory responsibilities in financial reporting (Proclamation 847/2014, Article 4 and Regulation 332/2014). Some governments and commercial entities have argued that Ethiopia complied with IFRS requirements before adopting IFRS under Regulation 847. However, since there is no IFRS infrastructure, this claim cannot be proven as in the absence of the infrastructure in IFRS implementation (including the shortage of qualified accountants, etc.), the auditors of those entities not fully complying with the International Standards on Auditing (Alemi & Pasricha, 2016).

The Prior, existing Research studies and literature links On the IFRS Adoption, related with Progress and Implementation of International Financial Reporting Standards that have been conducted by developed and industrialized countries around the world, less attention has been given to developing countries including and very less articles and books about the implementation of IFRS in Ethiopia were found. In Ethiopia the adoption environment is different from the developed countries environment because The adoption of IFRS faces several challenges and obstacles including, high implementation costs, the complexity of financial reporting, lack of IFRS implementation agent, lack of IFRS implementation guidance, lack of availability of competent specialists, high level training requirement, less familiarity with the IT challenges in handling the implementation of IFRS, lack of proper instructions from regulatory bodies, and problem with IFRS implementation proper plan and absence of commitment & proper plan of financial institutions to implement IFRS and requirements of the existing Tax law amendment are identified as factors that makes to implement IFRS.(Eyob, 2017).

Previously, there were few studies conducted in Ethiopia's adoption of IFRS. One of the studies conducted by Tesfu (2012) focuses on adoption of International Financial Reporting Standards (IFRS) in Ethiopia including the factors that could influence its adoption, with particular

reference to companies which adopted this standard which he did not address the practical challenges faced by Insurance companies.

Hailemichael (2016) conducted his study in the case of financial intuitions but the study took its target population from finance departments /directors as his respondents, which could not give the correct IFRS implementation teams and failed to address the practical challenges faced by Insurance companies.

Tesfu (2012), and Mihret (2016), conducted their study from the cost perspective in implementation of International financial reporting standards and hence, they failed to address the practical challenges faced by IFRS implementation.

Therefore, (Alemi, 2016, & Teshome, 2017) performed a research on IFRS Adoption Progress and Challenges and Prospects of (IFRS) implementation in Ethiopia, the researchers outline the major challenges that include qualified professionals, lack of preparedness, need of training, lack of adequate implementation guidance and lack of enforcement capacity facing the transition to IFRS. IFRS Adoption in Ethiopia, issues processes (Yitayew, 2016). No researchers, however, have measured the possible impact of the organizational changes brought about by IFRS adoption and didn't examine the consequences of the IFRS implementation effectiveness on quality of financial report and cost of implementation. The researcher believes that not enough research has been conducted to assess the effectiveness of IFRS implementation in Ethiopia. Mainly from Ethiopian plywood factories. These services are important to the country. The country has many industries but no standard financial statements to report on. Therefore, this study was designed to assess and identify the implementation challenges faced by Ethiopian plywood companies.

1.3 Research Questions

The research questions are:

- ❖ What is the management challenges associated with IFRS implementation in Ethiopian plywood Enterprise?

- ❖ What are the knowledge challenges in implementing IFRS in Ethiopian plywood Enterprise?
- ❖ What are the technical challenges of implementing IFRS in Ethiopian plywood Enterprise?

1.4 Objective of the Study

1.4.1 General Objective

The general objective of the study is to assess the challenges of implementing IFRS in the case of Ethiopia plywood enterprise.

1.4.2 Specific Objectives

The specific objectives of the study are:

- To assess management related challenges of implementing IFRS in Ethiopian Plywood Enterprise,
- To investigate knowledge related challenges of implementing IFRS in Ethiopian Plywood Enterprise, and
- To assess technical challenges of implementing IFRS in Ethiopian Plywood Enterprise.

1.5 Significance of the Study

The importance of this study can be viewed from two perspectives: theoretical contributions and practical implications. Theoretically, the study fills an important gap in the literature and can serve as an input on which it can be used as a reference by others for further study in this area. On the practical side, this study can help Ethiopia plywood enterprise to trace their challenges in the way that can build positive impact towards their company, product and services in the implementation of IFRS. It will also help companies better understand the challenges and prospects of implementing IFRS.

1.6 Scope of the study

The overall objective of this study is to evaluate the challenges of IFRS implementation using a case study of an Ethiopian plywood mill. This study focused on factors such as management

issues, knowledge issues, and technical issues in implementing IFRS in Ethiopian plywood mills. The target population of this study is limited to 32 employees who are particularly important, close to the study area and have knowledge of IFRS. In this study, quantitative research methods and explanatory research design were used to achieve the purpose.

1.7 Organization of the Study

Chapter 1 introduces the background of the study. It is continue discussion about the, problems statement which related to the implementation of IFRS in Ethiopian plywood enterprise , objective of the study ,research question, significance of the study ,scope of the study and organization of the study.

Chapter 2 presents the literature review, concepts, definitions and conceptual framework

Chapter 3 Provides an in depth discussion of the research methodology used to investigate the research problem. The design for the sample selection and size, research instruments used, and the statistical techniques used to analyze the data is highlighted.

Chapter 4 focuses anticipated results from the research study. And Chapter 5 presents the summary, conclusion, limitation and recommendation. Conclusions are drawn based on the predicted results and the possible practical implications of the research findings.

CHAPTER TWO

REVIEW OF RELATED LITERATURES

In order to answer the research questions several steps were taken. One of these steps is reviewing relevant concepts and theories.

2.1 Theoretical Review

2.1.1 International Financial Reporting Standards (IFRS)

IFRS stands for International Financial Reporting Standards and they are standards for reporting financial results and are applicable to general purpose financial statements and other financial reporting of all profit oriented entities. The term IFRS comprises IFRS issued by IASB; IAS issued by IASC; and interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB (Hoyle B., et al., 2009, Baker E. et al., 2009 and Larsen E. 2008).

The rapid pace of globalization and the nature of international financial markets have increased the need a common financial language. IFRSs are international financial reporting standards established by the IASB (International Accounting Standards Board) and are a common financial language for businesses and their users. Their main purpose is to provide a single set of high-quality standards, which are understandable, applicable, globally acceptable and based on clear principles(IFRS Foundation, 2015). According to the IFRS Foundation data, until September 2018, 144 authorities require the application of IFRSs for all or most of the enterprises, 9 authorities have their national standards but are moving towards the application of IFRSs, 1 authority requires that only financial institutions must apply IFRSs (IFRS Foundation, 2018).

Alistair (2010 cited in Ojeka and Mukoro, 2011, p.14) defined International Financial Reporting Standards (IFRS) as A series of accounting pronouncements 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 1966 the professional accountancy bodies in Canada, the United Kingdom and the United States proposed to form the Accountants International Study Group (AISG) with the intention of developing /so as to develop/ comparative studies of accounting and auditing practices. Soon in 1967, the AISG was founded and this marks the commencement of the move towards accounting standards convergence.

