

**CHALLENGES AND PROSPECTS OF INTERNATIONAL
FINANCIAL REPORTING STANDARDS (IFRS)
IMPLEMENTATION IN ETHIOPIA**



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Abstract

One of the foremost requirements to operate a Business successfully is to have a good financial reporting system in place. This study assessed implementation of International Financial Reporting Standards (IFRS) In Ethiopia in accordance with financial reporting proclamation # 847/2014. The study assessing the challenges faced in implementing, International Financial Reporting Standards (IFRS) by Ethiopian firms. The study was provides insight into the IFRS implementation process based on a questionnaire that is send to large tax payers business officers and it was indicate: (1) whether the respondents have indicated IFRS Enforcement capacity is a key challenge for transition; (2) whether the process is costly, complex, and burdensome; (3) whether Institutional readiness is require more attention for transition to IFRS; (4) whether the more comprehensive the approach to conversion, the more respondents are tend to agree with the factors influencing the transition; (5) whether the complexity of IFRS as well as the lack of Implementation guidance and uniform interpretation were also key challenges in technical capacity area; the results of the questionnaire and interviews were confirmed the transition to IFRS in Ethiopia was challenging. The study also discusses the prospect of IFRS implementation in Ethiopia and the result is showed that whether or not the transition plan to IFRS and its implications for preparers, users, educators and other stakeholder has to be effectively coordinated and communicated. In the conclusion part, the study brings out the ways through which these challenges can be addressed.

Keywords: *IFRS; Proclamation; Challenge; Enforcement Capacity, Institutional readiness; Technical Capacity.*

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Acronyms and Abbreviation's

| | |
|---------|--|
| AABE | Accounting and Auditing Board of Ethiopia |
| ACCA | Association of Chartered Certified Accountants |
| ECX | Ethiopian Commodities Exchange Authority |
| EPAAA | Ethiopian Professional Association of Accountants and Auditors |
| EU | European Union |
| GAAP | Generally Accepted Accounting Principles |
| IAS | International Accounting Standards |
| IASB | International Accounting Standards Board |
| IASC | International Accounting Standards Committee |
| IFRIC | International Financial Reporting Interpretations Committee |
| IFRS | International Financial Reporting Standards |
| ISAR | International Standards of Accounting and Reporting |
| MoFED | Ministry of Finance and Economic Development |
| NBA | National Bank of Ethiopia |
| NIFRSHD | National IFRS help Desk |
| ROSC | Report on the Observance of Standards and Codes |
| SIC | Standing Interpretations Committee |
| SME | Small and Medium size Enterprises |
| UNCTAD | United Nations Conference on Trade and Development |

CHAPTER ONE

1. INTRODUCTION

1.1 General background of the study

In most countries especially developed ones, many or even all entities have a legal obligation to prepare financial statements that conform to the required standards or set of accounting principles that are generally acceptable in that country (Frank, 2002). The great majority of these entities are companies or organizations which are publically accountable especially the multinationals which need greater international uniformity in the regulations underpinning the preparation of company's financial statements (Frank, 2002). The quality of financial reporting is essential to the need of users who require them for investment and other decision-making purposes (Fashina and Adegbite, 2014).

Financial reports can only be regarded as useful if it represents the economic substance of an organization in terms of relevance, reliability, comparability, understandability, timeliness and simplifies interpretation of accounting numbers (Kenneth, 2012). The International Accounting Standards Board adopted the IFRS framework on 1 April 2001. The International Accounting Standards Board (IASB) took over the setting of International Accounting Standards from the International Accounting Standards Committee (IASC).

The, International Accounting Standard Board (IASB) updated the already existing International Accounting Standards and referred to them as International Financial Reporting Standards (IFRS); the standards were adopted by over 150 countries around the world. IFRS was established and approved by the IASB. The goals of the IFRS Foundation and the IASB is to develop, in the public interest, a single set of high-quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. (IFRS, 2015) In Africa 19 of the 53 countries have adopted IFRS. The momentum of Africa appears to be much slower than that of the rest of the world Jeff Van Rooyen (2011). A trustee of the International Financial Reporting standards Foundation and also an African saw the value of economic globalization for continent by stating the following: "The whole world is converging. Africa needs to be part of this. In the case of Ethiopia is moving toward implementing IFRS, the aim of this study is to assess the IFRS implementation and prospects and challenges ahead of

IFRS implementing in Ethiopia. This study makes an effort to bridge gap and tries to study the Ethiopian data with reference to IFRS implementation, benefits of IFRS for Ethiopia, challenges faced by the stakeholders in the process of implementation of IFRS, and assess factors that affect the implementation. (IFRS, 2016) According to World Bank on the Report on the Observance of Standards and Codes, there is no specific set of accounting regulations in Ethiopia and therefore accounting practices vary across institutions (World Bank, 2007). But now the first financial reporting Federal state regulatory body is established for the first time in Ethiopia by regulation entitled Council of Ministers Regulation to provide for the establishment and to determine the procedure of the Accounting and Auditing Board of Ethiopia (Council of Ministers Regulation No. 332/2014) pursuant to Article 4(1) of the Financial Reporting Proclamation No. 847/2014.

