ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MANAGEMENT DEPARTMENT

EXECUTIVE MASTER PROGRAM IN BUSINESS ADMINISTRATION (EMBA)

ASSESSMENT ON THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) IN SELECTED COMMERCIAL BANKS IN ETHIOPIA:

"A RESEARCH PROJECT SUBMMITED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR EXECUTIVE MASTER OF BUSINESS ADMINISTRATION (EMBA) DEGREE."

BY: HALEFOM SEYOUM DESTA

ADVISOR: ZEWDIE SHBRE (PhD.)

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Statement of Declaration

I, Halefom Seyoum Desta, declare that this research project is my original work. It has not been presented to any other university. All sources of materials used for the research have been dully acknowledged.

Declared by:	Confirmed by advisor:
Name: Halefom Seyoum	Name: Dr. Zewdie Shbre
Signature————————	Signature————————
Date————————	Date————————

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Approved by Board of Committee

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Chair person, Department	Signature	Date

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Acronyms and Abbreviations

AABE: accounting and audit board of Ethiopia

CBE: Commercial bank of Ethiopia

CFO: chief financial officer

CITA: Company Income Tax Act

FDI: Foreign Direct Investments

FRC: Financial Reporting Council

GAAP: Generally accepted accounting principles

IAS: International Accounting Standard

IASB: International Accounting Standards Board

IASC: International Accounting Standards Committee

IFAC: International financial accounting council

IFRIC: International Financial Reporting Interpretations Committee

IFRS: International Financial Reporting Standards

ISCIP: IFRS Standard Change Implementation Process

MOFED: Ministry of Finance and Economic Development

NASB: Nigerian Accounting Standards Board

NBE: National Bank of Ethiopia

PCAOB: Public Company Accounting Oversight Board

SEC: Security & Exchange Commission

SMEs: Small and Micro Enterprises/entities

SOX: Sarbanes-Oxley

UAE: United Arab Emirates

US: The United States

Abstract

The study examines the adoption of IFRS by selected commercial banks in Ethiopia with the main objective of examining the factors affecting for its implementation, prospects and challenges for the adoption of IFRS. It employed both qualitative and quantitative research approach based on evidence collected through semi-structured interview and questionnaires. The questionnaires were analyzed using descriptive statistics, correlations analysis, and data from interview of the selected banks officials, National Bank of Ethiopia and the Accounting and Auditing Board of Ethiopia (AABE) for the adoption of IFRS, and document reviews were analyzed and interpreted qualitatively. The results show that IFRS adoption by commercial banks in Ethiopia results in a number of benefits to a wide range of stakeholders for commercial banks. High cost of adopting, knowledge gap, the complex nature of IFRS, lack of proper instructions and control from regulatory bodies for implementing IFRS as well as lack of leadership and commitment are identified among the most important challenges of IFRS adoption. The descriptive analysis of the factors affecting the adoption of IFRS perceived as moderate and above performance for the adoption of IFRS. It also shows the perception of the prospects of IFRS adoption for which the items perceived as moderate and above performance for its adoption. The correlation analysis shows strongly positive significant association between the factors and adoption of IFRS. Finally, the study showed some practical recommendations and implications for the adopters and non-adopters of IFRS by commercial banks in Ethiopia.

Keywords: IFRS adoption; challenges and prospects of IFRS; commercial banks; Ethiopia.

CHAPTER-ONE: INRODUCTION

1.1. Back ground/Rationale of the study

Financial statements are prepared and presented for external users by many entities across the world and have been using a range of different accounting standards derived from various accounting models for decades (Abulgasem, 2014). Although such financial statements may seem similar from country to country, there are differences which have probably been caused by a variety of social, economic and legal circumstances and by different countries having in mind the needs of different users of financial statements when setting national requirements (Nobes, 2011 and Yitayew, 2016). These different circumstances have led to the use of a variety of definitions of the elements of financial statements like assets, liabilities, equity, income and expenses (Nobe and Parker, 2007). They have also resulted in the use of different criteria for the recognition of items in the financial statements and in a preference for different bases of measurement (Experis finance and accounting, 2008, Fikru, 2012andTammenpää, 2011).

International differences in financial reporting create problems because many users such as investment analysts acting for investors in equity or debt) assess companies on a comparative basis internationally (Nobes and Parkers, 2010). Settlements from one set of generally accepted accounting principles (GAAP) to another (especially to US GAAP) were common until 2007, and they revealed significant differences between countries (Nobes, 2011 and Nobes and Zeff, 2008). A standard reporting system for companies would address some problems. There would be disadvantages if the whole world had to adopt US GAAP. Therefore, IFRS have been developed instead (Nobes, 2011).

The use of one set of high-quality standards by companies throughout the world improves the comparability and transparency of financial information and reduces financial statement preparation costs (IFRS foundation, 2017). For this case, an effort of harmonizing IFRS started by the European Union and the concept became attractive around the world (Abulgasem, 2014). Sometimes these principles are called by their original name as International Accounting Standard (IAS) which was issued between 1973 and 2001 by the Board of the International Accounting Standards Committee (IASC) (Abulgasem, 2014 and Yitayew, 2016). On April 1, 2001, the new International accounting standard Board (IASB) took over the responsibility of setting International Accounting Standards. During its first meeting the new Board adopted existing IAS and Standing Interpretations Committee Standards (SICs) and continued to develop standards calling the new standards -International Financial Reporting Standards (Nobes and Parker, 2008).

A worldwide changeover to International Financial Reporting Standards (IFRS) from different accounting standards around the globe including US Generally Accepted Accounting Principles (GAAP) is well underway. Of the 150 jurisdictions, 126 (84 per cent of those profiled) require IFRS Standards for all or most domestic publicly accountable entities (listed companies and financial institutions) in their capital markets (IFRS foundation, 2017). A lot of companies are estimated to have adopted IFRS, motivated not only by regulatory directive, but also by globalization of business and the need for transparency and consistent reporting across multiple companies and countries (Nobes, 2011).When standards are applied rigorously and consistently, capital market participants receive higher quality information and can make better decisions (IFRS Foundation, 2017). Thus, markets allocate funds more efficiently and firms can achieve a lower cost of capital.

International financial reporting standards (IFRS) has evolved into a global benchmark with many countries having already adopted it into their local regulations and more are still in the process of converging with IFRS(Abulgasem, 2014). According to Nobes(2011), IFRS is designed to investigate the degree to which financial reporting remains different, by country, even within the area of the world that has apparently adopted International Financial Reporting Standards (IFRS). Based on the findings of Nobes (2011), the differences between countries can be divided into two main types: (i) the degree to which IFRS has been mandated or allowed for particular companies or types of reporting, and (ii) the degree to which the practice of IFRS differs along national lines. These two issues are closely linked because of the underlying forces that have caused the long-running accounting differences between countries. Companies with an eye toward the future can leverage IFRS to build an efficient, flexible accounting infrastructure that streamlines cost, leverages global strengths and enhances enterprise wide decision-making (Nobes, 2011).

The reflection on change is for considering the present situation of the standards, which are facing accelerated change while more than one hundred countries look to adopt the IFRS as a mandatory function of their external reporting regulation (Tammenpää, 2011).IFRS outlines the basis for accounting and reporting in companies and when applicable, it can replace the local accounting standards (Tammenpää, 2011 and Nobes, 2011).

According to Nobes (2011), IFRS standards are increasingly widespread as a basis for the accounting system of companies across the world including different African countries. Their adoption has been mandatory for Europeans union based listed companies since 2005. At the same time, the standards themselves are evolving rapidly through a convergence project with US GAAP, the US local accounting standards, and other macro-environmental changes. As producers of external reporting information firms reporting under IFRS must follow the standard changes closely, and implement them to existing processes to ensure compliance in their financial statements (Experis Finance & Accounting, 2008).The acceleration in changes is due to accounting embarrassments and the political incentives to find a common international external reporting framework for increasingly global companies, but also due to pressure to find common ground with new effects in adopting the standards (Tammenpää, 2011).

The commitment of Ethiopia to increasing private investment in its economy towards reaching its development and growth objectives, an initiative was taken by the Ministry of Finance and Economic Development(MOFED) in crafting a draft financial reporting proclamation of Ethiopia in 2011(Yitayew, 2016 and Teferi and Pasricha, 2016). The draft proclamation was developed taking into consideration different points like to have a sound, transparent, and understandable financial reporting by entities; to have a uniform financial reporting law to enhance transparency of the decentralized financial reporting structure; to support the various building blocks of the economy and reduce the risk of financial crises; corporate failures and associated negative economic impressions; and to establish a body that assumes regulatory responsibilities in financial reporting (Fikru, 2012; Teferi and Pasricha, 2016). Following that, the developed draft on financial reporting was approved and documented by the responsible government body for its final implementation on December 2014 on proclamation No. 847/2014 (Federal Negarit Gazette, December 2014).

Ethiopia as being no exclusion to the impact of economic globalization has now taken the initiative to develop and adopt the International Financial Reporting Standards to hold the benefits of having uniform International standards of financial reporting (Fikru, 2012 and Yitayew, 2016).When the international adoption of the standards accelerates, the amounts of changes to the standards are quickening. This poses challenges for academic research, companies and other members of society to keep up with the pace particularly in the banking industry. Hence, the aim of this study was to assess the adoption of International Financial Reporting Standards (IFRS) for selected commercial banks in Ethiopia.

1.2. Statement of the problem

In the globalization period where the world becomes smaller and smaller to the extent of a village, speaking of common language in reporting of financial activities becomes necessary and beneficial to ease communication worldwide (Fikru, 2012 and Zeghal & Mhedhbi, 2006). As it is supported by different studies, the adoption of IFRS by countries of the world especially by the developed countries is increasing from time to time (Zeghal & Mhedhbi, 2006). International Financial Reporting Standards (IFRSs) have been adopted by more than 100 countries across the globe (Teferi and Pasricha, 2016).Unlike the developed and industrialized countries, empirical evidences showed that adoption of IFRS especially by developing countries is very weak (Zeghal & Mhedhbi, 2006).

A transition to IFRS will influence the final financial results particularly in the transition year; the benefits to profitability and market comparability will quickly be priced into market valuations (Experis finance and accounting, 2008). In the longer-term, a transition to IFRS has the potential to enable companies to make improvements to the internal financial reporting processes and information flow (Nobes, 2011 and Fikru, 2012). Accordingly, companies can consider the establishment of a truly integrated finance function that supports operations on a global basis. Next to that, companies should examine the differences between policies and controls in its various locations and consider global standardization for policies related to recognition, measurement, presentation and disclosures. Standardization will increase the flexibility of resources and the sharing of deep technical expertise allowing individuals or work to cross borders. In addition, as IFRS continues its global progression, a truly global market for accounting skills will emerge. By accepting IFRS, companies will reduce the variety of skills required in the accounting function (Fikru, 2012).

Companies evaluate the impact of IFRS assessment in both the financial statements and overall operations (Nobes, 2011). While both are important, the market will quickly react to and appropriately value changes to the financial statements. Transitioning to IFRS provides companies with the opportunity to establish a global finance function with smoothed operations, polices, processes and controls, combined technology, optimized resources and improved decision support capabilities (Nobes and Zeff, 2008). The main point is for companies to use the IFRS timeline to make their assessments and turn IFRS into a true opportunity rather than waiting for frightening to explain the circumstance (Nobes, 2006).

There are many opportunities for IFRS practices to differ from company to company or from country to country. For several reasons, it can be expected that a company will continue with many of its previous accounting policy choices when it first adopts IFRS (Nobes, 2011 and Fikru, 2012).

According Tammenpää (2011), a large number of explanations have been offered for differences in the accounting systems of different countries. One model suggested by the author is that, unless one country is dominated by another, a national accounting system will be largely determined by the predominant type of financing and owners of companies and, therefore, by the predominant users of financial reporting. The model can be used to predict how a country's (or a company's) reporting will change as its corporate financing changes. This is especially relevant for countries in transition from Communism. In addition, it is now clear that one country (and even one company) can use more than one system simultaneously for different purposes (Nobes, 2011).

The International Accounting Standards Board (IASB) has no power to impose IFRS on companies, and the reactions of different authorities to IFRS differ greatly (Tammenpää, 2011). Some have ignored it, some have allowed it; some have required IFRS for some purposes, whereas others have abolished national GAAP in favor of IFRS (Fontes, 2005). Very few jurisdictions have simply imposed IFRS as issued by the IASB, although some countries (example, Canada) do incorporate IFRS into law without amendment (Nobes, 2011 and Fontes, 2005).

Various survey studies have been conducted to assess the adoption of International Financial Reporting Standards (IFRS) in different countries of the world. A set of studies have been conducted in relation to the importance (Iyoha and Faboyede, 2011;Fikru, 2012;Nobes, 2011 and Nobes and Zeff, 2008) and the challenges of adopting IFRS (Fikru, 2012; Nobes, 2011 and Yitayew, 2016).

Nobes (2011) examined the practice of IFRS in selected countries of the world and found that there has been no thorough research into different translations of IFRS. Nobes (2011) recommended conducting more research on the adoption, implementation, challenges and opportunities of IFRS in other countries of the world.

Fikru (2012) conducted a research on the adoption of IFRS in Ethiopia in 21 selected companies found that 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 are listed among the most important challenges of IFRS adoption. The study also find that with the exception of government policy the other four variables which are professional bodies, capital market, educational level and company size significantly influence the adoption of IFRS in Ethiopia. Finally, he recommended even though the research found some important factors affecting the adoption of IFRS, the researcher advocates more studies to be conducted in the financial reporting domain particularly on the factors for adoption, challenges and prospects in other companies.

Another researcher Yitayew (2016) also conduct a research on the IFRS Adoption in Ethiopia: A Critical Analysis of the Process, Issues and Implications found that the Ethiopian IFRS adoption experience illustrates the macroeconomic rationale driven nature of IFRS adoption, the rationales and the processes of translating the idea into Ethiopian context illustrates the socially constructed nature of IFRS adoption. The study suggests that more efforts need to be coordinated to build the capacity of preparers in terms of financial reporting knowledge within the framework of the IFRS before enforcing the financial reporting law in the case of non-compliance with IFRS by prepares. Finally, he recommended that future research should focus on the factors affecting, challenges and prospects of the adoption of IFRS in other unstudied companies and Evaluation of the IFRS implementation status by reporting entities on challenges and problems.

Fikru (2012), Yitayew (2016) and others studied on the adoption of IFRS in Ethiopia. However, their study was limited in scope as these considered only the companies which adopted IFRS. This shows there was a gap on the factors affecting, challenges and prospects on the adoption of IFRS for non-adopter companies in Ethiopia. The purpose of this study is, therefore, to fill the gap considering commercial banks in Ethiopia that do not adopt IFRS too. This study was also help to get relatively complete information on the reason why some banks adopted IFRS and some do not, and to further investigate the factors affecting, challenges and prospects of the adoption of IFRS particularly for selected Commercial Banks in Ethiopia. The main reason why this study focuses on Commercial Banks in Ethiopia is because they significantly involve and influence on the financial activities in the financial industry in particular and in the economic activities of the country in general.

1.3. Research Questions

The study addressed the following specific guiding research questions:

1. What are the factors influencing the adoption of IFRS for commercial banks in Ethiopia?
2. What are the challenges that commercial banks are encountered in the process for the adoption of IFRS?
3. What are the prospects of adopting IFRS in commercial banks in Ethiopia?

1.4. Objective of the study

1.4.1. General objective

The general objective of this study is to assess the adoption of IFRS by for selected commercial banks in Ethiopia.

1.4.2. Specific objective

In addition to the above general objectives, the study has the following specific objectives;

- ☞ To analyze the factors affecting the adoption of IFRS for commercial banks in Ethiopia.
- ☞ To assess the challenges encountered by the banks.
- ☞ To assess the prospects originating from the adoption of IFRS.