The three AISG countries together with representatives of professional accountancy bodies in Australia, France, Germany, Japan, Mexico and the Netherlands, discussed and agreed to establish the International Accounting Standards Committee (IASC). The IASC was established in 1973 with the aim of issuing a single set of high quality and globally accepted International Accounting Standards (IASs) (Mihret, 2016). IAS was issued in order to fix the global accounting standard thus there would be better financial understanding of all companies (Zakari, 2014).

IFRS are a set of accounting standards issued by the international accounting standards In 1966 the professional accountancy bodies in Canada, the United Kingdom and the United States proposed to form the Accountants International Study Group (AISG) with the intention of developing /so as to develop/ comparative studies of accounting and auditing practices. Soon in 1967, the AISG was founded and this marks the commencement of the move towards accounting standards convergence.

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In 2001, the IASC was replaced by the International Accounting Standard Board (IASB) with an objective to develop global standards and related interpretations that are now collectively known as IFRS (Akpaka, 2015). Between the years 1973-2000, the IASC issued 41 International Accounting Standards (IASs). In 1997, Standing Interpretations Committee (SIC) was

established to consider continuous accounting issues (Mihret, 2016). IAS are the older standards that IFRS replaced.

IFRS are a set of accounting standards issued by the international accounting standards board(IASB), an independent sector not for profit organization based in London; UK (Ray Ball, 2006 ; IFRS pocket guide, 2015). IASB took the position from its predecessor body IASC to bridge the existing gap of accounting standards between countries due to the unevenness of accounting standards (IFRS pocket guide, 2015). Standards issued by the International Accounting Standards Board (IASB), include standards issued not only by the IASB but also by the IASC, some of which have been amended by the IASB (Barth et al, 2008). IFRS refers to all accounting standards and related interpretations issued by the International Accounting Standards Board and its predecessor, the International Accounting Standards Committee (IASC) (ROSCE, 2007).

The term IFRS comprises IFRS issued by IASB; IAS issued by IASC; and interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB (Hoyle B., et al., 2009, Baker E. et al., 2009 and Larsen E. 2008 as cited by (Tesfu, 2012)).

Gradually IFRS is recognized as a set of standards for the preparation of financial statements by business entities. Those standards prescribe: The items that should be recognized as assets, liabilities, income and expense; How to measure those items; How to present them in a set of financial statements; and Related disclosures about those items. (IFRS pocket guide, 2015).

Deloitte (2016, 2017) report pointed to the application of IFRS 16 Leases which has been published and is effective for periods beginning on or after 1st January 2019. Companies in the telecoms sector will need to undertake an early assessment of the impact on their results, and if possible, on that of their peers, and to develop a plan for explaining this to their shareholders and other stakeholders. Almansour (2019) adopting new institutional theory explored external and internal forces that influenced banking sector to adopt IFRS, and his study aims to determine the challenges and opportunities which were faced during the adoption process. In 2001, the IASC was replaced by the International Accounting Standard Board (IASB) with an objective to develop global standards and related interpretations that are now collectively known as IFRS

(Akpaka, 2015). Between the years 1973-2000, the IASC issued 41 International Accounting Standards (IASs). In 1997, Standing Interpretations Committee (SIC) was established to consider continuous accounting issues (Mihret, 2016). IAS are the older standards that IFRS replaced.

IFRSs are intended to be applied by profit-orientated entities. These entities' financial statements give information about performance, position and cash flow that is useful to a range of users in making financial decisions (Akinleye, 2016). Alistair, 2010 (cited in Ojeka & Mukoro, 2011) defined International Financial Reporting Standards (IFRS) as a series of accounting pronouncements 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.

2.1.2 Financial Reporting Quality

The move from country specific Generally Accepted Accounting Standards (local GAAPs) to an internationally accepted financial reporting standard will result in a big change in the business environment (International GAAP , 2016). Providing value worthy and useful for decision making financial information about an economic entity's asset, mainly financial in nature is the principal aim of preparing a financial report (IFRS, 2008). The value of accounting information increases when the information is assist for making important economic decision (Ionaşcu et.al, 2014). IFRS aim to prepare financial situations, performance and cash flow of business in the most realistic way; to correctly display each operation affecting the financial statements; and to present the information in a suitable, reliable, comparable and understandable manner (Kahan, 2016).

Studies suggest that, the timely disclosure of relevant information minimizes the unevenness of the financial statement. In this regard International Accounting System will give us a remarkable condition to evaluate the economic consequences of heterogeneity in financial reporting and economic effectiveness among countries. Analysis of the determinants of accounting quality has important policy implications. The accounting standards in practice, the legal and political system employed and incentives of financial reporting all have an impact on the accounting quality (Soderstorm & Sun Ear, 2007).

Even though the importance value of high quality financial report is stressed by both FASB and IASB, But there was a problem on how to operationalize and measure this quality because of its context specificity since users will perceive the importance of an identical information in their own way (Van best et.al, 2009). By referring the works of (Barth et. al.,2008; Schipper and Vincent,2003; Cohen et, al., 2004) Van best et.al, 2009 stated that, consequently, many researchers measure the quality of financial reporting indirectly by focusing on attributes that are believed to influence quality of financial reporting indirectly by focusing on attributes that are believed to influence quality of financial reports, such as earnings management, financial restatements, and timelines.

IFRS is believed to be of high quality financial reporting standard. The call for (the necessity of having) higher comparability, better transparency and quality of financial reporting throughout the globe, provoked the forceful adoption of IFRS. The higher quality of financial report obtained from IFRS offer an opportunity to obtain market gain, improve stock market liquidity and lowers the cost of capital (Kahan, 2016). Barth et. al. 2006 suggests that, eliminating alternative accounting methods used by managers to manage earnings is the way to improve accounting quality.

2.1.3 Approach of IFRS adoption

Kulikov, (2007) Consider that the positive effects of increasing value-relevance in accounting reports of countries with less developed accounting system and the existing advantages for all investors investing in the international capital market are among the benefits of developing international accounting standards and accounting harmonization worldwide.

It is believed that accounting harmonization is necessary for the globalization of capital markets (Quigley, 2007). On the international front, the World Bank, the International Monetary Fund (IMF), the G8, the G7 Finance Ministers and Central Bank Governors, International Organization of Securities Commissions (IOSCO), Basel Committee on Banking Supervision, the United Nations (UN) and the Organization for Economic Co-operation and Development (OECD) have publicly recommended the adoption of a single set of global accounting standards or the IAS (Odia And Ogiedu, 2013).

The term harmonization means “the reconciliation of different accounting and financial reporting systems by fitting them into common broad classification so that form becomes standard while content retains significant differences” (Mathews and Perera, 1996, P.322; cited by (Odia & Ogiedu, 2013).