Accordingly, provision of Article 3(1) of this regulation describes that “The Accounting and auditing Board of Ethiopia (AABE) is here by established as an autonomous government organ having its own legal personality.” AABE consists of 12 members which includes one representative from each of various Ministries (Directives of National bank 2014). One of the world’s oldest civilizations, Ethiopia is also one of the world’s poorest countries. The main challenge for Ethiopia is to continue and accelerate the progress made in recent years toward to address the causes of poverty among its population. The government is already devoting a very high share of its budget to pro-poor programs and investments, however, even if donor support is increased, using aid effectively will require Ethiopia to improve governance, empower local authorities, and become more accountable to its citizens.

World Bank (2016 Nov. 30) Country Profile, retrieved from //www.worldbank.org. Among the efforts made by the government, implementing high quality International Financial Reporting Standards (IFRS) is critical to meeting and sustaining Ethiopia’s economic growth potential. IFRS provides international investors with a brand of trust in the quality of financial reporting. That trust in financial reporting is essential if investors are to be encouraged to step in to promote continued economic growth. IFRS also challenge the country’s growth potential, because nationally supported IFRS increase stability, stewardship, accountability and transparency both at institutional and government level.

On 5th December, 2014 Ethiopia Adopted International financial reporting standard (IFRS) as its financial reporting framework (Financial Reporting Proclamation 847/201), with the aim to

contribute to the Government efforts of improving good governance and reducing the level of corruption and rent seeking behaviors. (AABE 2015) Accounting professionals around the world are to strengthen the various components of the accounting infrastructure in their respective countries, so that financial resources can be mobilized and used more efficiently.

However, different countries have been using different national accounting standards, making it difficult and costly to compare investment opportunities in different countries. In addition, the faster pace of globalization, the growing interdependence of international financial markets and the increased mobility of capital have added to the pressure and demand for the harmonization of accounting and financial reporting frameworks and related standards around the world. (UNCTAD 2008) Recognizing the importance of high quality financial reporting and its contribution to improved financial management is necessary to attract investment and to exploit International opportunities.

The Ethiopian government in 2014 passed the Financial Reporting Proclamation—a ground breaking piece of legislation enshrining the accounting profession’s role in fostering the growth of the economy and ensuring the stability of the economy; and the related Council of Ministers Regulation setting-up the oversight Board – the Accountants and Auditors Board of Ethiopia (AABE). The Proclamation sets out financial reporting frameworks applicable to different reporting entities and mandated AABE with the responsibility of regulating the accountancy profession and ensuring its development in the country. AABE is the statutory body established in terms of the Financial Reporting Proclamation 847/2014, with the primary purpose of protecting the public interest. To achieve this, AABE is responsible for regulating the profession as well as for issuing a national professional accountancy qualification that is recognized internationally. Among others, its responsibilities include setting accounting and auditing standards and code of conduct to regulate the behavior of professionals; register and certify professionals and firms to provide such services; review and monitor the work of professionals and firms rendering accountancy and/or audit services and reporting entities; providing professional qualification training, supporting education and continuous professional development programs; enforcing the financial reporting law and taking disciplinary measures on those who do not comply with the provisions of the law and the regulation set by the Government and directives, other relevant policies and guidelines issued by the Board reporting

entities can easily manipulate the financial report through creative accounting. IFRS is, however, a fair-value, principle-based standard with the potential to improve reporting qualities, enhance international comparability, exhibit more information disclosure, and increase transparency of accounting information.

Depending on the general economic situation, existing regulatory framework and financial reporting tradition of a given country, practical implementation of IFRS poses considerable challenges and prospects. Though it is very early to note practical challenges and prospects of IFRS implementation in Ethiopia, this study questions are whether Institutional responsibilities are clearly set or not? Are the enforcement capacity and/or mechanism in place? Is the required expert human resources/technical capacity available?

The study is taken the practical challenges and prospects of other countries that implemented IFRS.