1.5. Scope/delimitation of the study

The general objective of this study was to analyze the factors affecting the adoption of IFRS and investigate the challenges and prospects of adopting IFRS by selected commercial banks in Ethiopia. The study was considered both adopters and non-adopters of IFRS for which data were collected from 10 commercial banks, of which 5 were the adopter and the remaining was the non-adopters of IFRS using questionnaire and interview by applying both qualitative and quantitative approaches.

1.6. Limitation of the study

The limitation of this study is that lack of time and budgetary sources to cover a large number of respondents, accessibility to get the respondents, willingness of the key informants to respond the questionnaire, and willingness of the higher financial officers of the selected commercial banks, NBE officials and the board (AABE) officials to respond the interview. The study will not also go further to analyze the extent of the implementation performance of the required standards of IFRS in selected banks financial statements like disclosure, asset valuation, revenue recognition, format of the financial statements. In addition, the study is conducted under the current situations and knowledge of the subject matter because researches on the adoption of IFRS are very limited in developing countries particularly for commercial banks in Ethiopia.

1.7. Significance of the study

The study were used as an input in dealing with the challenges and prospects as well as evaluating the factors affecting the adoption of IFRS by commercial banks in order to make the necessary preparations before they move to adopt IFRS. Moreover, the study will be useful for management and regulatory body by providing information about the benefits and prospects of adopting the International Financial Reporting Standards as well as the level of challenges that may face during adoption. Furthermore, the study will benefit both academicians and researchers in providing information about the adoption of IFRS by commercial banks in Ethiopia and the challenges and prospects of adopting of IFRS.

1.8. Organization of the study

This study consists of five chapters. The first chapter deals the general introduction part of the study, which consists of background of the study, statement of the problem, research objectives, and research questions, significance of the research and scope and limitation of the study. Chapter two presents the literature review 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 discusses the research methodology. The research results are presented in chapter four. The last chapter draws conclusions, recommendations, and implications and ends the report by highlighting future research areas.

CHAPTER-TWO: REVIEW OF RELATED LITERATURE

2.1. Introduction

There have historically been four accounting standard models from different areas of the globe: the United Kingdom, Continental Europe, the United States and Latin America. These variations in standards create a number of issues for users of accounts including those preparing, consolidating, auditing and interpreting. For example, an investor needs to be able to understand and compare financial statements in order to gain confidence to buy shares in a business.

This section presents a review of related literature to International Financial Reporting Standards and its adoption in commercial banks. It consists of theoretical issues like the concepts about International Financial Reporting Standards, criteria for implementing IFRS, benefits, factors affecting, prospects, implementing risks and challenges of adopting IFRS, conceptual frame work of the factors affecting the adoption, empirical evidences, and ends with summarizing and identifying the research gap of the review of related literature.

2.2. Theoretical issues

2.2.1. The concept of International Financial Reporting Standards (IFRS)

According to Abel (2011), financial accounting information are statutorily required to be prepared in line with universally accepted assumptions, principles and conventions of accounting which aid intra-firm, inter-firm and industry comparisons overtime. Harmonization of accounting standards can eliminate these issues by increasing the compatibility of accounting practices by setting bounds to their degree of variation.

The international accounting harmonization started to take place in 1970's (Nobes and Parker, 2008). The increase of international business activities and the greater participation in the global financial market demands greater comparability and transparency in financial reporting (Nobes, 2006). For a firm using accounting policies that are consistent with international standards increases its quality of report in terms of transparency and comparability with other firms using international standards. The emergence of economic globalization and the need of huge capital markets to finance governmental privatization policies are the major reasons for developing and adopting international standards for accounting. So, these standards help us to make comparisons between company's financial performance across countries and it enhances the efficient allocation of resources (Nobes and Parker, 2008).

Aghator & Adeyemi (2009) stated that with the beginning of globalization and increasing demand for transparent, comparable financial information in the markets, the IASC was restructured in the year 2001 by creating the International Accounting Standards Board (IASB), among other changes. The IASB is responsible for developing, in the public interest, a single set of high quality, comprehensive and enforceable global accounting standards that require transparent and comparable information in general purpose financial statements and other financial reporting to help participants in the various capital markets of the world and other users of the information to make economic decisions(Armstrong et al, 2007).In the undertaking of its objectives, the IASB cooperates with national accounting standards setters to achieve convergence in accounting standards in the world. IFRS are developed through an international due process that involves accountants, financial analysts and other users of financial statements., the business community, stock exchanges, regulatory and legal authorities, academia and other interested individuals and organizations from around the world (Nobes, 2006).

IFRS stands for International Financial Reporting Standards, which are standards for reporting financial results, which are applicable to general purpose financial statements and other financial reporting of all profit oriented entities (IFRS foundation, 2017; Fikru, 2012 and Yitayew, 2016). The term IFRS includes IFRS developed by IASB; IAS delivered by IASC; and interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB (Fikru, 2012; Nobes, 2011 and IFRS foundation, 2017).Aghator & Adeyemi (2009) described the International Financial Reporting Standards (IFRS) as a series of accounting pronouncements published by the International Accounting Standards Board to help preparers of financial statements, throughout the world, produce and present high quality, transparent and comparable financial information. IFRS foundation (2017) states that IFRS Standards prescribe the items that should be recognized as assets, liabilities, income and expenses, how to measure those items and how to present them in a set of financial statements; and related disclosures about those items.

IFRS begin acknowledgement, measurement, presentation and disclosure requirements dealing with transactions and other events and conditions that are important in general purpose financial statements (Fikru, 2012 and Abulgasem, 2014). IFRS may also start such requirements for transactions, events and conditions that arise mainly in specific industries. These requirements based on the framework, which addresses the concepts underlying the information obtained in general purpose financial statements. The objective of the Framework is to facilitate the consistent and logical formulation of IFRS. It also provides a basis for the use of judgment in resolving accounting issues (IASB, 2009).

According to Teferi and Pasricha (2016), IFRS standards are also compulsory assertions and comprising: (i) International Financial Reporting Standards (IFRSs), (ii) International Accounting Standards (IASs), (iii) International Financial Reporting Interpretation Committee (IFRICs) and Standing (iv) Interpretation Committee (SIC). IFRSs are developed by the International Accounting Standards Board (IASB), which operates under the oversight of the IFRS Foundation (IFRS foundation, 2017).

Considerable research studies have investigated the motivations behind the adoption of IFRS by emerging nations. According to some of these studies, the decision to adopt IFRS derives from the fact that developing nations are generally unable to allocate the financial and technical resources needed to develop high-quality and indigenous accounting standards (Nobes, 2011).

According to Abulgasem (2014), the due process comprises six stages, with the executors of the IFRS foundation having the opportunity to ensure compliance at various points throughout setting the agenda, planning the project, developing and publishing the discussion IFRS paper. These steps include the public consultation, developing and publishing the Exposure Draft, including public consultation developing and publishing the Standard, and procedures after an IFRS issued respectively.

According to IFRS foundation (2017), IFRSs generally contain 17standard principles (see table 1) and accompanying application guidance, both of which are mandatory and carry equal weight. Some Standards also include illustrative examples or implementation guidance, neither of which is part of IFRSs. Each Standard and Interpretation has a basis for conclusions that explains the IASB's reasons for developing the particular requirements.

Table 1: International Financial Reporting Standards (IFRS)principles

IFRS	Purpose	Year issue or amendment
IFRS 1	First-time Adoption of IFRS	2003
IFRS 2	Share-based Payment	2004
IFRS 3	Business Combinations	2004
IFRS 4	Insurance Contracts	2004
IFRS 5	Non-current Assets held for Sale and Discontinued options	2004
IFRS 6	Exploration for and Evaluation of Mineral Resources	2006
IFRS 7	Financial Instruments: Disclosures	2005
IFRS 8	Operating Segments	2006
IFRS 9	Financial Instruments	2014
IFRS 10	Consolidated Financial Statements	2011
IFRS 11	Joint Arrangements	2011
IFRS 12	Disclosure of Interests in Other Entities	2011
IFRS 13	Fair Value Measurement	2011
IFRS 14	Regulatory Deferral Accounts	2014
IFRS 15	Revenue from Contracts with Customers	2014
IFRS 16	Leases	2016
IFRS 17	Insurance Contracts	2017

Source: IFRS foundation (2017).

2.2.2. Criteria for implementing IFRS

Experis Finance & Accounting (2008) consider the following criteria to assess countries/companies readiness to implement IFRS:

1. Tone at the top set by senior management

Helping top executives understand the operational and decision-making value of implementing IFRS will ensure that appropriate resources are available for the transition effort.

2. Well-documented policies and procedures

If companies have good policies and procedures in place, the amount of restructuring and consolidation work to implement IFRS will be significantly reduced. Good policies and procedures are the foundation for assessing the impact of IFRS on the organization and gaining efficiencies from the globalization of the finance function.

3. Existence of skilled IFRS resources

Many multinational companies will have these skill sets in their entities outside of the U.S. Putting in place programs to leverage that experience, for example, rotating employees to roles inside the U.S. for a period of time could benefit both the individual and the company, while reducing the overall implementation cost by reducing dependence on outside resources. This experience will be a key to completing the initial financial statement impact assessment to determine how quickly the organization needs to begin preparing to file under IFRS.

4. Existence of IFRS knowledge in key line and operational positions outside of finance

One risk is that companies focus on training finance personnel on IFRS while business managers are untrained and unable to understand their internal reporting results. Companies should identify the extent to which financial information is distributed within the enterprise and articulate a strategy for preparing key stakeholders to use the financial information.

5. Existence of other key skilled resources

The implementation will require a broad range of skills project management, process management, information technology, tax, internal controls, etc. It is wise to pull teams together during the assessment phase to cover the breadth of issues faced.

6. Organizational capacity for making accounting judgments

These restrictions also apply to the more principle-based IFRS. Companies must either hire staff or partner with a professional services firm that can bring the depth of experience to make and support critical accounting decisions and execute the overall initiative. Locking in those relationships early may prevent resource shortages, audit issues and material weaknesses later.

7. Centralization of operations and complexity of organization

Companies with centralized finance and control functions that have begun implementing common accounting systems and processes will be substantially ahead of the curve. They will be able to reap the benefits of a faster implementation of IFRS, leveraging the standards to institutionalize this approach further.

According to IFRS Foundation(2013, p. 5 cited in Teferi and Pasricha, 2016) in its adoption guide, adopting IFRS is like starting a family as it requires careful planning, commitment and complete understanding of its implications. There are three steps that new adopters of IFRS should pass through before adopting it (IFRS foundation, 2017). The first step is making policy decisions through building consensus among concerned stakeholders. The second is preparing a plan by building in targets and deadlines, and making them public and helps to identify obstacles that must be overcome. Finally, identifying the resources that we have on hand and what we need to implement the new standard such as availability of local professionals at company and national level, finance for capacity building, and source of finance, materials and technical supports (Teferi and Pasricha, 2016).

2.2.3. Benefits of IFRS

The world's financial markets are borderless. Companies (including small companies) seek capital at the best price wherever it is available. Investors and lenders seek investment opportunities wherever they can get the best returns commensurate with the risks involved. To assess the risks and returns of their various investment opportunities, investors and lenders need financial information that is relevant, reliable and comparable across borders (IFRS foundation, 2017). Usman (2013) stated that the adoption of a high quality set of accounting standards will improve accounting information and also facilitate trade and other investment opportunities and in turn, foster comparability, transparency and reduce information asymmetries across countries. According to Deloitte (2011a), implementation of high-quality financial reporting standards is challenging, when planned and managed properly, the conversion can bring about substantial improvements in the performance of the finance function, streamline the statutory financial reporting process globally, enhance controls, and reduce costs, as it affords standardized and improved accounting and financial, reporting policies intensified efficiency in the use and availability of resources, enhanced controls and improved cash management (Nobes, 2006).BPM partners (2008) described IFRS as a significant because it is considerably more than a reporting change. It is a performance measurement system that differs from GAAP in several respects. Besides, the differences impact affect fair valuations, capital allocation, leasing, segment reporting, revenue recognition, impairment reviews, deferred taxation, cash flows, dividend payments, disclosures, borrowing arrangements and banking covenants.

The adoption of IFRSs would provide the multiple benefits to Small and Micro enterprises/entities (SMEs) as described in (IASB, 2007; Fikru, 2012 and Yitayew, 2016) like improving the comparability of financial information of SMEs (Small and Micro entities) at either national or international levels and make easier to implement planned cross-border acquisitions and to initiate proposed partnerships or cooperation agreements with foreign entities. This also includes helping SMEs to reach international markets, have a positive effect on the credit rating scores of enterprises; these will strength SMEs‟ relationships with credit institutions and enhance the financial health of the SMEs (Gyasi, 2010).

According to Atu et al (2016), despite challenges of adopting IFRS in developing and less developing countries, IFRS has some benefits and they are:

1. Attraction of investment and financial support credible financial information.

This makes investment decisions efficient; crucially depend on the qualitative and quantitative characteristics of information including relevance, reliability, comparability, understandability and full disclosure of underlying accounting policies (Atu et al, 2016). As companies, seek investment opportunities in other countries or within the country, their figures must tell the real comparative story through time, across industries and jurisdictions to attract the right investment and financial support. Thus, except the goal of credible financial reporting is pursued conscientiously such that no doubts exist about the quality of the financial statements produced by companies in Nigeria, a price will inevitably be paid. As Harteneck (1997) observed, in countries where "doubt exist as to the quality, consistency or transparency of their rules, a price must be paid for the shortcomings namely lower market values for their shares and/or higher interest rates for their financing. The cost of raising funds also depend significantly on the quality of information available to potential and existing investors as well as the basis of accounting policies applied. Indeed, lack of knowledge of the basis of accounting implies higher risks and higher costs of raising funds. Accordingly, the cost of raising funds will be much lower with IFRS statements. Indeed, the use of IFRS will facilitate greater acceptability of financial reports by regulators and this can enhance secondary listings of companies in global stock markets. Inevitably, local stock exchange will become busier and more active as entities with IFRS-based financial reports continue to attract FDIs.

2. Bridge Communication gap with Stakeholders

Accounting and financial information users are numerous so also are their needs different. Therefore, financial information must be presented in a language that communicates effectively with the various users. IFRS, given its global appeal, enhances this communication with greater stakeholders. No conversion is required as the language of preparation is internationally understood by current and potential investors. Okpala (2012) in his research concluded that the adoption of IFRS will increased the level of confidence of global investors and investment analysts in the financial statements of companies in Nigeria. For the multinational companies, it will help them to fulfill the disclosure requirement for stock exchanges around the world (Armstrong et al, 2007; Covrig et al, 2007 and Notes, 2006).

3. Attraction of More Foreign Direct Investments (FDIs)

With more reliable and credible financial statements, the propensity to attract foreign direct investments will increase as the nation's risk profile would be known and predictable. In other words, investors are attracted to environments where the rewards are high relatively to risks. Availability of reliable information contributes to the lowering of this risk (Abel, 2011). This view is in consonance with Okpala (2012) who found out that there is a significant relationship between IFRS adoption by companies and FDI in Nigeria which in turn will improve the economy.

4. Uniformity in Accounting Language

Adoption of IFRS will lead to uniformity in accounting language across the globe which is a pre requites for the globalization of business, finance and investment with primary objective of eliminating the unnecessary complexity that exists with multiple reporting languages. As it is common knowledge, there exist differences in the classifications of financial information, levels of disclosure and accounting concepts between countries. Abel (2011) claimed that accounting terminologies can easily confuse the uninitiated owing to differences in business language. In supporting his view gave an instance on the word stock which, in most North American countries, refers to share ownership, whereas, in the commonwealth countries, the word stock is typically associated with merchandise inventory. The closest word to current in Japanese language is said to be present. While these two words (i.e. current and present) may appear to convey the same meaning, such may not be the case if used in terms of asset valuation in the preparation of financial statements. While current value is about discounted cash flow measures. In this sense, unsold stock may convey under-subscribed floatation. In commonwealth countries, this will refer to unsold inventory of finished goods. Whereas, the time frame distinguishing a current and non-current liability is typically a year in the US and in IFAC standards, the cut-off point is commonly four years in Germany.