The number of countries that require or allow the use of IFRS for the preparation of financial statements by publicly held companies has continued to increase (an AICPA Background, 2011). Earlier the year 2016 the IASB reported 116 of the 140 jurisdictions they have researched require the use of IFRS for all or most listed companies and financial institutions, and a further 12 permit the use of IFRS (Earnest and Young, 2016). A country can change its existing accounting system to a globally recognized accounting standard called IFRS either by totally replacing or customizing it with IFRS over time. The first approach is known as adoption or “Big bang” approach while the later is called a Convergence Approach. Adopting IFRS to lower information costs is conceptually distinct from adopting IFRS due to its “network benefits” (Ramanna and Sletten, 2009).

2.1.3.1 Adoption or “Big Bang” Approach

Under this approach once IFRSs are adopted, all IFRS should be compiled while preparing financial statements and the existing accounting standard should be replaced with IFRS. Adoption is a strategic decision to adopt IFRS on a single date or, perhaps a series of dates applied to companies of different sizes (Hailemichael, 2016).

Adoption of IFRS is more than just an accounting exercise. This is because accounting and reporting represent only a small part of the conversation efforts. Necessary preparation and planning should begin at least 18 months prior to the planned adoption date (AABE 2015). Practical experience from other countries has proved that transition to IFRS can take 18-24 months to fully embed and implement. And according to IFRS Foundation, for a large multinational company depending on the complexity of the entity, the transition to IFRS generally takes at least three years (IFRS insight, 2008).

The trustees of IASB on their 2012 report stated that the adoption of IFRS is a voluntary public-interest decision by the legislative and regulatory authorities in individual jurisdictions. Neither the IFRS Foundation nor the IASB has the authority to mandate or supervise adoption.

Since every country has its own mix of expertise professional infrastructure and regulatory interest, the IASB does not have a standard approach that adopting countries shall follow. But, making policy decision, preparing plan about the targets and deadlines and identifying the available and required resources to adopt the system are the three steps that new adopters should pass through (IFRS Adoption guide 2013).

Countries need to establish their own mechanisms for bringing IFRS formally into national law and for ensuring consistent and rigorous application. Regardless of the mechanics of IFRS adoption, the end result should be the same—full adoption of IFRS as issued by the IASB (IFRS, 2015).

2.1.3.2 CONVERGENCE APPROACH

Convergence refers to the process of narrowing differences between IFRS and the accounting standards of countries that retain their own standards. Under this approach, before IFRS are applied a gradual customizing of the existing accounting standard needs to be done.

Converging a few local standards to IFRSs each year can allow local preparers and auditors to learn a few topics at a time rather than immersing themselves in the full set of IFRSs. In addition convergence approach can also allow time for necessary changes in local legal frameworks (IFRS, 2013). Convergence is not a substitute for adoption. Convergence may be an appropriate short-term strategy for a particular jurisdiction and may facilitate adoption over a transitional period. Convergence, however, is not a substitute for adoption. Adoption mechanisms may differ among countries and may require an appropriate period of time to implement but, whatever the mechanism, it should enable and require relevant entities to state that their financial statements are in full compliance with IFRS as issued by the IASB (IFRS, 2015).

As part of conversion process an entity should take into consequence not only the IFRS that is currently applicable but also future changes in them. The convergence of International Financial

Reporting Standards shall change the entire picture of the organization structure of the company. It will transform the method of evaluation of company's performance including earnings management information & control system, reporting practices, valuation policies. The convergence is not the sole responsibility the finance and accounts department. It required a combined effort of all departments of the organization. (Firoz et. al, 2011).

2.1.4 Factors Affecting the Adoption of IFRS

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

Baker and Barbu (2007) in their review of international accounting harmonization research state that: Before 1990, two factors were identified as being the primary explanatory factors for differences in accounting practices: the cultural and economic.

After 1989, other factors began to be considered and researchers argued that the diversity of accounting practices was caused by factors beyond the cultural and economic, including: the historical development of a nation's economy and its capital markets; differences in legal systems; differences in the nature of property rights; the size and complexity of companies within a country; the social climate; the degree of currency stability; the existence of accounting

laws; and the educational system (P.286). According to Cooke and Wallace (1990), as cited in Zeghal and Mhedhbi (2006, p. 356), the factors affecting the choice of accounting systems could be internal as well as external. They could include factors such as economic growth and the level of wealth, the level of inflation, the education level, the legal system, the country's history and geography, the financial system, the size and complexity of business enterprises, the notoriety of the accounting profession, the development of financial market, sources of investment and financing and the predominant culture and language.

The International Accounting Standards Board (IASB)'s primary goal is to increase the distribution of corporate financial information from IFRS, which improves worldwide market efficiency. IFRS is to enable the comparability of financial information prepared by entities located across the globe. it would facilitate investment decisions across Country and borders to intensify equity market efficiency and also cut down the costs of raising capital. The companies will be able to establish new relationships globally based on IFRS with investors, clients, vendors and other stakeholders. As an internationally recognized reporting platform, IFRS will improve the reputation and relationship of the company and provide it with a competitive edge in supporting its businesses (Hoang & Ngoc, 2019).

2.1.5 Challenges of Adopting IFRS

Accounting Professionals across the world have listed various benefits of adopting IFRS. In spite of these benefits, adoption of IFRS is a difficult task and has many challenges (Tesfu, 2012). The pre-adoption conformity of national GAAP to IFRS determines the significance, and therefore the benefit, of IFRS adoption (Hailemichael, 2016). IFRS is more complex to adopt because it is a principle-based standard requiring interpretation ("the devil is in the detail") & IFRS is more than an accounting issue and can have a major impact on an entire organisation (not just the finance function) (Akpaka, 2015).

As evidenced by the global experience, convergence with IFRS would have significant challenges common to all countries and companies. Additionally, there are also certain specific challenges that are unique to particular countries (Robyn and Graeme, 2009 cited in (Mihret, 2016)).

The principal impeding factors in the adoption process of IFRS in the developing country are technical, cultural issues, mental models, legal impediments, educational needs and political influences (Obazee, 2007). According to Rong- Ruey Duh (2006), the implementation challenges include: timely interpretation of standards, continuous amendment to IFRS, accounting knowledge and expertise possessed by financial statement users, preparers, auditors and regulators, and managerial incentive (Ball et al, 2000).

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

The adoption of IFRS must involve the strengthening of the various institutions which will enhance its effective implementation such as: preparers (managers) and enforcers (auditors (status, independence, training, compensation, and tough judgment), legal systems and courts, regulators, accounting boards, ownership structure/block shareholders, politicians, law-makers, analysts, rating agencies, accounting professional bodies, tax authorities and capital market regulators), corporate governance structure, the press, public, educational institutions and business schools, financial market (structure, depth and intermediation) etc (Ball, 2006). The practical challenges that may be faced in Ethiopia as a result of implementing the IFRS need to be identified and addressed in order to benefit fully from the introduction of IFRS.