1.2. Statement of the problem

Many of world countries have faced challenges in their decisions to implement IFRS, its wide spread implementation has been promoted by the argument that the benefits outweigh the costs. Many jurisdictions have cultural, legal, or political obstacles to an immediate full adaptation and implementation of IFRS (Wayne, 2010). There will be a push towards the implementation of IFRS developed and issued by the International Accounting Standards Board (IASB). In the past few years many developed and developing countries have adopted international financial reporting standards (IFRS) as the basis for financial reporting. While some countries have been using these standards for decades, they are however new for transition economies like Ethiopia. In developed countries Implementation of IFRS would be launched in 2016 and in developing countries like Ethiopia, implementation of IFRS would be launched in June 2018(Directive of National Bank).

The benefit is intended to ensure that companies IFRS financial statements contain high quality information that: is transparent for users and comparable over all periods presented; provides a suitable starting point for accounting under IFRSs; and can be generated at a cost that does not exceed the benefits to users. The implementation of IFRS was face several challenges and obstacles including, technical skills and level knowledge of companies professional accountants,

the ability 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 training of accountants (Melese Hailemichael 2016).

So, this study observe various problems including high cost of first implementation of IFRS, low level of awareness for preparers and users of Financial Statement, and difficulties in understanding the effects of IFRS on various sectors of the economy and their economic operations respectively. Hence, to assess there are limited research done and published in this issue in Ethiopia, the finding from this study is aimed the prospects and challenge of implementing IFRS in Ethiopia to overcome the problem get advantage for the user.

In spite of the numerous studies about the implementation of International Financial Reporting Standards by developed and industrialized countries around the world, less attention has been given to developing countries. Very less articles and books about the implementation of IFRS in Ethiopia were found.

Various survey studies have been conducted to assess the implementation of International Financial Reporting Standards in different countries of the world. A set of studies have been conducted in relation to the importance (Apostolos et al., 2010; Iyoha and Faboyede, 2011) and the challenges of adopting IFRS (Alessandro et al., 2009; Robyn and Graeme, 2009). The aforementioned and other studies have been conducted to assess the implementation of International Financial Reporting Standards in different countries. Since European Union (EU) was the first to implementation IFRS across the globe, most of the research has been carried out on IFRS analyzing the data from member countries of EU. Comparatively fewer numbers of studies have been carried out on data from other countries. This study makes an attempt to bridge this gap and tries to study the Ethiopian data with reference to IFRS implementation, prospect of IFRS for Ethiopia; challenges faced by the companies in the process of implementation of IFRS, and assess the factors that might affect the implementation process.

According to ROSC (2007), so far there is no particular accounting standard in Ethiopia. Even though some of the laws indicate to use Generally Accepted Accounting Principles (GAAP) for example the income tax proclamation of Ethiopia article 58(1), neither of the international

standards are officially adopted. Given this, Moving out from such sophisticated and traditional way of report preparation to International Financial Reporting Standard (IFRS) will not be smooth, so this study will try to find out major challenges and prospects with recommendation to facilitate the process of IFRS adoption/implementation in Ethiopia.

This study is motivated because of the absence of studies in the area of IFRS implementation, its prospect, and challenges. Moreover, it is important to notice that the Ethiopian environment is different from the developed countries environment where the accounting profession is more developed and where there is specific set of accounting regulation and an independent standard setting body. There is a lack of study on challenges and prospects of International Financial Reporting Standards (IFRS) in Ethiopian context. Therefore this study is better to see the problem in developing countries context to enrich and extend the understanding of International Financial Reporting Standards and the issues related to its first time implementation in Ethiopian context to fill the gap.

1.3. Research question

- What are the prospects of International Financial Reporting Standard (IFRS) implementation in Ethiopia?
- What are the challenges in the implementation of International Financial reporting Standards (IFRS) in Ethiopia?
- What are the factors that affect implementation of International Financial Reporting Standards (IFRS)?

1.4 General Objective

The general objective of the study is to assess the challenges and prospects of International Financial Reporting Standard (IFRS) implementation in Ethiopia.

1.4.1 Specific Objective

- ✓ To assess the challenges of International Financial Reporting Standard (IFRS) implementation in Ethiopia
- ✓ To assess the factors affecting the implementation of International Financial Reporting (IFRS)
- ✓ To assess general prospects for International Financial Reporting Standard (IFRS) implementation in Ethiopia.

1.5. Scope of the study

As mentioned previously also, the IFRS implementation procedure is yet to be completed in Ethiopia. The study, therefore, does not discuss the post IFRS implementation impact.

The study focuses on the assessment of Institutional readiness, Enforcement capacity/system, political influence and availability of the required technical issues related to the adoption/implementation of IFRS in Ethiopia.