Other benefits include the lower susceptibility to political pressures than national standards, continuation of local implementation guidance for local circumstances and the tendency for accounting standards to be raised to the highest possible quality level throughout the world. (Alfred son et al, 2004). Irvine & Lucas (2006) stated that some of the benefits attributed to IFRS are greater efficiency in the allocation of resources, improved and more comparable financial reporting, and a decrease in the opportunities for earnings management expression.

Finally, Yitayew (2016) also described direct and indirect IFRS benefits for investors in Ethiopia. The direct benefits include providing more accurate, comprehensive and timely financial statement information, improving financial reporting quality allows small investors to compete better with professionals, eliminates many of the adjustments of errors made by other systems, reduction in the financial information processing and reduces the costs of financial information processing to investors. Besides, it has indirect benefits for investors for which higher information quality should reduce both the risk to all investors from owning shares and the risk to less informed investors, and improvement in the usefulness of financial statement information in contracting between firms and a variety of stakeholders, notably lenders and managers.

2.2.4. Factors Affecting IFRS Adoption

The Trustees for IFRS foundation (2012) recognized that the adoption of IFRS Standards is a voluntary public-interest decision by the legislative and regulatory authorities in individual jurisdictions. Neither the IFRS Foundation nor the Board has the authority to mandate or supervise adoption. Countries need to establish their own mechanisms for bringing IFRS Standards 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 Standards as issued by the Board. Hence, adoption of International Financial Reporting Standards is becoming trend among countries because of the wide array of advantages it provides for countries and multinational companies (Fikru, 2012, Nobes, 2011 and Abulgasem, 2014).

Several researchers like Zeghal and Mhedhbi (2006), Gyasi (2010) and Abulgasem (2014) argued that international accounting harmonization is beneficial for developing countries because it provides them with better-prepared standards as well as the best quality accounting framework and principles. The apprehension of harmonization of accounting standards and convergence with IFRS are due to the globalization of capital markets (Yitayew, 2016). Mathews & Perera (1996) defined harmonization as the reconciliation of different accounting and financial reporting systems by fitting them into common broad classifications, so that form becomes standard while content retains significant differences. Adversaries of accounting harmonization also argue that because of different environmental influences, differences in accounting might be appropriate and necessary (Fikru, 2012). On the other hand, Yitayew (2016) defined convergence as the process of converging or bringing together international standards issued by IASB and existing standards issued by national standard setters with the goal of revealing alternatives in accounting for economic transactions and events. A comprehensive review of nearly 100 academic studies of the benefits of IFRS Standards concluded that most of the studies 'provide evidence that IFRS Standards have improved efficiency of capital market operations and promoted cross-border investment'(Trustee for IFRS foundation, 2012).

Accounting researchers (Irvine and Lucas, 2006; Gyasi, 2010) have investigated the influences of several environmental issues on implementation of IFRS. These studies identified several factors, such as availability of capital market and degree of external economic openness, economic and political influences, legal systems, taxation, culture, and accounting education and training system that seem to affect the adoption of IFRS in emerging countries. For example, Gyasi (2010) and Abulgasem (2014) indicated some challenges that facing the adoption of IFRS in developing countries including some standards are new and unfamiliar to the local staff, several training must be done to ensure that these accountants are adept with handling these new standards. This invariably leads to increase in the cost of training. Also, the services of consultants must be purchased so as to complete fulfillment with the new standards adopted which also increases the consultancy cost immensely. Some standards also do not meet the accounting and financial requirements of the developing countries, and the variances in local regulations as one major challenge to the compliance to IFRS in developing countries.

According to Iyoha and Faboyede (2011), the adoption of International Financial Reporting Standards is largely determined by a number of factors which include among others professional support with IFRS experience and self-enforcement by companies. Zeghal and Mhedhbi (2006, p. 356) considered the factors affecting the choice of accounting systems could be internal as well as external. These 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 disrepute of the accounting profession, the development of financial market, sources of investment and financing, and the predominant culture and language.

To answer the question of the study that could affect the adoption of IFRS by Ethiopian commercial banks, factors such as government policy, economic structure, company size, capital market, relationship between professional institutions, leadership and commitment and educational level were considered responsible for a model shift in the accounting practices of the commercial banks in Ethiopia.

2.2.5. The Opportunities of IFRS

According to Experis finance and accounting (2008), the transition to IFRS can be thought of as a set of staged activities that place a company in the position to take advantage of improvements sooner and minimize negative financial factors later. This allows companies to match financial reporting and financial market benefits to a company's readiness to implement (Masoud, 2014). In addition, moving down the IFRS pathway enables entities to begin building a solid foundation for a global finance function. According to Experis finance and accounting (2008), the prospects on the adoption of IFRS include the following;

1. **The impact on financial statement**

Companies should begin with a series of assessments – the impact on the financial statements, organizational readiness, policy consistency, etc. Based on that information, they can devise plans to train staff; develop and implement global policies, procedures and processes; and convert specific entities before making a final transition to IFRS for SEC reporting. Companies can begin to rationalize processes that lay the groundwork for the ultimate transition to IFRS, converting when they are fully prepared and mandated for their organization. More importantly, preparing and transitioning to IFRS provides the opportunity for multinational companies to implement a truly global finance function.

2. The impact on financial results

The impact of IFRS on financial results must be reviewed on a company-by-company basis. Given that the United States has industry-specific carve-outs to core GAAP principles, accounting effects will be driven by specific accounting treatments in specific industries (Experis finance and accounting, 2008). This transition to IFRS will affect the balance sheet and earnings, companies should include related debt agreements, financing arrangements and compensation plans in their assessments (Masoud, 2014). Contracts and other arrangements should be reviewed, and in some cases modified, to avoid negative operational and cash flow effects. In extreme cases, companies may consider changes to reporting structure and legal unit to either relax transactions and structures that received favorable treatment under U.S. GAAP or take advantage of reporting under IFRS. Understanding the influence on a company's books and compliance efforts will partially determine when a company needs to start this work (Teferi and Pasricha, 2016). This understanding will also enable companies to begin to alter current transactions new financing arrangements, acquisitions, contracts, etc. to position themselves more favorably once IFRS is instructed (Nobes and Parkers, 2010 and BPM partners, 2008).

3. The effect on financial processes, policies and controls

According to Experis Finance and Accounting (2008), a transition to IFRS will affect the final financial results, particularly in the transition year, the benefits to profitability and market comparability will quickly be priced into market valuations. The main objective of reducing accounting diversity through convergence is to ensure that all companies across the globe follow a single set of accounting standards with the increased globalization in the international markets, international trade, cross border financial transactions and investment opportunities. This led to the adoption of IFRS as a basis for preparing, disclosing and presenting accounting reports across national boundaries (Yitayew, 2016). Longer-term, a transition to IFRS has the potential to enable companies to make improvements to the internal financial reporting processes and information flow (BPM partners, 2008).

Masoud (2014) states that companies should examine the differences between policies and controls in its various locations and consider global standardization for policies related to recognition, measurement, presentation and disclosures. Standardization will increase the flexibility of resources and the sharing of deep technical expertise allowing individuals or work to cross borders. In addition, as IFRS continues its global progression, a truly global market for accounting skills will emerge. By accepting IFRS, companies will reduce the variety of skills required in the accounting function. In addition to sharing resources, global policies and procedures make comparing results across the company far easier. This allows management to gain greater insight into how each unit is operating and compare it to others. This comparability allows senior management to identify leading practices that could be shared or risks that require additional attention. In addition, reporting internal metrics should be simplified, since financial data will be consistent across the company. Teferi and Pasricha (2016) identified the adoption of IFRS in Ethiopia like high commitment from the government, avoid current problems, enhance comparability and foreign direct investment, easy access to finance and help to establish legal backing accounting and auditing system.

Applying IFRS will increase companies' flexibility to purchase or sell business units and entities (IFRS foundation, 2017). Once all authorities are using IFRS, it will be easier to complete due diligence regarding a specific entity and integrate the new entity as its accounting policies and procedures will already be fairly aligned (Deloitte, 2011b). According to Usman (2013), the conversion to IFRS is certainly an extraordinary task and thus a major challenge which requires a great deal of decisiveness and commitment. Business entities should view the conversion to IFRS as a challenge and also an opportunity to standardize their financial reporting process and to align it with global best practices given the enormous benefits to be derived from adopting the standards (Iyohaand Jimoh, 2011).

2.2.6. Risks of implementing IFRS

As with any effort of IFRS nature, companies need to assess their implementation risks. And no plan is complete unless key risks are identified, alleviated and monitored. IFRS has not been implemented uniformly country to country. Jurisdictional implementations of IFRS could minimize the advantages of comparability provided by a global standard and require country-specific adaptations to global policies and processes (Deloitte, 2011b). Companies should evaluate the jurisdictional implications for each operating location and consider how to address any country-specific statutory variations (Deloitte, 2011a). Establishing an overall global standard with a planned approach to addressing these disparities should address different risks (Winney et al, 2011).

U.S. GAAP has evolved with specific rule-based guidance added to clarify and enhance the overarching standards (BPM Partners, 2008). IFRS does not contain this level of detail making the determination of appropriate accounting interpretations difficult. One concern is that U.S. standard setters would apply many of the existing industry GAAP rules to the U.S. IFRS implementation, reducing the advantages of moving to a principles-based set of standards and increasing the likelihood of unclear accounting rules that increase the effort to reach appropriate conclusions (Nobes, 2011 and Winney et al, 2011). Companies will have to implement a vigorous process for evaluating accounting judgments and rising key decisions, along with establishing a mechanism to monitor the development of industry-specific accounting treatments over time (Nobes and Parker, 2010; Fikru, 2012 and Yitayew, 2016).

The U.S. accounting industry will need to launch a national program to train and prepare auditors and regulators to implement the new standards (Nobes and Zeff, 2008). This would likely include updating SEC rules and guidance to reflect IFRS; preparing the Public Company Accounting Oversight Board (PCAOB) staff members for inspections using international standards; updating state certification exams; and the implementation of new curriculum at universities (Nnadi, 2012). Depending on the rate of implementation of IFRS in the U.S., well-prepared issuers may have a deeper knowledge of IFRS when compared to external audit staff and regulators (Masoud, 2014). Building a healthy process for establishing and documenting accounting approaches will support issuers faced with inexperienced auditors or overly aggressive regulators (Yitayew, 2016 andNnadi, 2012).

2.2.7. Challenges of IFRS Adoption

The main constraining factors in the adoption process of IFRS in Europe, America and the rest of the world are not necessarily technical but cultural issues, mental models, legal impediments, educational needs and political influences (Nobes, 2011).

The challenges of IFRS adoption include the regulatory requirements to amend the existing tax laws of a country in line with the requirements of new standards, level of education and experience, level of awareness, inadequate technical capacity, implementation costs, weak enforcement and compliance mechanisms (Usman, 2013). Usman (2013) also described that the challenges and difficulties of IFRS like low level of awareness, inadequate technical capacity among preparers and users of financial statements, weak enforcement mechanism, and inadequate capacity building etc., hampered the smooth implementation of IFRS.

Fikru (2012) identified the main challenges in the process of adopting IFRS in Ethiopia like 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. He added that other key challenges include increased volatility of earnings, tax driven nature of previous standards and problem with IFRS‟s use of fair value accounting. IFRS's 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.

Schachler et al(2012); Laga (2012) and Masoud (2014) in their researches harassed that implementation of IFRS in Libya will be difficult due to the various challenges such implementation will face such as lack of technical skills and inadequate know ledge of Libyan professional accountants, the difficulty to develop its existing accounting systems, and a regulatory framework to cope with economic and social development, recent evolution in accounting profession including international financial reporting standards application, and inadequate education and training of accountants. Mohamed (2014) added in his research on the challenges of international financial reporting standards (IFRS) adoption in Libya concluded that weakness of professional accountancy body, lacks of an independent oversight body, inconsistency of existing laws and regulatory frameworks of accounting with recent development of accounting profession, economic growth, lacks technical skills and inadequate knowledge of professional accountants and weak accounting education all pretenses a challenge to the implementation of IFRS in Libya.

Abdulkadir (2012) identified the challenges in Nigerian IFRS adoption like poor enlightenment campaign, shortage of manpower for IFRS implementation, associated problems in higher institutions, lack of training resources, the tax implication, another problem inherent with the adoption of IFRS is the universal tendency to resist change (NASB, 2010). Gambari (2010) stated that the successful adoption of IFRS involves assessing technical accounting, tax implications, internal processes, and statutory reporting, technology infrastructure, and organizational issues. Adejoh & Hasnah (2014) also identified IFRS implementation pose's major challenges for tax practice in Nigeria. For example, capital expenditure incurred is not tax deductible under Company Income Tax Act (CITA) in lieu of this CITA grant capital allowances to deserving tax payers which in some cases may be higher than depreciation expenses instead, IFRS decide to set down a tax depreciation rate for repair of plant and machineries. This will significantly affect the income statement and statement of financial position as there will be increase in net worth and increase in profit which may not be the true state of the financial statement.

The adoption and implementation of IFRS standards should not be a rushed decision because of the intimidating effects it could have on the economy. Many developing countries reasons for adopting IASs in full or part is for them to be accepted in the international community and to prevent the problems that arise where there is a limited resource in terms of human, technical, logistics or otherwise to prepare national standards (Ball et al, 2003) and also with network effects of adopting IFRS (Odia & Ogeido, 2013). These reasons, however, should not form basis for major decisions because what good will a financial statement be if being reported under the IFRS standard becomes irrelevant, untimely, costly, incomprehensive, unreliable, does not give faithful representation to the stakeholders. Therefore, developing countries should follow international harmonization of these accounting standards as far it does not hinder on the local accounting needs, laws and regulations (Teferi and Pasricha, 2016). Also one of the main objectives for proposing the IFRS is to achieve a globalized capital market whereas most developing countries, Nigeria inclusive possesses weaker or no capital, then surely adopting these standards can be disastrous to some degree (Ayuba, 2012).

Teferi and Pasricha (2016) also identified the challenges of adopting the IFRS in Ethiopia for Auditors firms and preparers like IFRS knowledge gap, shortage of qualified professionals, resistance to change, management knowledge gap, costs, and absence of professional institutions and emergence of unfair competition among professionals. Besides, they added that the challenges for newly established board for the adoption of IFRS include the board structure, work overload of member of board directors, lack of experience in setting standards, resistance from preparers and Auditors, and employees' turnover.

2.3. Empirical Evidences on the Adoption of IFRS

Ball (2006) stated that there are cultural, language, regulatory and accounting profession challenges as well as demands for greater accountability and wider political participation and acceptance of necessary political reforms faced by countries in adopting IFRS. In fact acceptance globalization and adopting IFRS has challenges as it makes necessary reforms to a country's regulatory, legal and economic structures and adaption of its culture to the West. Ball went further to explain that there will be need for training and education for investors, accountants, auditors, preparers and users of financial reports, development of IFRS curricula at the university and other level, adjustment of the accounting training and education to slot in IFRS, the legal system must be conversant with the new IFRS standards as it applies to tax issues and other applications of laws all these recommendations involves cost which is also a challenge.

Experis Finance & Accounting (2008) conduct a research on implementation of IFRS. They found that starting to prepare for an orderly and staged approach to IFRS allows companies to take advantage of the time available and avoid a Sarbanes-Oxley (SOX) like fire drill. Most accelerated filers' completed their initial-year SOX efforts with a "just do it" mentality that left companies cleaning up messes and streamlining processes in ensuing years. The current IFRS timeline offers companies the opportunity to begin the journey toward IFRS differently allowing them to control the timelines, resources and decision making, and avoiding the "under-the-gun" efforts that made SOX such a negative experience (Dulitz, 2009). Companies should begin with a series of assessments to determine the impact to financial statements, organizational readiness, policy consistency, etc. (Masoud, 2014). Based on those assessment results, they can lay out a plan to train staff, develop and implement global policies, procedures and processes, and convert the systems of specific entities before making a final transition to IFRS (Nobes and Zeff, 2008). Moreover, as companies initiate their analysis of the effects of IFRS, it is important to consider not only what the financial statements will look like, but also how IFRS affects the infrastructure used to obtain those financial statements. The movement toward IFRS provides visionary finance leaders with a reason to re-examine and simplify accounting policies, processes and technologies across the enterprise. Companies can influence IFRS to build a truly efficient and flexible accounting infrastructure that streamlines cost, leverages global strengths and enhances enterprise wide decision making (Nobes and Parkers, 2010 and Dulitz, 2009).