2.2. Empirical Review

Prior studies on the challenges and prospects of IFRS have been undertaken by many researchers in Europe, Asia, Africa, among others.

Bhattacharjee & Islam, (2009) investigated the impact of adoption of IFRS on the financial reporting environment of Bangladesh considering the underlying institutional and economic

factors. They argued about trade-off between the scale advantage of IFRSs and the local advantage of decentralized adaptation. Their study focused on the problems relating to adoption of IFRS in Bangladesh and on better applicability of accounting standards aimed at ensuring transparent information environment. Their study found that application of IFRSs reflects greater accountability of corporate management and transparency of published financial information as well as enhances the credibility of the statutory audit function of Bangladesh making the business environment more transparent.

According to the case studies conducted by the United Nations covering Brazil, Germany, India, Jamaica, Kenya, Pakistan, South Africa and Turkey, the factors that initially contributed to the introduction of IFRS in the countries covered vary (UNCTAD, 2008; cited by (Mihret, 2016)). According to these case studies, in Brazil, the Central Bank's intention of adopting IFRS was to bring financial reporting in line with international best practice to facilitate the comparability of financial reports and fostering investor confidence. In Germany, a number of large companies began to prepare their financial statements in accordance with IAS in order to be able to access financial markets outside Germany. In 1998, German lawmakers gave listed companies the option of preparing their consolidated financial statements in accordance with IAS. The implementation of IFRS for the preparation of consolidated financial statements of listed companies in Germany became mandatory following the decision of the European Union to implement the IAS regulation of 2002. Since the case study of Germany illustrates, a European Union wide approach of implementing IFRS, the implementation challenges extend beyond its domestic factors (UNCTAD, 2008).

A study by Soderstrom and Sun (2006) about the change in accounting quality following widespread IFRS adoption in the EU, argued that cross-country differences in accounting quality are likely to remain following IFRS adoption because accounting quality is a function of the firm's overall institutional setting, including the legal and political system of the country.

Madawaki, (2012) on his study about the adoption process of International Financial Reporting Standards (IFRS) on a developing economy, with particular reference to Nigeria, In implementing IFRS Nigeria will face challenges including the development of a legal and regulatory framework, awareness campaign, and training of personnel. Recommendations were

made to forestall such challenges which include strengthening education and training, establishment of an independent body to monitor and enforce accounting and auditing standards.

Oghoma and Iyoha, (2011) “Compliance with accounting standards by quoted insurance companies in Nigeria: An empirical investigation, It is expected that the move towards IFRS convergence will enhance capital market performance and ginger global business expansion in Nigeria. In the view of this development all corporate organizations are expected to adopt and comply with IFRS in preparation and presentation of their financial statement.

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

As mentioned earlier in addition to the lack of knowledge and experience, another problem that accountants and auditors have faced is the difficulties of developing accounting policies within companies. An entity follows the accounting policies required by IFRSs if they are appropriate to the entity's conditions and it is often the case that standards provide policy choices but not specific guidance to make the choice (Pwc, 2019).

Tesfu, (2012) on his study which aims to examine the adoption of International Financial Reporting Standards (IFRS) in Ethiopia focusing on examining the benefits and challenges of IFRS including the factors that could influence its adoption show that IFRS adoption in Ethiopia will result in a number of important benefits to a wide range of stakeholder. In addition to suggesting the need for rigorous IFRS capacity building program by the government, all regulatory bodies, firms and training institutions he described Professional bodies, capital market, educational level and company size significantly influence the adoption of IFRS in Ethiopia.

Simegn, (2015) about Adoption of International Financial Reporting Standards (IFRS) in Ethiopia: Empirical investigation, the variables subjective norm, perceived control and level of education significantly and positively influence IFRS adoption while, legal system significantly and negatively affects its adoption. The variables attitude, economic development and capital market found have no significant contribution for the intent to adopt IFRS. Hence, among the behavioral factors subjective norm and perceived control significantly and positively affect the intention to adopt IFRS while attitude has no significant impact. He recommends the regulatory body to adopt IFRS as early as possible so as to strengthen the financial reporting system of the country and cop up with financial reporting standards used internationally.

Furthermore, Alemi, (2016), on his study about the adoption Progress of IFRS in Ethiopia found that some companies in Ethiopia have started using IFRS voluntarily for the preparation of their financial statements since 2002/03 without making necessary preparedness but nationally; And he suggests that, since IFRS is adopted officially in December, 2014 with a big bang approach through enactment of Proclamation the board should discharge its responsibility on the way to its establishment and provide continuous support to the institution even after its establishment, develop IFRS Accounting manual modifying charts of accounts and detailed instructions taking IFRS requirements into accounts and take action to integrate ISA and IFRS modules into Ethiopian higher institutions' accountancy education curricula.

2.3 Summary of literature and Research Gaps

International financial reporting standards (IFRS) are standards and rules for reporting financial information, as established and approved by the International Accounting Standards Board (IASB). It is designed to apply to the general purpose financial statements and other financial reporting of profit-oriented entities. It brings transparency by enhancing the international comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions; strengthen accountability by reducing the information gap between the providers of capital and the people to whom they have entrusted their money, and contribute to economic efficiency by helping investors to identify challenges related with IFRS adoption are mentioned and among other challenges; high cost of adopting, the complex nature, lack of proper instructions from regulatory bodies for implementing IFRS, as

well as IFRS's emphasis on fair value accounting, lack of competent human resources with IFRS knowledge, lack of top management's support, lack of strong regulatory and enforcement institution, lack of strong accounting practices are some of them. Besides, the processes followed by each company in implementation of IFRS are expected to be similar since it is highly based on IASB, however different studies conducted in Ethiopia found unsimilar processes for different companies. As far as IFRS related studies are concerned many studies were conducted in Ethiopia. Those studies were categorized into two. Some of those studies were conducted before the introduction of mandatory IFRS, whereas the other studies were conducted on first phase implementers of IFRS in the country. But to the best knowledge of the research, they failed to address the practical challenges faced by IFRS implementation. Therefore this study filled the stated gap by examining the implementation challenges that were encountered by Ethiopian Plywood in Implementing IFRS.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3. INTRODUCTION

This chapter describes the methodology used in order to conduct the study. The researcher is going to justify, how this method were chosen in comparison to other alternative method, what activities to be done .The chapter consists of Research Design, Sampling and sample Design method, Data type, source of data; instruments for data collection, Data Analysis, and the final section illustrate the validity of the study.

3.1 RESEARCH DESIGN

A research design is a plan or blueprint for the collection, measurement, and analysis of data, created to answer your research questions.(Sekaran & Bougie, 2016).

The researcher employed a descriptive research design in which the researcher interacts with the participants to collect relevant data and then organize, summarize, describe and present the collected data. Descriptive research defines the research type that takes into account the need for an accurate snapshot of some aspects of an issue at hand. In other words, this type of research aims at describing an already existing phenomenon whether in the market, company, institution among others (Kumar, 2000).