1.6 Significance of the Study

As stated on the proclamation, the adoption and implementation of IFRS is to support the various building blocks of the economy and to reduce the risk of financial crisis, corporate failure and associated negative economic impacts; it is necessary to ensure that the provision of financial information meets internationally recognized reporting standards; The studies have many advantages for all practitioners and academicians by providing useful information about International Financial Reporting Standards and issues related to its implementation. It is also useful for organizations by providing information about the principles and actual challenges of implementing IFRS. It is very important for academic purpose by providing some information in regard to the prospect and challenges of IFRS implementation in Ethiopia.

The study also used as an initiation for those who are interested to conduct a detailed and comprehensive study regarding the implementation of IFRS in Ethiopia. And it is enable the governing body, specifically the higher responsible body, and the managements of companies to be aware of the potential challenges of implementing International Financial Reporting Standards and it give insight on how to approach the implementation process of these international standards most efficiently.

In general, the studies were assessing challenges that affect the implementation of IFRS and its prospects and recommend ways out. The study is also used as an input for policy makes, standard setters, and academic institutes and to regulatory bodies in Ethiopia.

1.7 Organization of the Paper

This study is organized in to five chapters. The first chapter states the general introduction and background of the study. Chapter two presents the literature review regarding the research area of International Financial Reporting Standards and its implementation and therefore will set out

the theoretical foundations for the research. The third chapter outlines the research methodology. The research results are presented in chapter four. The last chapter draws conclusions and recommendation and wind up the report by highlighting future research areas.

CHAPTER TWO

2 LITERATURE REVIEW

2.1 Theoretical review of the Study

The studies were assessing the institutional, infrastructural adequacy and technical factors that may predict the success of the transition to the global reporting standards IFRS implementation in Ethiopia. As of the beginning of 2005, the global corporate financial reporting landscape has been transformed in a major way – an unprecedented number of countries and enterprises around the world adopted international financial reporting standards (IFRS) as a basis for the preparation of financial statements.

(UNCTAD 2008) The European Union (EU) took the lead when it mandated all listed companies in the European Union to start the adoption and implementation of the IFRS in their financial reporting since 2005. In fact the year 2005 to 2009 was regarded by the IASB to provide a stable platform for EU companies that started implementation in 2005. Presently over 150 countries are reported to have converged with IFRS. The process of international convergence towards a global set of standards started in 1973 when 16 professional accountancy bodies from Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom and the United States of America agreed to form the International Accounting Standards Committee (IASC), which in 2001 was reorganized into the International Accounting Standards Board (IASB). The IASB develops global standards and related interpretations that are collectively known as international financial reporting standards (IFRS). (UNCTAD 2008).

Membership of IASC expanded to 140 professional bodies including the International Federation of Accountants (IFAC) under which some African countries belong. Because of globalization and comparability issues, IASC was restructured leading to the creation of International Accounting Standard Board (IASB) that issues IFRS. This ushered in the convergence (both local and international) of accounting standards to IFRS which has become globally adopted including in Africa. However, convergence is still going on various areas of accounting. Additionally, International converge accounting standards refers to the goal of establishing a single set of high-quality accounting standards to be used internationally. The effort of standard-

setters, particularly, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) is to achieve that goal. The essence of convergence is to avoid conflict and confusion, promote simplicity, streamlining, consistency and transparency and avoid any future financial crises. Convergence is also already taking place in other countries, with “all major economies” planning to either adopt IFRS or converge towards it in the near future. For example, Canada required all listed entities to use IFRS from January 1, 2012 and Japan permitted the use of IFRS for certain multinational companies from 2010 and made a decision on mandatory adoption in 2012 (IFRS Foundation, 2012).

Standard setting bodies, such as International Accounting Standard Board (IASB) and Financial Accounting Standard Board (FASB), experience lobbying from preparers and governmental self-interest (Nobes, 2008). The lobbying is motivated by different reasons. The major one is related to revenue and earning management. Managers want to show higher revenue in the financial statements of their companies due to the fact that their compensation is most often associated with it. Governments also lobby the formulation of standard that can lead to a higher earning (Nobes, 2008). In spite of this, accounting standard setting bodies imposes their standards by getting the help of enforcement bodies (Nobes, 2008). Different forms of bodies in different accounting regimes perform the enforcement. Regulators of stock exchanges, government departments and agencies and private sector bodies are used as an enforcer in various accounting regimes. In countries such as US, Norway, Sweden, Switzerland and Australia, stock exchange regulators perform enforcement. In the UK, government department carries out enforcement (Nobes, 2008). The enforcement action of those bodies makes a standard mandatory in their jurisdiction. The mandatory standard may be new or a change to the existing standards.