According to Experis Finance & Accounting (2008) and Nobes and Parkers(2010), transition to IFRS provides companies with the opportunity to establish a global finance function with streamlined operations, polices, processes and controls; consolidated technology; optimized resources; and improved decision support capabilities. The key is for companies to use the IFRS timeline to make their evaluations and turn IFRS into a true opportunity rather than waiting for a nightmare to unfold (Deloitte, 2011a). The transition to IFRS can be thought of as a set of staged activities that place a company in the position to take advantage of improvements sooner and minimize negative financial factors later. This enables companies to match financial reporting and financial market benefits to a company's readiness to implement. In addition, moving down the IFRS pathway enables entities to begin building a basic foundation for a global finance function (Masoud, 2014).

According Nobes (2011), there are many opportunities for IFRS practices to differ from company to company or from country to country. For example, different versions of IFRS arise because most countries introduce delays or changes when implementing IFRS; in addition, there are options within IFRS. For several reasons, it can be expected that a company will continue with many of its previous accounting policy choices when it first adopts IFRS. This report lists 13 policy choices and makes predictions about which choices would be made under IFRS in five countries: Australia, France, Germany, Spain and the United Kingdom. The actual policy choices made by large listed companies in these five countries for 2005 are then recorded. There is statistically strong evidence that pre-IFRS national practices have continued. The national patterns of IFRS practice are set out in order to help users, preparers and auditors to appreciate the differences and to compare annual reports. Finally, he concluded that the matter of the choice of IFRS options by companies and researchers could extend the study to more countries, later years and smaller companies. There might also be ways of studying less obvious variations in

IFRS practice such as impairment calculations. Other empirical studies look at the effects of moving from national GAAP to IFRS. Some of these look at ‘value relevance’, that is whether IFRS accounting numbers are more closely related than national GAAP to share price movements (Nobes, 2011). The evidence from Nobes and Parker(2010) suggests that there is not much difference between US GAAP and IFRS for this purpose, but that IFRS is more value pertinent than, for example, German GAAP.

A study of the IFRS policies of the same companies in 2008 reveals few policy changes, and therefore indicates the persistence of national patterns (Nobes and Zeff, 2008). One major change between 2005 and 2008 was the move by Continental European companies to the ‘Anglo-Saxon’ policy of treating actuarial gains and losses as other comprehensive income (and, therefore, having to present a statement showing such income) (Nobes and Zeff, 2008).The previously discussed two-group classification of pre-IFRS accounting systems was still statistically obvious when looking at the 2005 policy choices. This classification was also apparent in the amount of policy change over the period from 2005 to 2008, with the Continental companies making more changes. Another factor that might affect IFRS policy choices was investigated: size (Nobes, 2011). Taking Germany as an example, small listed companies choose significantly different IFRS policies from the largest companies. The above findings on national patterns and on country groups for larger companies would probably be even clearer for smaller companies (that is for most companies).

Fikru (2012) conduct a study on the factors affecting adoption, benefits and challenges of IFRS in Ethiopia based on the mixed research approach (both quantitative and qualitative) on 21 selected companies. The objective of the study was to examine the factors affecting the adoption of IFRS on the selected companies using probability random sampling method. This empirical study has been conducted to critically examine the factors that could influence the adoption of IFRS in Ethiopia. Adoption of IFRS has also the benefit of more transparent financial statements to companies which in turn reduce the agency problem between management and shareholders as increased transparency causes managers to act more in the interests of the shareholders, reduce cost of capital of firms through lower cost of information, reduction in bad earnings management, greater marketability of shares, and reduced information asymmetry, Investors will benefit, amongst others, more confidence in the information presented in financial statements which they can understand and use. The Pearson correlation and multiple linear regression result revealed that variables including capital market, professional bodies, education level, and company size have significant effect on the adoption of IFRS in Ethiopia. The study also found statistically insignificant relationship between government policy and adoption of IFRS in Ethiopia. Finally, he recommended that it is essential that the government should support adoption of IFRS. Moreover, the government should also open training for accountants about IFRS and encourage its adoption as adoption of IFRS could attract foreign direct investment, which in turn may lead to economic growth.

Usman (2013) conduct a research on assessing Nigeria's Journey towards IFRS Adoption. The objective of this study is to assess the achievements recorded so far, challenges being encountered, and measure taken in order to ensure a smooth and successful implementation of the three phases of IFRS implementation in Nigeria. Based on aforesaid, the researcher was able to access the level of implementation of the initial phase which is targeted on Banks and Other significant public listed Entities who are expected to render their 2012 financial report using IFRS framework, likewise their level of preparedness and compliance as well. Findings from the study reveals that most publicly quoted companies listed on the Nigerian stock exchange (NSE) were still far behind in their implementation drive. This delay is attributed to several factors which ranges from challenge of amending the existing tax laws to effect the changes in line with the new standards, the level of education and experience, level of awareness, weak enforcement and compliance mechanism, inadequate technical capacity, improper planning on the part of management as well as inadequate private sector participation. Consequently, the researcher suggest some counter measure to forestall these challenges which includes the need to engage more private sector participants in the roadmap implementation committee, the need to offer some kind of incentives to business entities to reduce their initial implementation costs, a different and holistic approach to creating awareness among the relevant stakeholders, the need to intensify efforts in training and building staff capacity, the IT issues, the need to integrate IFRS syllabus in the curriculum of higher institutions as well as the essence of early preparation and adequate planning by companies for the implementation of IFRS.

Nnadi (2012) conduct a research on the influence of IFRS on African British colonies in Ghana, Kenya, Nigeria, Zambia, Sierra Leone, Zambia, Switzerland, South Africa and Uganda. The objective of the study was to examine the British influence on the IFRS adoption in their former African colonies, in comparison to other European colonizers. He found that most former British colonies of Africa seem to follow their colonial ruler in adopting the IFRS, a trend that shows the subtle influence of Anglo-imperialism in the region through the system of financial accounting reporting. The Franco-German block has lesser influence on their former colonial countries and hence, the low IFRS adoption rate in the block.

Gyasi (2010) conduct a research on the Adoption of IFRS in developing countries in particular in Ghana. The objective of the study was to analyze how developing countries and in particular Ghana adopted the International Financial Reporting Standards. He found that external environments such as legal and education that affect the adoption of International Financial Reporting Standards in developing countries.

Irvine and Lucas (2006) conduct a study on the challenges facing on the adoption IFRS in the United Arab Emirates (UAE). The objective of the study was to analyze the challenges facing adoption IFRS in the UAE. Their findings suggest that the UAE, in embracing globalization and adopting IFRS, will need to develop appropriate regulatory systems to overcome cultural issues relating to secrecy and fraud.

Hibbard (2012) conduct a study on the adoption of International Financial Reporting Standards (IFRS) in the United States, European Union and New Zealand. The objective of the study was to examine the adoption of International Financial Reporting Standards (IFRS) in the United States, European Union, and New Zealand. His findings highlighted the strengths and weaknesses of IFRS adoption and suggested ways to improve the convergence process in the future.

Tammenpää (2011) conducted a research on an exploratory framework for implementing IFRS standard changes: Case Financial Statement Presentation in Aalto University found that the exploration of the variables through quantitative analysis might bring new revelations regarding the role of IFRS standards and especially their change within companies. A number of very practical questions arise from the theoretical view of finding variables that affect the implementation process. To support the development of the framework, a list of variables has also been found to affect the outcome or “success” of the implementation process through in-depth interviews in one case company and the validating interviews of five IFRS experts with a long background in IFRS standard change implementation. Due to the fact that there has been little research on IFRS standard changes and no implementation process frameworks developed in this theoretical way found in mainstream research, the results of the research paper can be said to be seminal if they are supported by further literature. The main strengths of a case research method include the ability to probe deeply into case examples and attain a profound understanding of the phenomenon at hand. That has been done with the approach in this exploratory research paper of using one case company as a basis for analysis and the validating comments of IFRS experts. For purposes of further research, the framework could be used in larger case studies seeking external validation of the framework to the current IFRS standard change implementation processes in companies reporting under IFRS. Alternatively the framework could be a starting point for research into the specific process steps of the framework with different sized companies, different standard change examples and different countries. The possibilities for validating the IFRS Standard Change Implementation Process (ISCIP) framework in an IFRS standard change context are endless, as so little research exists in the time after companies have already adopted IFRS and the dust has settled. Finally, he recommended that through further research this field of study can grow into results that help companies, accounting standard setting bodies and other stakeholders in the external reporting community to understand IFRS standards and their role better.

Hossen (2014) also claimed that for IFRS to be fully operational in Bangladesh, a strong accounting institutional framework must be placed to manage the changes of IFRS, legal systems should be well developed to aid swift implementation the IFRS. He added government need to establish an independent oversight body like the Financial Reporting Council (FRC) that will be responsible for setting accounting and auditing standards, monitoring compliance with accounting standards, reviewing auditors' practice and reviewing reporting practices and enforcing sanctions for violations and also better educational training for students and regular training for practitioners.

IFRS foundation (2017) on its pocket guide to IFRS Standards stated that out of the 150 jurisdictions, 126 (84% of those profiled) require IFRS Standards for all or most domestic publicly accountable entities (listed companies and financial institutions) in their capital markets.

Of the remaining 24 jurisdictions that have not adopted IFRS Standards; twelve jurisdictions permit, instead of require, IFRS Standards— Bermuda, the Cayman Islands, Guatemala, Honduras, Japan, Madagascar, Nicaragua, Panama, Paraguay, Suriname, Switzerland and Timor-Leste. One jurisdiction requires IFRS Standards only for financial institutions: Uzbekistan. One jurisdiction is in the process of adopting IFRS Standards in full but, for now, still has some differences—Thailand. One jurisdiction is in process of converting its national standards substantially (but not entirely) with IFRS Standards—Indonesia; and nine jurisdictions use national or regional standards—Bolivia, China, Egypt, Guinea-Bissau, India, Macao, Niger, the United States and Vietnam. The 126 jurisdictions classified as requiring IFRS Standards for all or most domestic publicly accountable entities include the EU member states to which the IAS 39 Financial Instruments—Recognition and Measurement 'carve-out' applies. The carve-out affects fewer than two dozen banks out of the 8,000 IFRS companies whose securities trade on a regulated market in Europe. The 126 also include several jurisdictions that have adopted IFRS Standards nearly word-for-word as their national accounting standards (including Australia, Hong Kong, South Korea and New Zealand); three jurisdictions that have adopted recent, but not the latest, bound volumes of IFRS Standards—Macedonia (2009), Myanmar (2010), and Venezuela (2008). Accordingly, those jurisdictions are working to update their adoption to the current version of IFRS Standards. The 126 profiles include all 31 member states of the European Union and the European Economic area, in which IFRS Standards are, required for all European companies whose securities trade in a regulated market.

Furthermore, IFRS foundation (2017) on its guide found that 93% (140 of 150 jurisdictions) have made a public commitment to IFRS Standards as the single set of global accounting standards.84% (126 of 150 jurisdictions) already require the use of IFRS Standards by all or most domestic public companies, with most of the remaining jurisdictions permitting their use.27,000 of the 49,000 companies listed on the 88 largest securities exchanges in the world use IFRS Standards. 90% of the companies that don't use IFRS Standards are in China, India, Japan and the United States.$27 trillion non-European Union while, the European Union remains the single biggest jurisdiction using IFRS Standards, the combined GDP of jurisdictions outside the EU using IFRS Standards ($27 trillion) is now greater than that of the EU itself ($19 trillion).57% is in less than eight years since its publication, the IFRS for SMEs Standard is required or permitted in 57 per cent, or 85 of 150 profiled jurisdictions while a further 11 jurisdictions are considering doing so.

2.4. Conceptual Frame Work

This frame work shows the relationship between the dependent variable (adoption of IFRS in commercial banks) and the independent variables (factors affecting the adoption of IFRS such as size of the company, leadership and commitment, capital market, relationship with the professional institutions/bodies, government policy, economic structure and educational level). Based on this relationship, the theoretical frame work will be as shown below:

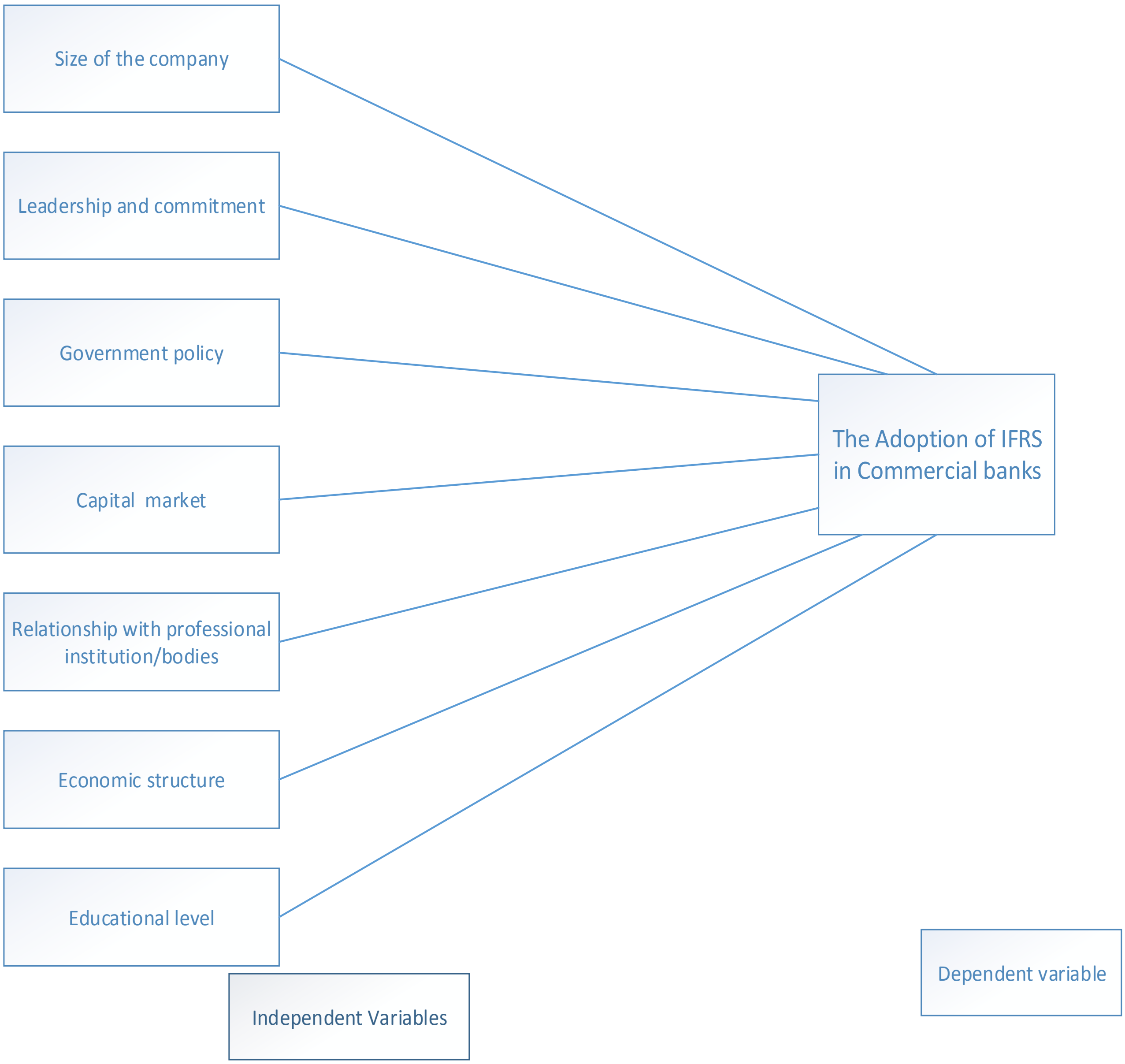

Figure 1: The conceptual framework

Sources: Sharif, H. P. (2010)and Fikru, F.T. (2012)(with modifications to apply in banking sector).