3.2 RESEARCH APPROACH

In order to attain the objective of the study and answer the research questions; researcher was adopting both quantitative and qualitative (Mixed) research approach. And here the rationale of using such a mixed approach is to gather data that could not be obtained by adopting a single method and for triangulation. When we use the word quantitative to describe quantitative dissertations, we do not simply mean that the study will draw on quantitative research methods or statistical analysis techniques. Quantitative research takes a particular approach to theory, answering research questions and/or hypotheses, setting up a research strategy, making conclusions from results, and so forth (Creswell, 2003).

3.3 Data Source and Collection Method

This study uses both primary and secondary data sources to collect the required qualitative and quantitative. The main instrument to be used for the collection of the primary data in this study is the questionnaire, which is designed in five response options of likert-scale, open ended and close ended questionnaires have been prepared and to be distributed, while journals, articles, web facts and other related literatures will be used as source of secondary data.

Likert scale, which is a pattern devised by likert is the most frequently used summated scale in social science studies. In a Likert scale, the respondent is asked to respond to each of the statements in terms of several degrees, usually five degrees (but at times 3 or 7 may also be used) of agreement or disagreement. The respondents may respond in any one of the following ways:- (i) strongly agree, (ii) agree, (iii) undecided/neutral, (iv).disagree, (v) strongly disagree. At one extreme of the scale there is strong agreement with the given statement and at the other, strong disagreement, and between them lie intermediate points. For example Response indicating the least favorable degree of job satisfaction is given the least score (say 1) and the most favorable is given the highest score (say 5) (Kothari, 2004). The questionnaires will be distributed to the concerned bodies i.e. finance department heads and other related officials. These individuals are selected since they are more responsible for the preparation and fair presentation of the financial statements in the manner required by the commercial code of Ethiopia. They also have a broad knowledge about their organization's over all accounting practices and with an assumption that they have a direct participation in the IFRS adoption process in their organization. Whereas secondary sources of data are going to be generated through a review of relevant documents.

3.3.1. Target Population

The target population of this study is employee of the selected enterprises finance department. 27 employees have been selected. The selected employees have special relevance and proximity to the research area and expected to have knowledge about IFRS. From a total of 32 employees in the targeted area of the sampled institutions, using a purposive sampling technique,

3.3.2 Sampling size

Sample size refers to the number of items to be selected from the universe to constitute a sample. Among the non-probability sampling techniques purposive sampling will be used to select the samples from the total population. Employees in the targeted area of the sampled institutions, using a purposive sampling technique, 27 employees have been selected.

The selection criteria are working in the financial reporting of the finance department of enterprise. The samples are more responsible for the preparation and fair presentation of the financial statements in the manner required by the commercial code of Ethiopia. Assuming that they have a direct participation in the IFRS implementation process in their organization.

3.3.3 Data Analysis and Presentation

The data analysis process helps to transform the collected data into meaningful descriptive and interpretations. Data analysis helps the researcher to synchronize the data collected against the meaning or implication of the study being conducted. Data analysis involves reducing the data, presentation of the data, verifying and drawing conclusions. After collecting the necessary data, which explicitly contained the expressed opinion of the respondents involved in the study, and from secondary sources (inscriptions) the mixed approach of the research explored the results of the collected data using descriptive statistics.

The collected primary data will be coded, edited and cleaned for processing using Statistical Package for Social Sciences (SPSS). SPSS is preferred because it is very systematic and covers a wide range of the most common statistical and graphical data analysis. Descriptive statistics such as means, standard deviations and frequency distributions were used to analyses the data. Data presentation will be done by use of, percentages and frequency tables. The researcher will conduct a critical analysis and interpretation of the questionnaire data and review document evidences to explain the challenges of IFRS adoption by Ethiopia plywood enterprise.

3.4 Reliability and Validity Analysis

Reliability Analysis

Reliability refers to the degree of the results consistency under the same conditions. It should remain the same if research has to be repeated. To sustain a high level of reliability for primary data, after compiling questionnaires filled by respondents, those answers will be entered to SPSS data sheet. Afterward the results of the Cronbach's alpha will be double checked, in order to avoid any mistakes. To obtain more reliable answers and personal opinions of the respondents.

Validity analysis

Validity, often called construct validity, refers to the degree in which the test is truly measuring what it is supposed to measure. It states how good a test is for a particular situation (Bhattacharjee, 2012). If a test has poor validity then it does not measure the content and competencies it ought to. According to Kothari (2004) content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study. If the instrument contains a representative sample of the universe, the content validity is good. Its determination is primarily judgmental and intuitive. It can also be determined using a panel of persons who shall judge how well the measuring instrument meets the standards, but there is numerical way to express it. Based on this definition the content validity was verified by the advisor of the research, who look into the appropriateness of the questions and the scale of measurement. In addition discussions with Fellow researchers as well as feedback from the pilot survey were another way of checking the appropriateness of the questions. In case of secondary data, only relevant articles and literature from academic, scientific and marketing databases is used for this study.

3.5. Ethical Considerations

It is imperative that ethical issues are considered during the formulation of the evaluation and data collection plan. Considerations include:

Confidentiality: confidentiality means that any identifying information is not made available to or accessed by anyone.

Anonymity: Anonymity is a stricter form of privacy than confidentiality, as the identity of the participant will remain unknown.

This study considered some ethical issues while conducting the research. The participants in this research had the right to choose whether or not to participate. They were also informed of all aspects of a research task. Consumers were also given the right to privacy about the information they provided. The participants name was never mentioned in any of the data presentation and it will remain confidential.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter explains and discusses the results of findings based on the analysis done on the data collected from sample companies. The results of the study are discussed by summarizing from questionnaire. The discussion tries to complete the objectives of the study and answer the research questions. This chapter contained the data presentation, analysis and discussion of the sample population based on the primary data collected. The demographic facts obtained from the respondents were summarized using frequency distribution. Scale typed questionnaires were analyzed by using descriptive statistics to answer the research questions. The data was analyzed using SPSS. A total of 27 questionnaires were distributed. All of them were filled properly and returned back.

4.2 Descriptive Statistics

Descriptive statistics are brief descriptive coefficients that summarize a given data set, which can be either a representation of the entire or a sample of a population. Descriptive statistics are broken down into measures of central tendency and measures of variability (spread). This section presents the descriptive statistics of the data regarded.

4.2.1 Age Group Demographic of Respondents

Regarding age distributions, respondents in the age range between 21-30 amounted to 40.7% of the total respondents, while 33.3% were in the age group of 31- 40 years of Age. Respondents above 50 years of age were the least respondent's percentage of the total sample with 3.7% of contribution. The age descriptive frequency is presented in table 1.

This implies most of the responders are below the age of 40, it constitutes about 96% of the total respondents.

Table 4.1: Age Group Distribution

	Age Group	Frequency	Percent	Valid Percent
Valid	21 – 30	11	40.7%	40.7%
	31 – 40	9	33.3%	33.3%
	41 – 50	6	22.2%	22.2%
	Above 50	1	3.7%	3.7%
	Total	27	100.0	100.0

Source: Own Survey (2023)

4.2.2 Gender Distribution of Respondents

The table below shows the proportions regarding gender are evenly distributed. The male respondents constituted the largest share of the gender composition representing 56.2%, while 43.8% were female, as shown on Table 2.

This shows the largest numbers of respondents are male with 56.2%, while females constituted 41.5% of the total respondents.

Table 4.2: Gender Distribution

	Gender	Frequency	Percent	Valid Per
Valid	Female	12	43.8%	43.8%
	Male	15	56.2%	56.2%
	Total	27	100.0	100.0

Source: Own Survey (2023)

4.2.3 Education Level of the Respondents

Regarding educational level distributions, respondents in the Diploma and masters and above level got share of 18% and 25% each. While, the highest frequency was seen on Degree level which constitutes about 56.8%.

Most of the respondents were in an academic level less than Masters, almost 75% of the respondents proportion. Summary of educational level distributions frequency is presented below in table 3.

Table 4.3: Education Level of the Respondents

Education Level	Frequency	Percent	Valid Percent
Diploma	4	18.2%	18.2%
Degree	16	56.8%	56.8%
Masters and Above	7	25.0%	25.0%
Total	27	100.0	100.0

Source: Own Survey (2023)

4.2.4 Respondents Years of work experience

Regarding the year of experience in the bank, around 19% of the total respondents have less than 5 years' experience. Respondents having 5 - 10 years were 31%, while there were 14 respondents having above 10 years of experience constituting 50% of the respondents. This implies that most of the respondents are experienced, this can give the data collected more reliability as they know the course of the study practically with experience.

The general description of the respondents years of work experience are presented below on, table 4.

Table 4.4: Years of Work Experience

	Years	Frequency	Percent	Valid Percent
Valid	Below 5 years	5	18.75%	18.75%
	5 - 10 years	8	31.25%	31.25%
	Above 10 years	14	50.0%	50.0%
	Total	27	100.0	100.0

Source: Own Survey (2023)

4.3 Descriptive Analysis of Variables

The following results are focused on displaying the descriptive statistics of the variables to the queries in the questionnaire.

4.3.1. Training on IFRS

Table 4.5: Training on IFRS standards

Did you get training on IFRS standards	Yes	No
Number of Respondents	26	1

Source: Own Survey (2023)

The above table presents the questionnaire requests regarding training on IFRS. As the data of the result shows, the majority of the respondents have taken IFRS training. Almost all of the respondents have taken IFRS Training. This can give our study more reliability as the respondents have know how on what they are responding on the implementation of IFRS.

4.3.2. Management Related Challenges

Respondents gave their response to the following management related challenge statements on the questions of agreement or disagreement, the mean of the respondent are shown. The detailed data is in the table below.

Table 4.6: Management Related Challenges

Management Related Challenges	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
Lack of attention to accounting and financial reporting related issues	-	22.2%	37.0%	29.6%	11.1%	3.30	.95333
Lack of cooperation with IFRS implementation project teams	29.6%	51.9%	7.4%	11.1%	-	2.00	.91987
Lack of commitment and understanding on implementation of IFRS	-	-	-	37%	63%	1.37	.49210
Lacks of regular follow up on the process of IFRS implementation	-	11.1%	51.9%	11.1%	25.9%	2.48	1.01414
Lack of knowledge about IFRS and its transitional process	11.1%	25.9%	44.4%	18.5%	-	2.70	.91209
Resistance by different departments while asking cooperation	7.4%	11.1%	18.5%	29.6%	33.3%	2.22	1.05003
					Mean	2.34	

Source: Own Survey (2023)

Lack of attention to accounting and financial reporting related issues is seen as a challenge for IFRS implementation. while 22% of the respondents disagreed, 37% respondents were neutral on the statement. Respondents who strongly agreed and agreed were 11% and 29% respondents respectively. As the mean, 3.30, shows, there is lack of attention for the accounting and financial reporting by the plywood enterprise. The standard deviation of 0.95 shows the answer of the

respondents is concentrated around mean. The low standard deviation shows that it can be concluded that there is lack of attention to accounting and financial reporting.

The reflection of the respondents on the statement for the lack of cooperation in IFRS implementation project teams showed more than 51% to disagreement. While 11% of the respondents agreed, 7.4% respondents were neutral. The rest 29.6% of the respondents disagreed to the statement. The mean, 2.00, shows that the respondents cumulatively that they disagreed that lack of cooperation with IFRS implementation project teams is not a challenge. The employees and the company are working corporately with the implementation team.

The reflection of the respondents on the statement for the lack of commitment and understanding on implementation of IFRS showed 37% to disagreement, while 37% of the respondents disagreed. There is commitment and understanding in the company to the implementation of IFRS. Lack of commitment and understanding is not a challenge on implementation of IFRS. Looking at the standard deviation, 0.49, it can be seen that the response of the respondents were concentrated around the mean.

Regular follow up on the process of IFRS implementation is not a challenge. While 52% of the respondents were neutral on the issue, 26% of the respondents strongly disagreed. An equal share of 11% of the respondents disagreed and agreed. The mean shows, 2.48, there is a good follow up on the IFRS implementation process. The standard deviation 1.01 shows the responses of the respondents is fairly distributed.

The response of the respondents on the statement that there is lack of knowledge about IFRS showed that 44% were neutral, 11% were strongly disagreeing, 26% were disagreed and only 18% agreed. There is also some ambiguity that lack of knowledge about IFRS and its transitional process is a challenge or not. The mean, 2.70, is sided to neutrality. This leads to the conclusion that it can't be said anything about the transitional process.

Lack of attention to accounting and financial reporting related issues is seen as a challenge for IFRS implementation. while 22% of the respondents disagreed, 37% respondents were neutral on the statement. Respondents who strongly agreed and agreed were 11% and 29% respondents respectively. Resistance by different departments while asking cooperation is not a challenge.

The mean 2.22 shows that the statement resistance by different departments while asking cooperation got most respondents to disagree. The standard deviation 1.05 shows the responses of the respondents is fairly distributed around the mean.

Table 6 presents the questionnaire requests on management rated challenges. As the mean of the result shows (Mean = 2.34), the majority are in level between disagreement and neutral for the questions asked. The following statements interpret the management related challenges data collected by the researchers.

- Lack of attention to accounting and financial reporting related issues is seen as a challenge for IFRS implementation,
- Lack of commitment and understanding is not a challenge on implementation of IFRS,
- Lacks of regular follow up on the process of IFRS implementation is not a challenge,
- Resistance by different departments while asking cooperation is not a challenge,
- Lack of cooperation with IFRS implementation project teams is not a challenge, and
- There is some ambiguity Lack of knowledge about IFRS and its transitional process is a challenge or not.