IFRS Adoption in commercial banks(Dependent variable)

International Financial Reporting Standards (IFRS) are standards for reporting financial results and are applicable to general purpose financial statements and other financial reporting of all profit oriented entities (Fikru, 2012 and Yitayew, 2016).

Factors affecting Adoption of IFRS in commercial banks (independent variables)

1. **Size of the company**

Company size is referred to as everything the company has in terms of asset and liquidity (Fikru, 2012).Russell et al (2008 as cited in Sharif, 2010, p. 29) found that company size has significant role towards adoption of IFRS.

2. **Leadership and commitment**

Leader ship is the action of leading the group of people or an organization or an ability to do like this. It is both a research area and a practical skill encompassing the ability of an individual or organization to lead or guide other individuals, teams or entire organizations. On the other hand, commitment is the act of committing, pledging or engaging one- self a pledge or promise or obligation. It is a promise or personal commitment to do some duty. Thus, the two import concepts affect the adoption of IFRS in Commercial banks for which the better leadership and eagerness to commitment leads to implement and adopt the IFRS faster than else to apply in the financial reporting of the company.

3. **Government policy**

According to Sharif (2010), government policy affects the adoption or non-adoption of IFRS in developing countries. There is an indication that after establishing communistic economies, the government of these countries reviewed and redefined the role of accounting under the political and economic system (Fikru, 2012).

4. **Capital market**

Among the factors renowned to be manipulating the adoption of IAS in developing countries, availability of capital market is singled out as very persuasive factor (Zeghal and Mhedhbi, 2006). According to Al- Shammari et al (2008) and Fikru (2012), the growth and opening of capital markets in a developing countries place pressure on government to adopt IFRS expecting that adoption would meet demands by local and international investors for more detailed and comparable financial reporting.

5. Relationship with professional institutions/bodies

Professional institutions are institutions that give professional guidance for individuals, group of organizations to obtain new skills, knowledge and capacity about certain issue. One of the most important factors affecting the adoption of IFRS in commercial banks is their relationship with professional institutions to obtain enough training and development skills about the standards for financial reporting. The higher the relationship with professional institutions, the quicker to get the information about the principles, procedures and guides for adopting IFRS in Commercial banks. According to Sharif (2010), a professional body is a group of people in a learned occupation who are entrusted with maintaining control or oversight of the legitimate practice of the occupation; also a body acting to safeguard the public interest; organizations which represent the interest of the professional practitioners, act to maintain their own privilege and powerful position as a controlling body.

6. Economic structure

The Ethiopian economic system consists of private and public sectors dominated by private particularly in banks. The economy is highly dependent on agricultural resources and next that industry products, which needs more standardized accounting system for controlling and evaluation of its financial status particularly in banks. Therefore, banks should adopt this factor when they implement IFRS.

7. Educational level

Educational level attainment is the highest level of education completed. It is a term commonly used by statisticians to refer to the highest degree of education an individual has completed. According to Zeghal and Mhedhbi (2006), the adoption of IFRS needs a high level of education, competence and expertise to be able to comprehend, infer and then make use of these standards effectively.

2.5. Summary and Research Gap

Despite the advantages of convergence of accounting standards, there are arguments for and against the adoption of the IFRS by different scholars; some scholars argue for advantage of adopting the international accounting reporting standards while others argue against the adoption of the standards. Hail et al (2010) indicated that the adoption of IFRS would be relevant in reducing cost of capital, allocating capital and providing greater market liquidity. They further argued that convergence to IFRS is likely to have cost advantage in financial reporting in a way that multinational companies will not need to report by using more than one set of accounting standards for businesses operating in transnational environments. Quite the reverse, the adversaries of the adoption of IFRS pointed out that inconsistency in the implementation of the standards and poor enforcement mechanisms may lower financial reporting quality and lead to greater managerial discretion (Yitayew, 2016).Sunder (2007) contended that the adoption of IFRS across the globe may not sufficiently reflect regional variations across countries; the adoption of IFRS may not adequately accommodate the political and economic differences of countries.

Because of the problems associated with worldwide accounting variety, attempts to reduce accounting differences across countries have been continuing for decades (Nobes, 2011; Nobes and Zeff, 2008; Fikru, 2012 and Yitayew, 2016).Despite of the quite many benefits of IFRS adoption, it is a difficult task and has many challenges for its implementation. As evidenced by the global experience, convergence with IFRS has significant challenges common to all countries and companies and there are also certain specific challenges that are unique to particular countries and companies (Fikru, 2012; Nobes, 2011 and Yitayew, 2016).

Although various survey studies have been conducted to assess the adoption of IFRS in different countries of the world, most of the studies have been carried out on IFRS analyzing the data from member countries of European Union (Nobes, 2011). Moderately, fewer numbers of studies have been carried out from other countries on the adoption, prospects and challenges of IFRS (Iyoha and Faboyede, 2011; Fikru, 2012; Nobes, 2011; Teferi and Pasricha, 2016). Even if IFRS appears to be equally important for all countries, there is a lack of empirical study that examines the data from developing countries and in particular Ethiopia (Fikru, 2012 and Yitayew, 2016 and Teferi and Pasricha, 2016).

Even though Financial Report Proclamation of Ethiopia is being criticized for not setting a firm deadline for the IFRS transition, it sets the financial reporting standards that reporting entities in Ethiopia should use when preparing their financial statements (Fikru, 2012 and Teferi and Pasricha, 2016). These are IFRS issued by IASB or its successors, IFRS for SMEs issued by IASB or its successor and International Public Sector Accounting Standard (IPSAS) issued by the International Public Sector Accounting Standards Board or its successor (Fikru, 2012 and Yitayew, 2016). Some commercial banks have already adopted IFRS as per the declaration made by the Auditors opinion on their annual reporting (Teferi and Pasricha, 2016, Annual reports of CBE; Lion, united; Zemen and Enat banks, 2014/2015).

However, financial institutions in Ethiopia especially the Commercial banks are unwilling to shift to IFRS as fast as possible and they use inconsistent application of financial reporting standards like IFRS. Some researchers like Fikru, Yitayew, and Teferi and Pasricha have conducted different studies on the adoption, benefit and challenges of IFRS in different Ethiopian companies that have already adopted the system; they do not investigate on non-adopters of the system. Hence, this requires academic investigation that assesses the adoption of IFRS in Ethiopian Commercial banks as well as the problems and/or challenges to adopt IFRS and investigate the reason of not adopting the system. Therefore, this study makes an attempt to bridge this gap and elaborated the prospects and challenges that could influence the adoption of IFRS of commercial banks in Ethiopia.

CHAPTER-THREE: RESEARCH METHODOLOGY

3.1. Introduction

This chapter explains the methodology used to conduct the research and how data was collected and analyzed. The type and sources of data, method, the research approaches and design, sampling and sampling design and methods of data analysis will be explained.

3.2. Research Design

The research design for this work was descriptive cross-sectional survey because of timeliness of the data obtained. In addition, the research needed to study who, what, when, where, how of the topic and state something about to have a possible solutions and implications for the research questions regarding the factors affecting, challenges and prospects on the adoption of IFRS in the selected commercial banks in Ethiopia.

3.3. Research Approach

This study was analyzed factors affecting the adoption of IFRS by the commercial banks in Ethiopia. This requires quantitative approach. But, this study will also need qualitative explanations why some of the banks have adopted and some are not. According to Kothari (2004), mixed approach is the appropriate method for such kind of studies. Therefore, this study employed simultaneous mixed method that comprises both the qualitative and quantitative approaches to assess the factors affecting IFRS, challenges and prospects of adopting International Financial Reporting Standards for commercial banks in Ethiopia.

3.4. Types and sources of data

Both primary data and secondary sources were utilized during gathering of data in the study.

Primary Data

Primary data like the management decision ability, attitude of the management towards IFRS, commitment of the leadership in this regard and practices in the factors affecting, challenges and prospects of adopting IFRS were obtained from the executive managements and director/manager of finance department as well as audit department whom they are responsible for preparation of financial reports.

Secondary Sources

The secondary sources were obtained from the shelves of the organization that include audited financial reports and rules and procedures developed for adoption of IFRS, articles, magazines and other related materials from different published and unpublished research papers, books and websites on the adoption, challenges and prospects of IFRS.

3.5. Methods of Data Collection

3.5.1. Tools of data collection

To achieve the objective of the study, the research used both questionnaire and interview because those tools give opportunity to probe or ask questions, control the respondent response through designing the questions well properly, which increases the reliability and credibility of the research data, and makes a judgment of what most people think through asking the sample respondent about the factors affecting, challenges and prospects on the adoption of IFRS for commercial banks in Ethiopian.

Questionnaire

Questions in the questionnaire were focused on IFRS issues to the top management. Therefore, the respondents of the questionnaires will be from the relevant corporate level experts who are responsible for adopting IFRS or else who are responsible for preparation and edition of financial reports from finance department and the auditors. As a result, there was five respondents who have to be randomly selected from each bank; and totally 50 questionnaires were distributed during the working hours based on the purposive sampling. Out of the distributed questionnaires, the researcher collected forty seven (47) filled questions from both adopters and non-adopters of IFRS.

Interview

The number of interviewees determined based on the sufficiency and quality of data collected (data collection until saturation point; a situation at which all the possible and relevant data are considered to be collected). The target interviewees were include key persons involved in IFRS adoption project: technical committee members, members of accounting professional association boards, academicians, auditors and other persons who will directly or indirectly involve in the Ethiopian IFRS adoption processes from the banks under the study, NBE and AABE. Besides, the researcher used semi-structured interview because of its flexibility and be more appropriate to capture the ideas of the interviewee in a particular issues of the study. It lets interviewees to go into as much depth as they feel. Furthermore, the semi-structured interview would permit the interviewer to explore deeply and ask more questions that are not written down.

3.5.2. Questionnaire Design

For an easy understanding and reading, the questionnaires were designed into two parts and one language: English. The first part of the questionnaire took the consideration of demographic profiles of the respondents as well as the general information about the adoption of IFRS. These questions were designed with multiple choice selections for convenience. The second part of the questionnaire required the respondent to rate the factors affecting adoption of IFRS, challenges and prospects of the banks they have chosen or attached with into a five pre-defined level scale that is strongly disagree, disagree, neutral, agree and strongly agree. The aim is to collect the opinions of the respondents in respond to the factors affecting, challenges and prospects on the adoption of IFRS for commercial banks in Ethiopia.

3.6. Sample and Sampling Design

3.6.1. Target population

The target population of the study was all government and private commercial banks in Ethiopia, which are 18 banks, of which only 5 banks have already adopted IFRS as their financial reporting tool and the rest 13 have not yet adopted due to different internal and external reasons for the adoption of IFRS such as lack of leadership and commitment, lack of professional bodies/institutions and soon.

3.6.2. Sample Size

The sample size consisted of 10 commercial banks, of which 5 are these banks which have already adopted the system and the other 5 were selected randomly from the remaining 13 commercial banks, which have not yet adopted the system.

3.6.3. Sampling Design

The sampling design for this population was used both probability random sampling and the non-probability purposive sampling to select 5 adopters and 5 non-adopters of IFRS in commercial banks. The random sampling was used to select 5 non-adopter banks from 13 commercial banks. Whereas, the purposive sampling was used to distribute the questionnaire for 10 selected commercial banks under the study as is the best and appropriate on non-probability sampling as all the respondents will require for this study has unique characteristics and cannot be replaced by any other person. In addition, as the objective of the study is to make theoretical and empirical implications from the results that are appropriate for further empirical investigation in any other situations, it is the most appropriate method.

3.7. Methods of Data Presentation, Analysis and Interpretation

3.7.1. Descriptive Analysis

Descriptive statistics was used to describe the general characteristics of sample respondents. To explore demographic profiles of each sample type frequency, measure of central tendency like mean and central depression(variation) such as standard deviation and variation, percentage, tabulation and others were used to describe the factors affecting, challenges and prospects of the adoption of the IFRS in the banking Financial reporting. Summary and tabulation of collected data were used to examine the challenges and prospects on the adoption of IFRS.

3.7.2. Qualitative Analysis

The study was applied the qualitative method of analysis because there is a need to interact with the users and non-users of the system as well as to ensure that specific information will be expected to obtain from particular respondents. The use of interviews was relied on to collect the qualitative data and to analyze the factors affecting, challenges and prospects on the adoption of IFRS.

3.7.3. Inferential Analysis

The study used Cronbach's alpha for reliability analysis of the data on the factors affecting the adoption of IFRS and correlation analysis to see the relationship of the independent variables (factors) affecting the adoption of IFRS and the adoption of IFRS (dependent variable).

CHAPTER-FOUR: Data Presentation, Analysis and Interpretations

4.1. Introduction

This section discusses the main findings of the study in answering the research questions and addressing the objectives that have been set. The data collected from the respondents were coded and entered in to SPSS (Statistical program for social science) (Version 21) for data analysis. Before analysis, test for reliability was done to test reliability effects of the data. Descriptive statistics was done to describe demographic characteristics of respondents and general information of the IFRS to understand the level of respondent's perception on the factors affecting, challenges and prospects on adoption of IFRS. Whereas, inferential statistics was done for the purpose of correlation i.e. identifies the relationship between the dependent and independent variables.

4.2. Discussion of demographic profiles and General information on IFRS

4.2.1. Discussion of the demographic characteristics of respondents

Table 2: Respondents' Response rate

Respondents	Targeted	Obtained	Percent
Adopters and Non-adopters of IFRS in commercial banks	50	47	94

Response rate is the proportion of questionnaires that were returned and filled during the study in relation to total no of questionnaires expected to be filled. In this study, the research required administration of questionnaires to fifty (50) respondents who were commercial banks official in Ethiopia. 47 of the total 50 questionnaires were administered and filled hence the return rate was calculated as 94%.

Demographic profile designates the characteristics of the population based on their sex, age, marital status, educational level and level of employment. It is vital in any research study because these demographic and background characteristics are later used in report to draw comparisons among respondents. The following table shows result of the demographic profile of respondents in selected commercial banks.

Table 3: Demographic characteristics of respondents

Demographic profile	Description	Total	Percent
Sex	Female	4	8.51
	Male	43	91.49
Age	18-30	12	25.53
	31-43	32	68.09
	44-56	3	6.38
	Above 56 years	-	0
Marital Status	Single	17	36.17
	Married	30	63.83
	Divorced	-	0
	Widowed	-	0
Educational back ground	Blow grade 12	-	0
	Grade12 completed	-	0
	Diploma	1	2.13
	First Degree	33	70.21
	Master's degree	11	23.40
	Above Master's degree	2	4.26
Work experience	Below 4 years	2	4.26
	4-8 years	18	38.30
	9-13 years	10	21.28
	Above 13 years	17	36.16
Current position of respondents	Directorate)	4	8.51
	Division managers	4	8.51
	Mangers	17	36.16
	Accountants (Junior/senior)	10	21.28
	Auditors (Junior/senior)	2	4.26
	Credit/loan analyst	5	10.64
	Officers (Junior and senior)	3	6.38
	Unspecified	2	4.26

Respondents were characterized based on their demographic profiles. In terms of gender, 43 respondents who covered 91.49 % of the respondents were found to be males while 4 (8.51%) were female. In terms of age, 32 (68.09%) of the respondents were between the age of 31 – 43 years, 12 (25.53%) were between 18-30 years while 3 (6.38%) were between 44-56 and no respondent replied above the age of 56 years. In terms of Marital status, 30 (63.84%) of the respondents were found to married while 17 (36.16%) were single and no respondent has replied both divorced and widowed. In terms of level of education, 33 (70.21%) of the respondents were found to have first degree, 11 (23.40%) have master's degree while 2 (4.26%) had above master's degree and 1(2.13%) as their highest level of education. There were no respondents who were grade twelve completed and those who have attend below grade twelve. In terms of working experience, 18 (38.30%) of the respondents were between 4 – 8 years, 17 (36.16%) were above 13 years, 10(21.28%) between 9-13 years while 2 (4.26%) have below 4 years of experience in banking industry. Finally, in terms of current position of the respondents, 17 (36.16%) of the respondents were found to be managers, 10 (21.28%) were accountants (both accountant and senior accountant), 5(10.64 %) were credit/loan analyst (Junior and senior), 4 (8.51%) were directorates, of whom one is principal core application support, 4 (8.51%) were division managers, of whom one is section head and another one is team manager, 3(6.38%) were both senior and junior officers while 2 (4.26%) were internal auditors and the remaining 2 (4.26%) were not specify their position in their banks for which these respondents with the specified position have their own contribution on the preparation of the financial statement of the selected commercial banks under the study.