4.3.3. Knowledge Related Challenges

Respondents gave their response to the following knowledge related challenge statements on the questions of agreement or disagreement, the mean of the respondent are shown. The detailed data is in the table below.

Table 4.7: Knowledge Related Challenges

Knowledge Related Challenges	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
The numbers of qualified professional accounts are inadequate	14.8%	18.5%	22.2%	7.4%	37%	3.33	1.5191
Lack of qualified people to provide training in profession/workplace	7.4%	11.1%	18.5%	29.6%	33.3%	3.70	1.2656
Lack of coherence between educational programs and professional programs	3.7%	22.2%	3.7%	22.2%	48.1%	3.89	1.3393
Limited access to training material, seminars and workshop for working professionals	22.2%	25.9%	-	22.2%	29.6%	3.11	1.6252
Limited training on IFRS prior to its implementation	7.4%	7.4%	33.3%	18.5%	33.3%	3.63	1.2443
					Mean	3.53	

Source: Own Survey (2023)

The response of the respondents on the statement that there is lack of qualified personnel on implementation of IFRS showed that 22% were neutral, 15% were strongly disagreeing, 18.5% were disagreed and only 7.4% agreed. The numbers of qualified professional accounts are adequate for IFRS implementation. As the mean, 3.30, shows there are adequate number of qualified professional accounts to implement IFRS. The standard deviation 1.52 shows the

responses of the respondents is highly distributed around the mean. This means it can't be concluded for all the respondents.

The statement "Lack of qualified people to provide training in profession/workplace" got most respondents while 11% of the respondents disagreed, 18.5% respondents were neutral on the statement. Respondents who strongly agreed and agreed were 33% and 29.6% respondents respectively. The mean, 3.70, shows that the respondents agreed that there is a lack of qualified people to provide training. The standard deviation 1.27 shows the responses are fairly distributed around the mean.

Another challenge of IFRS implementation is lack of coherence between educational programs and professional programs. An equal share percentage of 3.7 was observed for the strongly disagree and neutral responses. Another equal share of 22.2% was also witnessed in disagreement and agreement response. The rest largest portion of 48.1% was taken by strongly agree. Again the mean 3.89 shows that there is a lack of coherence between educational programs and professional programs. 1.34 as a standard deviation shows that the responses of the respondents is highly distributed around the mean. This means it can't be concluded for all the respondents.

There is no limitation of access to training material, seminars and workshop for working professionals. While 29% of the respondents strongly agreed to the statement, 25.9% responded with disagreement. An equal share percentage of 22.2 was observed for the strongly disagree and agreement responses. According to the collected responses, the mean 3.11 shows that training material, seminars and workshop are accessible. However, the high standard deviation 1.63 shows that all the respondents didn't agree on the neutrality.

The reflection of the respondents on the statement for the limited access to training material, seminars and workshop for working professionals showed more than 51% to disagreement. While 11% of the respondents agreed, 7.4% respondents were neutral. The rest 29.6% of the respondents disagreed to the statement. The mean value 3.63 shows that IFRS implementation trainings are limited. Limited training on IFRS prior to its implementation is also found to be another challenge. The standard deviation 1.25 shows the responses are fairly distributed around the mean.

Table 7 presents the questionnaire requests regarding knowledge related challenges of IFRS implementation. As the mean of the result shows (Mean = 3.53), the majority are in level between agreement and neutral for the questions asked. The following statements interpret the knowledge related challenges data collected by the researchers.

- Lack of qualified people to provide training in profession/workplace is a major challenge for the implementation of IFRS
- Another challenge of IFRS implementation is lack of coherence between educational programs and professional programs
- Limited training on IFRS prior to its implementation is also a challenge
- There is no limitation of access to training material, seminars and workshop for working professionals
- The numbers of qualified professional accounts are adequate for IFRS implementation

4.3.4. Technical Challenges

Respondents gave their response to the following technical challenge statements on the questions of agreement or disagreement, the mean of the respondent are shown. The detailed data is in the table below.

Table 4.8: Technical Challenges

Knowledge Related Challenges	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
Lack of coherence between the qualification bodies and standard setting bodies	11.1%	29.6%	37.0%	22.2%	-	2.70	.9533
Lack of communications about developments in accounting	48.1%	7.4%	33.3%	11.1%	-	2.01	1.1405
Lack of representation in standard setting process	33.3%	11.1%	40.7%	11.1%	3.7%	2.40	1.1814
Lack of understanding of IFRS requirements and reasons	11.1%	18.5%	25.9%	18.5%	25.9%	3.29	1.3548
Selective implementation of IFRS that creates inconsistency in the level of implementation	14.8%	25.9%	22.2%	29.6%	7.4%	2.88	1.2150
The targets and deadlines of IFRS implementation has been made before identify the obstacles	14.8%	7.4%	25.9%	48.1%	3.7%	3.19	1.1479
					Mean	2.76	

Source: Own Survey (2023)

The reflection of the respondents showed that 37% responded neutral, 22% responded with agreement, 29.6% responded with disagreement and 11.1% responded with strong disagreement. There is ambiguity if lack of coherence between the qualification bodies and standard setting bodies is a challenge or not 2.70. The mean, 2.70, is sided to neutrality. This leads to the

conclusion that it can't be said anything about the transitional process. The standard deviation .95 shows the mean is highly concentrated around the mean, to neutrality.

There is no lack of communications about developments in accounting. For the statement "lack of communications about developments in accounting", the mean 2.07 show that there is no lack of communications. The standard deviation 1.14 shows the responses are fairly distributed about the mean.

For the statement "lack in standard setting process", 33.3% strongly disagreed, 11.19% disagreed, 40.7% neutral, 11.1% agreed, and 3.7% strongly disagreed. The mean 2.40 shows that the respondents disagreed that there is representation lack in standard setting process. There is no lack of representation in standard setting process. The standard deviation 1.18 shows the responses are fairly distributed about the mean.

An equal share of 18.5% were seen as respondents disagreed and agreed. While 11.1% of the respondents responded strongly disagreement. Lack of understanding of IFRS requirements and reasons is a challenge on the IFRS implementation. The mean shows another challenge of IFRS implementation. The standard deviation 1.35 implies that not all the responses are concentrated about the mean, 3.29.

For the statement "selective adoption of IFRS creates inconsistency in the level of adoption", 14.8% strongly disagreed, 25.9% disagreed, 22.2% neutral, 29.6% agreed, and 7.4% strongly agreed. Selective implementation of IFRS is not a challenge that creates inconsistency in the level of implementation as the mean, 2.89, shows. The standard deviation translates 1.21 as the responses are fairly distributed about the mean.

48.1% of the respondents responded with agreement for the statement. While 25.9% of the respondents were neutral 14.8% were responded with strongly disagreement. 7.4% of the respondents responded with disagreement. The rest 3.7% strongly agreed. With a mean of 3.19, another challenge for IFRS implementation is the targets and deadlines of IFRS implementation has been made before identify the obstacles. The standard deviation translates 1.14 as the responses are fairly distributed about the mean.

Table 8, presents the questionnaire requests regarding technical challenges of IFRS implementation. As the mean of the result shows (Mean = 2.76), the majority are in level between disagreement and neutral for the questions asked. The following statements interpret the technical challenges data collected by the researchers.

- There is ambiguity if lack of coherence between the qualification bodies and standard setting bodies is a challenge or not,
- There is no lack of communications about developments in accounting,
- There is no lack of representation in standard setting process,
- Lack of understanding of IFRS requirements and reasons is a challenge on the IFRS implementation,
- Selective implementation of IFRS is not a challenge that creates inconsistency in the level of implementation, and
- Another challenge for IFRS implementation is the targets and deadlines of IFRS implementation has been made before identify the obstacles.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter briefly presents summary of the objectives, research methodology, key findings of the model, conclusion and suggests useful recommendations.

5.1 Summary of Major Findings

The research was undertaken generally to assess the challenges of implementing IFRS in the case of Ethiopia plywood enterprise. The study is designed to conclude the general objective by coming to a conclusion by specifically assessing management related challenges of implementing IFRS in Ethiopian Plywood Enterprise, investigating the knowledge related challenges of implementing IFRS in Ethiopian Plywood Enterprise, and assessing the technical challenges of implementing IFRS in Ethiopian Plywood Enterprise. To gather the necessary data, the researchers used purposive sampling.

The data was analyzed using SPSS. A total of 27 questionnaires were distributed. All of them were filled properly and returned back. The paper adopted quantitative research strategy and used self-administered questionnaire to collect the required data

Regarding age distributions, respondents in the age range between 21 - 30 amounted to 40.7% of the total respondents, while 33.3% were in the age group of 31- 40 years of Age. Respondents above 50 years of age were the least respondents percentage of the total sample with 3.7% of contribution. The largest number of respondents were male with 56.2%, while females constituted 41.5% of the total respondents. Considering, educational level distributions, respondents in the Diploma and masters and above level got share of 18% and 25% each. While, the highest frequency was seen on Degree level which constitutes about 56.8%. Regarding the year of experience in the bank, around 19% of the total respondents have less than 5 years' experience. Respondents having 5 - 10 years were 31%, while there were 14 respondents having above 10 years of experience constituting 50% of the respondents.

The finding of the study showed that the majority of the respondents have taken IFRS training. Almost all of the respondents have taken IFRS Training. This can give our study more reliability as the respondents have know how on what they are responding on the implementation of IFRS.

Considering knowledge related challenges Limited access to training material, seminars and workshop for working professionals was observed. Lack of cooperation in project teams, and Lack of regular follow up on the process of IFRS implementation were found to be major challenges amongst management related challenges studied. From the technical related challenges the major challenges found were lack of communications about developments in accounting, and lack of representation in standard setting process.

5.2 Conclusion

The main objective of the study is to examine the challenges in IFRS implementation in Ethiopian plywood enterprises. Based on the finding, the following conclusion was drawn.

Considering management related challenges of IFRS implementation, it is found that attention to accounting and financial reporting related issues is seen as a challenge for IFRS implementation. Lack of cooperation with IFRS implementation project teams is not a challenge. Lack of commitment and understanding is not a challenge on implementation of IFRS. Lacks of regular follow up on the process of IFRS implementation is not a challenge. There is some ambiguity Lack of knowledge about IFRS and its transitional process is a challenge or not. Resistance by different departments while asking cooperation is not a challenge.

Regarding knowledge related challenges of IFRS implementation, it is found that the numbers of qualified professional accounts are adequate for IFRS implementation. Lack of qualified people to provide training in profession/workplace is a major challenge for the implementation of IFRS. Another challenge of IFRS implementation is lack of coherence between educational programs and professional programs. There is no limitation of access to training material, seminars and workshop for working professionals. Limited training on IFRS prior to its implementation is also a challenge.

The assessment of technical challenges of IFRS implementation found that lack of understanding of IFRS requirements and reasons is a challenge on the IFRS implementation. There is ambiguity if lack of coherence between the qualification bodies and standard setting bodies is a challenge or not. There is no lack of communications about developments in accounting. There is no lack of representation in standard setting process. Lack of understanding of IFRS requirements and reasons is a challenge on the IFRS implementation. Selective implementation of IFRS is not a challenge that creates inconsistency in the level of implementation. Another challenge for IFRS implementation is the targets and deadlines of IFRS implementation has been made before identify the obstacles.

5.3 Recommendations

On the basis of the above findings and conclusions, the following recommendations are forwarded:

- As the research shows, knowledge related challenges are causing issues in the implementation of IFRS in Ethiopian Plywood Enterprise, the enterprise should focus on knowledge related factors of IFRS. These includes numbers of qualified professional accounts, qualified people to provide training, coherence between educational programs and professional programs, access to training material, seminars and workshop for working professionals, and training on IFRS prior to its implementation.
- Employees should get adequate understanding of IFRS requirements and reasons. It is recommended to give employees on hand training that is practical for the implementation.
- The enterprise should always identify obstacles before the targets and deadlines of IFRS implementation has been made.
- Since, lack of qualified people to provide training is a major challenge, the enterprise should look for qualified professional on the implementation training. This can be executed by hiring human resources that have IFRS implementation experience.
- Training on IFRS implementation should be given priority; most of the training doesn't assert the implementation of IFRS.

- Researchers may consider taking other factors that are challenging for IFRS implementation. Additionally, redoing the study on different companies and industries may result a more precise and accurate outcome.

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PART II: CHALLENGES OF IFRS IMPLEMENTATION

To what extent do you agree with the existence of the following practices? (please indicate your responses in the respective boxes): where SD = strongly disagree, D= disagree, N = neutral, A = Agree and SA = Strongly agree.

Management Related Challenges	SD	D	N	A	SA
Lack of attention to accounting and financial reporting related issues					
Lack of cooperation with IFRS implementation project teams					
Lack of commitment and understanding on implementation of IFRS					
Lacks of regular follow up on the process of IFRS implementation					
Lack of knowledge about IFRS and its transitional process					
Resistance by different departments while asking cooperation					
Knowledge Related Challenges					
The numbers of qualified professional accounts are inadequate					
Lack of qualified people to provide training in profession/workplace					

Lack of coherence between educational programs and professional programs					
Limited access to training material, seminars and workshop for working professionals					
Limited training on IFRS prior to its implementation					
Technical Challenges					
Lack of coherence between the qualification bodies and standard setting bodies					
Lack of communications about developments in accounting					
Lack of representation in standard setting process					
Lack of understanding of IFRS requirements and reasons					
Selective implementation of IFRS that creates inconsistency in the level of implementation					
The targets and deadlines of IFRS implementation has been made before identify the obstacles					