Generally, the characteristics of respondents were as presented in table 3 showing the different demographic profiles of respondents was important since it showed that both genders were considered in this study and hence the sample was representative and hence not biased. It was evident that more males have undertakings into the higher position of commercial banks than female. This is because males were more academically empowered than women; hence raising startup for position for them is easier than for their female counterparts. Besides, it is evident that most of the respondents are first degree holders with the age of between 31-43 years and next to that those who have master's degree with an age of 18-30 years. It was found out that there are no grade 12 completed and below as their higher level of education.

4.2.2. Discussion of general information on the adoption of IFRS

Table 4: The beginning of implementing IFRS

Description	No of respondents	Percent of respondents
Yes	19	40.42
No	28	59.58
Total	47	100

As indicated in the above table 4; out of 47 respondents, 28 (59.58%) of the respondents replied they do not start IFRS and the remaining 19 (40.42%) said they start for the implementing IFRS in their respective bank as financial reporting system. This depicts that majority of the respondents do not aware of the beginning of implementing IFRS for their bank's financial reporting due to their work overload, junior employees and misunderstanding of the concept of IFRS.

Table 5: The beginning of IFRS in commercial banks

Year of adopting IFRS	No of respondents	Percent of respondents
2010	-	0
2011	-	0
2012	-	0
2013	-	0
2014	1	5.26
2015	-	0
2016	1	5.26
2017	17	89.48
Total	19	100

As indicated in the above table 5; out of 19 IFRS respondents, 17 (89.48) respondents replied they started implementing IFRS in 2017,1 (5.26%) in 2016 and 1 (5.26%) in 2014. There were no respondent who replied they started implementing IFRS from 2010 – 2013 and in 2015. This shows almost all of the banks were started implementing IFRS for financial reporting mechanism in early 2017. However, most of the annual report of commercial banks who adopted IFRS showed that they started in 2014/2015 as their financial reporting mechanism (Enat, Zemen, Lion international, united bank and Commercial Bank of Ethiopia annual reports, 20114/2015). Accounting and Auditing Board of Ethiopia (AABE)(2016) indicates as some of the banks started to implement IFRS and others let them to begin this reporting system until 2021.

Table 6: Problems for not starting IFRS

Problems	No Respondents	Percent
Lack of finance	1	2.13
Lack of commitment and leadership in the organization	5	10.64
Lack of educated manpower	6	12.77
Lack of professional bodies/institutions	3	8.51
Lack of capital market	-	0
Policy mismatch of the standards	3	8.51
others (specify)(training, awareness and process)	5	10.64
Total	23	100

Table 6 depicts the problems for not adopting IFRS for commercial banks. Out of 23 respondents, 6 (12.77%) replied lack of educated manpower, 5 (10.64%) said Lack of commitment and leadership in the organization, 5 (10.64%) mentioned other problems like lack of training, awareness and long process for adoption of IFRS, 3(8.51%) replied lack of professional bodies/institutions, 3(8.51%) policy mismatch of the standards, 1 (2.13) lack of finance and no respondent replied lack of capital market as problem for adoption of IFRS in commercial banks in Ethiopia. Others replied that there are no other problems relating to the adoption of IFRS in commercial banks.

However, the interview results of respondents show the problems with the adoption of IFRS are shareholders unwillingness, most assumed as accounting issue, lack of clear policies and strategies, financial regulation and taxing system, lack of IFRS professionals, lack of management commitment, lack of awareness about the implementation of the system and lack of willingness of the management bodies in commercial banks.

Table 7: Major Reasons for not applying IFRS

Major Reasons	Ranks					Majority Rank
	1	2	3	4	5	
High cost of adoption	8	5	8	8	9	5
Lack of knowledge	17	9	6	1	2	1
Human psychology (resistance to adopt new things)	6	5	4	9	11	5
Lack of training	8	13	6	7	3	2
Broad changes in accounting world	6	3	7	7	11	5

Table 7 shows the major reasons for not applying IFRS as a financial reporting mechanism. Based on the majority decision of the respondents, lack of knowledge is ranked as first by 17 respondent, lack of training as second by 13 respondents, and the remaining human psychology (resistance to adopt new things), broad changes in accounting world and high cost of adoption as fifth rank by 11, 11 and 9 respondents respectively.

Table 8: Major Reasons for applying IFRS

Major reasons	Ranks						Majority Rank
	1	2	3	4	5	6	
Transparency	9	6	7	7	4	7	1
Comparability	11	5	8	8	7	1	1
Investment opportunity	8	4	1	7	15	5	5
Mandatory application of IT	19	1	3	5	3	9	1
Better corporate governance	7	8	4	5	3	9	6
Existence of uniform accounting system	14	12	3	2	6	1	1

Table 8 depicts the rank of major reasons for the adoption of IFRS based on the majority decision of respondents. As indicated in the above table, majority of the respondents ranked first for mandatory application of IT (19), existence of uniform accounting system (14), comparability (11) and transparency (9) followed by the fifth rank for investment opportunity (15) and last for better corporate governance (9). This shows majority of the respondents ranked the listed criteria as first for the adoption of IFRS by commercial banks in Ethiopia.

Table 9: Reporting standards before the adoption of IFRS

Reporting standard	Total respondents	Percent
GAAP	16	84.21
Others(they do not know, local GAAP, tax and GAAP rules)	3	15.79
Total	19	100

As indicated in the above table 9, out of 19 IFRS adopter respondents, 16 (84.21%) replied they used GAAP and the remaining 3 (15.79%) said others like local GAAP, combination of tax and GAAP rules or they did not know the reporting mechanism before the adoption of IFRS in the commercial banks. This depicts majority of the adopters of IFRS were used the usual GAAP before the Adoption of such standard for their financial reporting.

Table 10: steps require for effective transition of all banks to IFRS

Requirements	Ranks						Majority Rank
	1	2	3	4	5	6	
IFRS training for investors	5	1	3	2	7	25	6
IFRS training for management	16	5	4	12	6	0	1
IFRS training for auditors	11	4	12	8	6	2	3
IFRS education in the accounting curriculum	14	1	5	7	12	4	1
IFRS training for accountants	18	11	8	5	1	0	1
Accounting training for chief financial officers'(CFOs)	15	11	6	2	3	6	1

Table 10 shows the steps for effective transitions of all Ethiopian commercial banks to use IFRS as their financial reporting mechanism. Based on the majority decision of the categorical respondents for each item, IFRS training for accountants (18), IFRS training for management (16), accounting training for chief financial officers' (CFOs) (15) and IFRS education in the accounting curriculum (14) are ranked as first, IFRS training for auditors (12) as third and the remaining IFRS training for investors (25) as six step for effective implementation of IFRS by commercial banks in Ethiopia.

4.3. Reliability Analysis of the Data for factors affecting the adoption of IFRS

Although the term 'Reliability' is a concept used for testing or evaluating quantitative research, the idea is most often used in all kinds of research. If we see the idea of testing as a way of information elicitation then the most important test of any qualitative study is its quality. A good qualitative study can help us "understand a situation that would otherwise be enigmatic or confusing" (Eisner, 1991, p. 58). This relates to the concept of a good quality research when reliability is a concept to evaluate quality in quantitative study with a "purpose of explaining" while quality concept in qualitative study has the purpose of "generating understanding" (Stenbacka, 2001, p. 551).

Reliability refers to the dependability of the research findings that they can be repeated either by the researcher or by other researchers using similar research methods or procedures. Reliability tests, like Cronbach's alpha, is commonly used to see if questionnaires with multiple Likert scale questions are reliable and consistent to measure the original factors.

Table 11: Reliability Statistics

Cronbach's Alpha (α)	NO of Items
.921	7

The criteria of Cronbach's α-score is defined to be greater than or equal to 0.7, implying the higher internal reliability of given items in a scale. As indicated in the above table, the overall Cronbach's alpha value for factors affecting the adoption of IFRS is 0.921, which greater than 0.7 indicating that items pertaining to those factors are internal consistent and reliable enough to measure the original named factors for the adoption of IFRS for selected commercial banks in Ethiopia.

4.4. Descriptive analysis

Descriptive analysis depicts the average and standard deviation of the different variables of interest in the study. It also indicates the minimum and maximum values of the variables, which help in getting a picture about the maximum and minimum values a variable can achieve.

Below in the tables 12, 13 and 14 are Average and Standard deviation of respondents' perception on the variables of the factors affecting, challenges and prospects on the adoption of IFRS by selected commercial banks in Ethiopia respectively.

4.4.1. Descriptive analysis on the factors affecting on the adoption of IFRS

Table 12: Factors affecting the adoption of IFRS

S. No	Code	Description of the factors	Mean	S.D.
1	F_1	The Ethiopian government encourage companies to adopt IFRS	3.8723	1.19085
2	F_2	Politics is one of the major barriers to adopt IFRS	3.1702	1.35645
3	F_3	Absence of clear policy and directives is a barrier on the adoption of IFRS	3.9130	1.13188
Government policy (Mean and Standard deviation (S.D))			3.6560	1.12525
4	F_4	Capital market regulatory affects the adoption of IFRS in banking sector	3.6304	1.16158
5	F_5	Market structure of the banking sector is a barrier for the adoption of IFRS	3.1333	1.23583
Capital market (Mean and standard deviation(S.D))			3.4043	1.04068
6	F_6	The journey to IFRS need to accurately planning and carefully execution of the economic aspect of the banking sector	3.4000	1.21356
7	F_7	The nature of economic practices of the	4.2609	.85465

		banking sector affects the adoption of IFRS		
8	F_8	The taxation policy affects the adoption of IFRS in banking sector	3.7609	1.15825
Economic Structure (Mean and Standard deviation(S.D))			3.8156	.85989
9	F_9	Leadership style of the banking sector is a barrier for the adoption of IFRS	3.3913	1.20145
10	F_{10}	The leader ship and commitment of each bank has impact on accounting, IFRS Harmonization and adoption	3.9783	.77428
11	F_{11}	The commitment of the banks' management and non-managerial employees affect the adoption of IFRS	3.9149	1.10000
Leadership and commitment (Mean and standard deviation (S.D)			3.7695	.90992
12	F_{12}	Size of capital lead to adoption of IFRS	3.7111	1.16037
13	F_{13}	Size of companies affects the early adoption of IFRS	3.9778	.91674
14	F_{14}	The perceived difficulties, costs and benefits of differ across company size or nature of industry affects the adoption of IFRS	4.0000	.96609
Company size (Mean and standard deviation (S.D)			3.8936	.64120
15	F_{15}	Having trained people in the banks greatly influence the adoption of IFRS	4.3261	.89578
16	F_{16}	Weak educational level of bank accountants and Auditors is barrier for the adoption of IFRS	4.0217	1.08503
Educational level			4.1702	.73186
17	F_{17}	In adequate relationship with professional institutions is the barrier for the adoption of IFRS	4.0000	1.00000
18	F_{18}	Lack of professional bodies is a barrier on the	4.1087	.97133

		adoption of IFRS		
19	F_{19}	Smooth functioning of IFRS to a large extent depend upon university curriculum and coordination with professional bodies/institutions	4.1333	.81464
20	F_{20}	Professional support with IFRS experience is a barrier for its adoption in banking sector	3.7391	1.02056
Relationship with the professional institutions/bodies			4.0089	.67505

The above table 12 shows the mean and standard deviation scores of the factors affecting the adoption of IFRS in commercial banks in Ethiopia. The higher and the lower mean score of the item depicts the higher and lesser focus for these variables for the adoption of IFRS in commercial banks respectively. Moreover, the least and highest standard deviation shows respondents give the most and least attention for IFRS adoption by commercial banks in Ethiopia respectively.

As it is shown on table 12 above the minimum value of items is with the means core of 3.1333 by F_5 with a standard deviation of 1.23583 indicating that market structure of the banking sector is a barrier for the adoption of IFRS and the maximum value of the mean is 4.3261 by $F_{15}$with a standard deviation of .89578, depicting that having trained people in the banks greatly influence the adoption of IFRS respectively. This indicates all the factors perceived as moderate and above performance for the adoption of IFRS. This moderate and above mean value also indicates that most respondents agree on the factors as they are essential elements for the adoption of IFRS by commercial banks in Ethiopia. The above table 12 also shows the minimum standard deviation of .81464 by F_{19}, which give the highest emphasis by respondents, and maximum standard deviation of 1.35645 by F_2 that give the least consideration by respondents on the adoption of IFRS. Furthermore, since the mean score for all the twenty items is greater than3, it could be argued that most of the respondents agree with the importance of the factors affecting for the adoption of IFRS in commercial banks in Ethiopia.

In addition, table 12 also shows the mean and standard deviation for the independent variables (government policy, capital market, education level, relationship with professional institutions/bodies, economic structure, leadership and commitment, and company size) with a minimum of mean score of 3.4043 by capital market with a standard deviation of 1.04068, and a maximum of mean score of 4.1702 by company size with a standard deviation of .73186 respectively. This shows the mean score of all the factors perceived as moderate and above performance for the adoption of IFRS, indicating that respondents perceived the factors as important indicator elements for the adoption of IFRS by the selected commercial banks in Ethiopia. The above table 12 also shows the minimum standard deviation of .64120 by company size, which give the highest attention by respondents, and maximum standard deviation of 1.12525 by government policy that gives the least attention by respondents on the adoption of IFRS.

While, the interview result of respondents about the factors affecting the adoption of IFRS includes joining to international organizations like world trade organization, involvement of multinational companies, tax laws, awareness of the banking sector, National Bank of Ethiopia requirements and regulations for banking sector, competent accounting professionals, availability of capital market, management understanding of IFRS, commitment of corporate governance, IT infrastructure compatibility, national/international policy frame work and organizational leadership of the commercial banks.

4.4.2. Prospects of IFRS adoption

Table 13: Descriptive analysis of the prospects on the adoption of IFRS

S. No	Code	Prospects	Mean	Sd deviation
1	P_1	The capability of IFRS to cover both qualitative and quantitative aspects of accounting	4.1064	.81385
2	P_2	IFRS's influence on the financial statements, organizational readiness and policy consistency	4.2340	.69822
3	P_3	IFRS's capability for banking sector to grow and more competent	3.9362	.84453
4	P_4	IFRS's capability in improving income (taxes) exchange rate	3.4043	.92453
5	P_5	IRFS's effects on financial processes, policies and controls of the banking sector	4.1277	.82402
6	P_6	Executive and board support to convergence with IFRS adoption	4.0213	.70678
7	P_7	The establishment of Professional support board with IFRS experiences and others for the adoption of appropriate financial reporting in the country	4.1064	.75855
8	P_8	IFRS's capability to give warning signals of corporate fraud and other issues than other systems	3.7872	.88308
9	P_9	The inclusion of the IFRS as one financial reporting strategy in the policy and procedures of Ethiopia	4.1702	.70152
10	P_{10}	The need for many banks to inter into the global market and competition	4.0213	.89660

Table 13 shows the prospects for the adoption of IFRS by commercial banks. The higher and the lower mean score of the item depicts the higher and lesser focus for these variables for the prospects on the adoption of IFRS by commercial banks respectively. Moreover, the least and highest standard deviation shows respondents give the most and least attention for the prospects for IFRS adoption by commercial banks in Ethiopia respectively.

There were ten questions under prospects of IFRS adoption in commercial banks in Ethiopia. All questions had a mean score of more than 3.4 indicating that moderate and above Likert scale for the adoption of IFRS by commercial banks with minimum mean score of 3.4043 by P_4, which perceived as the moderate prospect for the adoption of IFRS, Maximum mean score of 4.2340 by P_2 perceived as high performance prospect for IFRS adoption by commercial banks and the rest eight items have mean scores between these limits consider as high opportunities for the adoption of IFRS respectively. Standard deviations of the all questions were less than 1.00, which shows that respondents‟ perceptions were close to each other. This shows all the prospects perceived as moderate above performance for the adoption of IFRS. This result also revealed that on average the respondents agreed up on the prospects for adoption of IFRS by the selected commercial banks in Ethiopia, depicting that commercial banks have these opportunities to adopt IFRS as their financial reporting system.

On the other hand, the interview result shows the main prospects to adopt IFRS are smooth the cooperation with correspondent banks, allows to benchmark performance, allows to measure performance with minimum error, gives trust to multinational companies to work with banks, government commitment, increased foreign direct investment, presence of fair financial service for better decision through, having comparable financial statements and having the brand for IFRS.

4.4.3. Challenges of adopting IFRS

Table 14: Descriptive analysis of the Challenges of adopting IFRS

S. No	Code	Challenges	Mean	Standard deviation
1	C_1	Adoption of IFRS is costly	3.9149	.90481
2	C_2	Work and burden of an accountant/auditors will be increased due to implementation of IFRS	3.7234	1.05711
3	C_3	Retention of key employees due to convergence with IFRS	3.2889	1.03621
4	C_4	IFRS increases the complexity of financial reporting	3.3478	1.21504
5	C_5	First time adoption will impair the quality of first financial statements and will also affect the quality of the financial statements	3.3478	1.11987
6	C_6	IFRS brings about increased volatility of earnings	3.1778	1.07215
7	C_7	Auditors would need to trained their staff to audit under IFRS environment	4.2444	.90843
8	C_8	Tax driven nature of previous standards is a challenge for IFRS adoption	3.8511	.97755
9	C_9	IFRS requires immediate change in Ethiopian banks laws or regulations	3.5957	1.01424
10	C_{10}	Lack of availability of competent specialists/professions	4.0213	1.01058
11	C_{11}	Problem with the IT system in handling the transition to IFRS	3.8936	1.04744
12	C_{12}	Lack of professional	4.0426	.95456

		bodies/institutions affects the adoption of IFRS		
13	C_{13}	IFRS requires immediate change in Ethiopian tax accounting policies and practices	3.4681	1.17679
14	C_{14}	Inadequate training facilities at an affordable cost is a barricade to IFRS	3.8298	.89246
15	C_{15}	IFRS implementation is likely to increase tax burden on companies	2.8837	1.05129

Table 14 shows the challenges for the adoption of IFRS by commercial banks in Ethiopia. The higher and the lower mean score of the item depicts the higher and lesser focus for these variables for challenges on the adoption of IFRS by commercial banks respectively. Moreover, the least and highest standard deviation shows respondents give the most and least attention for the challenges for IFRS adoption by commercial banks in Ethiopia. There were fifteen questions under challenges of IFRS adoption by commercial banks in Ethiopia. All questions had a mean score of more than2.8 indicating that moderate and above consideration for the adoption of IFRS by the selected commercial banks in Ethiopia. It also depicts the minimum mean score of 2.8837 by C_{15}that perceived as moderate, maximum mean score of 4.2444 by C_7considered as high and the rest thirteen items in between these are considered as moderate and above challenge for the adoption of IFRS by the selected commercial banks in Ethiopia. Besides, table 14 indicates Standard deviations of the first ten questions were more than 1.00, which designates the respondents' perception were far away from one another. The remaining five questions had standard deviation of less than 1.00 that depicts respondents' perceptions was close to each other. The above result shows all variables of the challenges perceived as moderate and above performance for the adoption of IFRS. The result in table 14also exposed that on average the respondents agreed up on the challenges for IFRS adoption, indicating that commercial banks must considered these challenges when they adopt IFRS as their financial reporting system.

Whereas, the interview results of respondents on challenges for the adoption of IFRS include the knowledge gap, absence of benchmark in the country, expensive cost for training and implementation, competitive core banking, data, lack of legal policy frame work, resistance to adopt, leadership, expertise, time consumption for preparation, shareholders unwillingness, poor project management, lack of practical experience, level of budget or sources for the project, adequate time for adoption, less qualified accountants and lack of regulatory direction for the adoption of IFRS in commercial banks.

Table 15: Overall level of agreement on the adoption of IFRS

S. NO	Likert Scale	No of respondents	Percent of respondents
1	Strongly Disagree	5	12.20
2	Disagree	-	0
3	Neutral	3	7.32
4	Agree	21	51.21
5	Strongly Agree	12	29.27

As indicated in the above table 15, 21 (51.21%) of the respondents agree, 12 (29.27%) are strongly agree, 5 (12.20%) are strongly disagree and the remaining 3 (7.32%) are disagree with the adoption of the IFRS in commercial banks in Ethiopia. There is no respondent that disagree with the adoption of IFRS for the selected commercial banks as their financial reporting mechanism. This shows majority of the respondents are agree with the adoption of IFRS in commercial banks as a means of reporting for their financial status.

On the other hand, the interview results on the benefits of adopting IFRS includes improving relevance and reliability of financial report, improves comparability, enables companies to raise funds from international markets, contribute for transparency, investors get accurate financial information to make economic decision, contribute for capital and stock market development, good relationship with foreign banks (correspondence banks), publish standardized reports to shareholders, having reliable, relevant and cooperative financial service, make better decisions through using IFRS financial institutions and gives clear and fair presentation of the financial report.

The interview results of respondents recommended that the possible solutions for challenges on the adoption of IFRS includes dedicate resources for the project, highly train staff on a practical way, commitment of extra working hour to meet the deadline, improve technology for accounting and information gathering, regulatory bodies for effective implementation of IFRS, awareness of IFRS, evaluation of the existing standards for financial reporting using professional associations, commitment of all stockholders, participating management in accounting professionals, provide adequate training and development for implementers, review better experience in the issue particularly for those fully adopting IFRS, updating IT system, integrating data system through management information system, attitudinal change on the benefits of adopting IFRS and establishment of strong regulatory bodies/institutions.

4.5. Correlation analysis of the factors affecting the adoption of IFRS

Correlation is used to measure the direction of the linear relationship between two variables as well as to measure the strength of association between variables. The most widely used bi-variant correlation statistics is the Pearson product-movement coefficient, commonly called the Pearson correlation which was used in this study. Pearson's Correlation matrix is used for data to see the relationship between variables such as those between the factors and the adoption of IFRS. Values of Pearson's correlation coefficient are always between -1 and +1. A correlation coefficient of 1 specifies that two variables are perfectly associated in a positive sense; a correlation coefficient of -1 indicates that two variables are perfectly associated in a negative sense, and a correlation coefficient of zero (0) shows that there is no linear relationship between the two variables (the dependent and independent). Correlation is also significant at $p < 0.01$ level (2-tailed), zero $< r < 0.1$ = little or no relationship, $0.1 < r < 0.5$ = weakly related and $0.5 < r < 0.9$ = strongly related.

As shown in the table 16 below, of the total of seven explanatory variables tested in this study, there is a significant correlation between all factors for the adoption of IFRS as the independent variables (company size, education level, capital market, leadership and commitment, government policy, economic structure and relationship with professional institutions/bodies) and the dependent variable i.e. adoption of IFRS by selected commercial banks in Ethiopia.

Table 16: the correlation results of the factors affecting the adoption of IFRS

		The adoption of IFRS	Government Policy	Capital Market	Economic structure	Leadership and commitment	Company size	Educational level	Relationship with professional Institutions/bod
The Adoption of IFRS	Pearson Correlation	1	.883**	.755**	.670**	.872**	.638**	.627**	.728**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000	.000
Government Policy	Pearson Correlation	.883**	1	.743**	.698**	.813**	.628**	.499**	.764**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000	.000
Capital Market	Pearson Correlation	.755**	.743**	1	.591**	.826**	.652**	.614**	.748**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000	.000
Economic structure	Pearson Correlation	.670**	.698**	.591**	1	.631**	.566**	.474**	.686**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.001	.000
Leadership and commitment	Pearson Correlation	.872**	.813**	.826**	.631**	1	.565**	.615**	.851**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000	.000
Company size	Pearson Correlation	.638**	.628**	.652**	.566**	.565**	1	.298*	.568**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.042	.000
Educational level	Pearson Correlation	.627**	.499**	.614**	.474**	.615**	.298*	1	.538**
	Sig. (2-tailed)	.000	.000	.000	.001	.000	.042		.000
Relationship with professional Institutions/bodies	Pearson Correlation	.728**	.764**	.748**	.686**	.851**	.568**	.538**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

The factors of adopting IFRS are strongly correlated with one another. According to the results of table 16 above, there is significant positive relationship between adoption of IFRS and factors affecting it. The highest correlation is between adoption of IFRS and government policy (0.881) followed by correlation of leadership and commitment (0.872), capital Market (0.755), relationship with professional Institutions/bodies (.728), economic structure (.670) and company size (0.638) and finally, educational level (.627). Factors affecting IFRS is positively correlated with adoption of IFRS by commercial banks in Ethiopia. Accordingly, the main factors, which influences adoption of IFRS is government policy followed by leadership and commitment of the banks' management, capital market, relationship with professional Institutions/bodies, economic structure, company size and educational level are strongly correlated with the adoption of IFRS, which is proved the important factors of IFRS in commercial banks, which affect IFRS' level of adoption. This result revealed that commercial banks have to consider these factors when they adopt IFRS as their financial reporting system.

To support the above result, Hair et al. (1998) anticipated that the correlation coefficient (R-value) between each pair of independent variables in the Pearson's correlation should not exceed 0.90. If there is a case that the correlation value exceeds 0.90, it may be supposed to exhibit Multicolinearity. Based on the results in table 24, the Pearson's correlation coefficient for the factors affecting the adoption of IFRS are below 0.90, which shows there is no Multicolinearity effect here. This means that the linear association between the factors affecting and the adoption of IFRS has no Multicolinearity effect, indicating no consistent argument on the level of correlation that causes Multicolinearity.

CHAPTER-FIVE: CONCLUSION AND RECOMMENDATION

5.1. Introduction

The movement towards International Financial Reporting Standards (IFRS) as a single set of globally accepted accounting standards is quickly gathering momentum. IFRS is rapidly gaining acceptance globally, spurring companies throughout the world to assess the potential implications and benefits of adopting these standards. International Financial Reporting Standards (IFRS) are set of Accounting Standards developed by the International Accounting Standard Board (IASB) that is the global standards recognized for the preparation of companies financial statements (Teferi and Pasricha, 2016).

Even though recent review of relevant academic literature confirms that there is little or no evidence to suggest that IFRS caused or exacerbated the global financial crisis, no 'smoking gun' that should concern those authorities looking to change to international accounting. International financial reporting standards (IFRS) have lot of opportunities as well as challenges as they were. This paper tends to look at these challenges as it affects financial reporting in developing and less developed countries particularly for banking industry. This paper focused the factors affecting the adoption of IFRS, the prospects and challenges of IFRS, and gave appropriate recommendations that will assistance effective adoption of the International Financial Reporting Standards (IFRS) by commercial banks in Ethiopia.

5.2. Conclusion

While implementation of high-quality financial reporting standards is challenging, when planned and managed properly, the conversion can bring about considerable improvements in the performance of the finance function, rationalize the constitutional financial reporting process globally and reduce costs, as it affords standardized and improved accounting and financial reporting policies, sharp efficiency in the use and availability of resources, transparency, comparability, enhanced controls and improved cash management in the banking industry. Based on the findings of the study, the conclusion will be as indicated below;

- The demographic profile of respondents indicated that majority of the bank officials are male (91.49%) with age of 31-43(68.09%), first degree holders (70.21%) with the experience of 4-8 years (38.30%) served as managers (36.16%) for their current position. These shows there are less inclusion of female and other demographic profile of the bank officials.

- The study shows several problems for not adopting and applying IFRS for financial reporting by commercial banks in Ethiopia such as lack of educated manpower, lack of leadership and commitment, government policy mismatch of the standards, lack of clear policies and strategies, lack of IFRS knowledgeable professionals, lack of infrastructure, lack of training and development, resistance to adopt IFRS and high cost of adoption. Besides, the interview result of the board (AABE) indicated that they engaged on creating awareness, giving training and support the adoption process no this else. Furthermore, the National Bank of Ethiopia (NBE)is also engaged in creating awareness and guide lines to adopt IFRS for commercial banks, facilitating and coordinating commercial banks work together; it did not go to enforce the implementation of IFRS by commercial banks.

- Respondents also identified the major reasons for applying IFRS and like transparency, mandatory application of IT, and existence of uniform accounting system, better government governance and comparability, which have several benefits like make better decision, increase FDI, contribute for fair profit tax collection, to develop capabilities and practices by the practitioners, contribute for transparency, minimize fraudulent practices, consistency and accurate financial reports and as a pre-requisite for capital and stock market establishment.

- Almost all from the IFRS Adopter respondents replied that they started to implement IFRS in the early 2017 (89.48%). However, it was declared by auditors' opinion as if some banks have prepared their financial statements in accordance with IFRS at annual financial report. Besides, the strategic plan for accounting and audit board of Ethiopia (AABE) (2016) stated that most of the companies who registered to use such standard had not started yet as they did not get detectable financial reporting by applying such standards. This depicts that there is no much awareness on the adoption of IFRS in almost all respondents.

- Most commercial banks use GAAP as financial reporting standards before the adoption of IFRS. Some replied local GAAP, traditional GAAP and Ethiopian GAAP to mean that the usual GAAP.

- The motives that led to differences between national financial reporting systems might still drive differences in the way in which IFRS is practiced. The most obvious opportunity for these differences to arise is the existence of options in IFRS, but unobservable differences might be even more important. On first-time adoption of IFRS, a company is likely to continue with its previous policies, and this applies to many accounting policies.

- The main prospects for the adoption of IFRS by commercial banks include improve the financial reporting standards, modern way of maintaining their books of records, global acceptance of their financial report, enhance their competitiveness, meets their regulatory requirements.

- The main challenges in the process of adopting IFRS include significant cost of adoption of IFRS, need for training, lack of professionals in the field, lack of board and management commitment to support, IT-application changes, 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.

- Other key challenges include increased volatility of earnings, tax driven nature of previous standards, lack of educated manpower, lack of commitment, lack of regulatory direction and problem with IFRS's use of fair value accounting. IFRS's 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. These challenges can increase the failures of IFRS if there is less effort on the adoption of IFRS by the Government, NBE, AABE and commercial banks.

- The benefits of IFRS adoption outweigh related costs significantly. However, swapping to IFRS involves to some degree a jump of faith. It is always likely to be very difficult to determine just how far the benefits found to follow mandatory IFRS adoption are attributable directly to the change of financial reporting standards or to any concurrent changes in other institutions. This may make it difficult for local critics to appreciate the wider and longer-term benefits likely to arise from the switch in accounting framework and result in a focus on short-term costs and implementation challenges of adopting IFRS as the financial reporting systems.

- The descriptive analysis for the factors affecting the adoption of IFRS shows moderate and above performance for the adoption of IFRS for which Capital market has the least mean score of 3.4043 and Educational level has the highest mean score of 4.1702 which were considered as moderate and high performance for adoption of IFRS. Besides, the standard deviation of three factors: Government policy, capital market and economic structure is above 1.00 indicating that the perception of respondents have much deviation among each other and the remaining four factors have standard deviation of less than 1.00 indicating the perception of respondents are close to each other.

- The Pearson's correlation indicates that there is strong, significant and positive association between the factors and adoption of IFRS with the highest correlation between government policy and the least correlation between educational level and adoption of IFRS by commercial banks in Ethiopia respectively.

5.3. Recommendation and policy implications

Several recommendations and policy implications follow from the findings in the study. Some of them include:

- ❖ The government of Ethiopia has expressed an initiative to integrate its financial statements with international standards. The purpose of the government to adopt IFRS is demonstrated by issued draft proclamation called “Financial Report Proclamation of Ethiopia” which gratifies public interest entities to follow IFRS in their financial reporting. However, the Financial Report Proclamation of Ethiopia is being criticized for not setting a firm deadline for the IFRS transition. Therefore there must be a firm dead line by the regulatory body for the adoption of the standard.
- ❖ Implementing IFRS has a challenge on a company, including financial reporting systems, internal controls, taxes, treasury, management compensation, cash management, and legal, among others. It requires a transformation that involves employees, processes, and systems.
- ❖ The simplest way for an authority to implement IFRS is to adopt the IASB’s process rather than to absorb or endorse standards one-by-one. Even if jurisdictions do not require entities to comply with ‘IFRS as issued by the IASB’, they should require auditors to give an opinion on that, assuming that such compliance is envisioned or allowed.
- ❖ The improved transparency and comparability provided by IFRS had helped to maintain confidence in commercial banks and other financial markets in Ethiopia. While concerted efforts to improve IFRS should continue, the improved transparency and comparability provided by IFRS are more likely to help prevent future crises rather than contribute to them. However, the attitude of the shareholders and the management will to accept and embrace improvements in standards needs to continue if proposed new standards on to come to completion.
- ❖ AABE and NBE should identify and determine the key dates and the date of transition (i.e. prepare Roadmap) to IFRS through active participation

of all stakeholders through bottom-up approach and effectively communicate these dates to the stakeholders and develop their own IFRS training plan for accounting, auditing and finance personnel of the commercial banks. They should conduct studies to identify the gaps in systems and processes to gather information needed under IFRS and the currently available information in the country and develop IFRS accounting manual, modifying charts of accounts and detailed instructions taking adoption of IFRS requirements in to accounts. Furthermore, practical action should be taken to integrate IAS and IFRS modules into Ethiopian higher institutions' accountancy education curricula. Finally, they should establish separate bodies to control and evaluate the adoption and implementation process of IFRS by commercial banks in Ethiopia by creating more awareness to the banks, the stakeholders as well as the academicians.

- The migration from one accounting standard to the next will be challenging particularly in the banking industry in Ethiopia. A unified performance management solution, not a set of separate applications, is the best and most straightforward approach to bring consistency and transparency to company's data sources. European-based software vendors are likely to offer an attractive combination of IFRS consulting experience and mature software functionality for operating simultaneously in multiple frameworks for accounting, reporting, and governance.
- Based on the study undertaken particularly on challenges of IFRS adoption by commercial banks in Ethiopia, the following should be improved (i) Strengthen professional education and training for all employees in their respective banks. The professional accountancy bodies should support their continuing professional education requirements with IFAC guidelines. (ii) Reinforce capacity of the regulatory bodies and review adequacy of constitutional enforcement provisions particularly the NBE and AABE employees. Take necessary steps to strengthen capacity of regulators and improve the legal framework of accounting and auditing to protect the public interest.(iii) Raise awareness of professionals, regulators, bank employees and preparers to improve the knowledge gap. Issues to be addressed include the importance of financial statements prepared under IFRS framework and importance of compliance with accounting and auditing requirements.(iv)Establish an independent body to set monitor and enforce accounting and auditing standards and codes. The proposed body should be empowered to

monitor and enforce accounting and auditing requirements with respect to general purpose financial statements.(v)Adequate resources should be put in place to support the sustainable adoption and implementation of IFRS. This includes having consulting professional bodies/institutions available to respond promptly to concerns by users and to provide for their ongoing training.

5.4. Research limitation and Future Study

The International Financial Reporting Standards (IFRS) is a wider scope of accounting which cannot be dealt with in its entirety in one study alone. This study focused on the prospects, challenges and Factors that could affect the adoption of IFRS standards by commercial banks in Ethiopia based on five Likert scale; it better to conduct further research on the performance of implementation using more than five Likert scale, other factors affecting the adoption with more qualitative concept. Besides, it would be highly appropriate for future research to be conducted on the issue of implementation and evaluation with IFRS adoption in Ethiopia. Further research may also be conducted to evaluate the already adopted banks to ascertain whether they really adopt or not. Furthermore, how small and medium scale enterprises adopt and obey IFRS with them could also be considered as another area for future research. Finally, this study attempted to focus on the factors affecting the adoption of IFRS by commercial banks in Ethiopia. Even though the research found some important factors affecting the adoption of IFRS, the researcher advocates more studies to be conducted in other factors affecting the financial reporting field for other companies in the country.

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Appendices

Appendix-I: Questionnaire

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MANAGEMENT DEPARTMENT

Dear respondents',

I am a master of Executive business administration student in Addis Ababa University. This questionnaire is developed for an academic effort planned for the collection of data to conduct a thesis paper on the title "Assessment on the Adoption of International Financial Reporting Standards (IFRS) In Selected Commercial Banks In Ethiopia'', in order to fulfill the University's (Addis Ababa University) requirement set for awarding of Masters of Degree in Business Administration (MBA). The information obtained from this questionnaire will be kept confidential for academic purpose only and will not be used for any other purposes. Hence, I am kindly request to give your honest information.

With best wishes,

Instruction:

- It is not necessary to write your name
- Try to address the entire question given below for the closed ended questions
- Use (√) mark for your choice in the given box

PART- ONE

This part of the questionnaire tries to gather some general information about the background of the respondent and the companies under the study.

1. **Profile of Respondents**

1.1. Sex: Male ☐ Female ☐

1.2. Age: 18-30 years ☐ 31- 43 years ☐ 44 – 56 years ☐ above 56 years ☐

1.3. Marital status: single ☐ Married ☐ Divorced ☐ Widowed ☐

1.4. Educational Background: College Diploma (TVET) ☐ First degree ☐

Master's degree ☐ above Master's degree ☐

1.5. Working Experience: Less than 4 years ☐ 4 to 8 years ☐

9 to 13 years ☐ over 13 years ☐

1.6. Current position in your bank ________________________________

2. **General information about the adoption of International Financial Reporting Standards (IFRS).**

2.1. Have you started implementing International Financial Reporting Standards (IFRS)?

Yes ☐ No ☐

2.2. If your answer for Question No 2.1 is 'yes', when did you start IFRS?

2010 ☐ 2011 ☐ 2013 ☐ 2014 ☐

2015 ☐ 2016 ☐ 2017 ☐

2.3. If your Answer for NO 2.1 is 'No', why don't you start?

Lack of finance ☐ Lack of commitment and leadership in the organization ☐

Lack of educated manpower ☐ Lack of professional bodies/instituetions ☐

Lack of capital market ☐ Policy mismatch of the standards ☐ others (specify)

2.4.Please rank the following "Major Reasons" for not applying IFRS (using 1 formost preferred & 5 for least preferred).

Sr. No	Major Reasons	Ranks
1	High cost of adoption	
2	Lack of knowledge	
3	Human psychology (resistance to adopt new things)	
4	Lack of training	
5	Broad changes in accounting world	

2.5. Please rank the following "Major Reasons" for applying IFRS (using 1 for most preferred & 6 for least preferred)

Sr. No	Major Reasons	Ranks
1	Transparency	
2	Comparability	
3	Investment opportunity	
4	Mandatory application of it	
5	Better corporate governance	
6	Existence of uniform accounting system	

2.6. Before the adoption of IFRS, What reporting standards did your bank use?

GAAP ☐ others (specify):_____________

2.7. Other comments (if any) ____

Part -TWO

3. Perception Check List

Instruction: Please put tick mark (√) under 1,2,3,, 4,or 5 where ' 1 means Strongly disagree , 2 means disagree, 3 means neutral, 4 means agree and 5 means Strongly agree for eachstatement to indicate your level of agreement or disagreement.

3.1.Factors affecting the adoption of IFRS

S. No	Factors	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
Government policy						
1	The Ethiopian Government encourage companies to adopt IFRS					
2	Politics is one of the major barriers to adopt IFRS					
3	Absence of clear policy and directives is a					

	barrier to the adoption of IFRS					
Capital market						
4	Capital market regulatory affects the adoption of IFRS in banking sector					
5	Market structure of the banking sector is a barrier for the adoption of IFRS					
Economic Structure						
6	The nature of economic practices of the banking sector affects the adoption of IFRS					
7	The journey to IFRS needsaccurate planning and careful execution of the economic aspect of the banking sector					
8	The taxation policy affects the adoption of IFRS in banking sector					
Leadership and commitment						
9	Leadership style of the banking sector is a barrier for the adoption of IFRS					
10	The leader ship and commitment of each bank has impact on accounting, IFRS harmonization and adoption					
11	The commitment of the banks' management and non-managerial employees affect the adoption of IFRS					
Company size						
12	Size of capital lead to adoption of IFRS					
13	Size of companies affects the early adoption of IFRS					
14	The perceived difficulties, costs and benefits that differ across company size or nature of industry affects the adoption of IFRS					

Educational level						
15	Having trained people in the banks greatly influence the adoption of IFRS					
16	Weak educational level of bank accountants and auditors is barrier to the adoption of IFRS					
Relationship with the professional institutions/bodies						
17	Inadequate relationship with professional institutions is the barrier for the adoption of IFRS					
18	Lack of professional bodies is a barrier on the adoption of IFRS					
19	Smooth functioning of IFRS to a large extent depend upon university curriculum and coordination with professional bodies/institutions					
20	Professional support with IFRS experience is a barrier for its adoption in banking sector					

3.2.Prospects of IFRS adoption

S. No	Prospects	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1	The capability of IFRS to cover both qualitative and quantitative aspects of accounting					
2	IFRS's influence on the financial statements, organizational readiness and policy consistency					
3	IFRS's capability for banking sector to grow and be more competent					

4	IFRS's capability in improving income (taxes) exchange rate					
5	IRFS's effects on financial processes, policies and controls of the banking sector					
6	Executive and board support to convergence with IFRS adoption					
7	The establishment of Professional support board with IFRS experiences and others for the adoption of appropriate financial reporting in the country					
8	IFRS's capability to give warning signals of corporate fraud and other issues than other systems					
9	The inclusion of the IFRS as one financial reporting strategy in the policy and procedures of Ethiopia					
10	The need for many banks to inter into the global market and competition					

3.3.Challenges of adopting IFRS

S. No	Challenges	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1	Adoption of IFRS is costly					
2	Work and burden of an accountant/auditors will be increased due to implementation of IFRS					
3	Retention of key employees due to convergence with IFRS					

4	IFRS increases the complexity of financial reporting					
5	First time adoption will impair the quality of first financial statements and will also affect the quality of the financial statements					
6	IFRS brings about increased volatility of earnings					
7	Auditors would need to trained their staff to audit under IFRS environment					
8	Tax driven nature of previous standards is a challenge for IFRS adoption					
9	IFRS requires immediate change in Ethiopian banks laws or regulations					
10	Lack of availability of competent specialists/professions					
11	Problem with the IT system in handling the transition to IFRS					
12	Lack of professional bodies/institutions affects the adoption of IFRS					
13	IFRS requires immediate change in Ethiopian tax accounting policies and practices					
14	Inadequate training facilities at an affordable cost is a barricade to IFRS					
15	IFRS implementation is likely to increase tax burden on companies					

3.4.Effective transition of all Ethiopian banks to IFRS requires the following steps (please rank 1 for most preferred and 6 for least preferred)

S. NO	Requirements	Rank
1	IFRS training for investors	
2	IFRS training for management	
3	IFRS training for auditors	
4	IFRS education in the accounting curriculum	
5	IFRS training for accountants	
6	Accounting training for chief financial officers'(CFOs)	

3.5. Overall level of respondents agreement on the adoption of IFRS

Strongly disagree ☐ Disagree ☐ Neutral ☐

Agree ☐ Strongly agree ☐

Thanks very Much for your cooperation and Time!

Appendix-II: Interview Questions for Bank officials

1. Do you intend/ plan to adopt International Financial Reporting Standards (IFRS) for your bank's financial report?
2. What accounting standards were employed in your bank before the adoption of IFRS?
3. Do you think that IFRS is better than other financial reporting mechanisms? Why? Why not? How?

Yes ☐ No ☐ I do know ☐

4. In your opinion what are the main factors that could influence the adoption of IFRS in Ethiopian commercial banks?
5. Do you agree with the statement that IFRS is developed by the developed countries hence not practical for developing countries commercial banking operations? Why or why not? How?

   Yes☐No ☐ I do know☐

6. From your point of view how beneficial are IFRS to Ethiopian banking industry and the commercial banks practicing them?
7. What are the main problems faced by stakeholders in the process of adoption of IFRS for commercial banks?
8. What are the challenges and opportunities of the adoption of IFRS in commercial banks in Ethiopia?
9. What are the ways through which these problems and challenges can be addressed? Please recommend some solutions to overcome the problems and challenges with implementation and adoption of IFRS in banks.
10. Any other additional comments

Thanks very Much for your cooperation and time!

Appendix-III: Interview Questions for National Bank of Ethiopia (NBE)

1. Is your organization responsible regarding the adoption of IFRS by Commercial banks in Ethiopia?
2. Has your organization set timeframe for all commercial banks to adopt IFRS?
3. How do you evaluate and follow-up the adoption of IFRS by commercial banks?
4. Do you think that IFRS better than other financial reporting mechanisms? Why? Why not? How?

   Yes ☐ No ☐ I do not know ☐
5. In your opinion what are the main factors that could influence the adoption of IFRS in Ethiopian commercial banks?
6. Do you agree with the statement that IFRS is developed by the developed countries hence not practical for developing countries commercial banking operations?

   Yes ☐ No ☐ I do not know ☐
7. From your point of view how beneficial are IFRS to Ethiopian banking industry and the commercial banks practicing them?
8. What are the main problems faced by stakeholders in the process of adoption of IFRS for commercial banks?
9. What are the challenges and opportunities of the adoption of IFRS in commercial banks in Ethiopia?
10. What are the ways through which these problems and challenges can be addressed? Please recommend some solutions to overcome the problems and challenges with implementation and adoption of IFRS in banks.
11. Do you have a strategy to help for the adoption of IFRS for commercial banks? Why or why not?
12. Other comments (if any)

Thanks very Much for your cooperation and time!

Appendix-IV: Interview Questions for Accounting and Auditing Board of Ethiopia (AABE)

1. What is the responsibility of the board regarding IFRS Implementation in Ethiopia?
2. How do you evaluate the implementation of IFRS especially in the banking industry?
3. Did the board set deadline for IFRS implementation for commercial banks in Ethiopia?
4. Do you think that IFRS better than other financial reporting mechanisms?
   a. Yes ☐ No ☐ I do not know ☐
5. What would you say the main factors that could influence the adoption of IFRS in Ethiopian commercial banks?
6. Do you agree with the statement that IFRS is developed by the developed countries hence not practical for developing countries commercial banking operations?

   Yes ☐ No ☐ I do not know ☐
7. From your point of view how beneficial are IFRS to Ethiopian banking industry and the commercial banks practicing them?
8. What are the challenges and prospects of your board of association to adopt IFRS Ethiopia?
9. What are the challenges and opportunities of the adoption of IFRS in commercial banks in Ethiopia?
10. What are the ways through which these problems and challenges can be addressed? Please recommend some solutions to overcome the problems and challenges with implementation and adoption of IFRS in banks.
11. Do you have a strategy to help for the adoption of IFRS for commercial banks? Why or Why not?
12. Other comments (if any)

Thanks very Much for your cooperation and time!

Appendix-V: Commercial banks under the study

Table 17: selected commercial banks for the study

Adopters of IFRS	Non-adopters of IFRS
Commercial bank of Ethiopia	Development bank of Ethiopia
Enat bank	Dashen bank
Zemen bank	Addis international bank
United bank	Awash bank
Lion international bank	Abay bank