2.2. International Financial Reporting Standards

Definition of International Financial Reporting Standards (IFRS) is standards and rules for reporting financial information, as established and approved by the Financial Accounting Standards Board (FASB). IFRSs are issued by the International Accounting Standards Board (IASB), formerly known as International Accounting Standards Committee (IASC). The main objective of the IASB is “to develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to

help participants in the world's capital markets and other users make economic decisions” (Epstein & Mirza, 2002).

To bridge the gap between accounting standards among countries, the IASC was founded in 1973 by a group of professional accounting practitioners. The IASC was to formulate uniform and global accounting standards aimed at reducing the discrepancies in international accounting principles and reporting practices. In this light, the IASC was established. Since its establishment the IASC has actively been championing the uniformity and standardization of accounting principles for over two decades (Carlson, 1997). In April 2001, the IASB took over the setting of International Accounting Standards from the IASC. Thenceforth, the IASB updated the already existing International Accounting Standards and referred to them as International Financial Reporting Standards (IFRS). IASB mission is to develop International Financial Reporting Standards (IFRS) that bring transparency, accountability and efficiency to financial markets around the world. IASB work serves the public interest by fostering trust, growth and long-term financial stability in the global economy (IFRS, 2015).

IFRS, 2015) for many years, each country has had its own system of accounting standards and principles; however, as many companies became international, the workload to report financial statements multiplied. Not only were companies required to report financial statements using their home country’s standards; but the company would also be required to report financial statements using the standards of all countries that were listed as exchanges (The unification of international accounting standards, 2007). IFRS are body of prescriptive rules and guidelines with global reach and appeal which provide direction and guidance on how business enterprises in a globalized world could achieve the goal of proper record keeping, transparency, uniformity, comparability and enhancing public confidence in financial reporting (Tendeloo and Vanstraelen, 2005). Thus, failure on the part of the firm to apply the requirements of IFRS would result in inconsistencies, lack of accountability and transparency, distortion in financial reports, which in turn results into poor financial reporting practices and dissemination of accounting information that is of less value to any particular group of users. This is because the preparation and presentation of financial statements will be bereft of objectivity, reliability, credibility and comparability, and thus results in fraudulent business practices which

subsequently lead to business failure and become devastating on the national economy (Atu et al., 2014).

Various literatures argued for the necessity of single accounting standard for the globe. For instance, argued in favor of the global convergence of accounting standards asserting that convergence in accounting standard is a very positive development as it: contributes to the free flow of global investment and achieve substantial benefits for all capital markets stakeholders; improves the ability of investors to compare investments on a global basis and thus lower their risk of errors of judgment; has the potential to create a new standard of accountability and greater Transparency, which are values of importance to all market participants including regulators, and creates an unprecedented opportunity for standard setters and other stakeholders to improve the reporting model (Shabana and Samant, 2011). The globalization of international financial markets across the globe, the idea of adopting a common language for financial reporting to enhance international comparability has become widespread (Jeanjean and Stolowy, 2008). Countries have permitted their domestic companies to use International Financial Reporting Standards (IFRS), an international reporting language in recent years (Li, 2010).

The momentum of Africa appears to be much slower than that of the rest of the world (Jeff 2011). In the case of in our country review on accounting standards in Ethiopia conducted by World Bank and IMF in 2007, “Reports on Observance of Standards and Codes (ROSC)”, indicated various issues in accounting standards in Ethiopia. One of the major issues is The Ethiopian Professional Association of Accountants and Auditors (EPAAA), has no legal backing and is not a member of International Federation of Accountants (IFAC). Under that scheme the EPAAA was supposed to actively participate in the process. It could be noted that the post-1991 period brought about some favorable conditions for the development of Accounting and auditing in the country that could be exploited by aspiring professional associations. The EPAAA has not developed to a level where it can offer certification examinations (World Bank, 2007). According to World Bank on the Report on the Observance of Standards and Codes, there is no specific set of accounting regulations in Ethiopia and therefore accounting practices vary across Institutions (World Bank, 2007).

2.3. Historical Background of Accounting in Ethiopia

The evolution of accounting can be seen from international perspective and from national point of view. While the development of accounting internationally has generally been well documented, studies that assess this process in developing countries appear relatively limited (Mihret, 2009). Ethiopia has had alternating political orders: from a developing market economy (pre 1974) to a communist economy (1974 through to 1991), and then back to a market oriented economy (1991 onwards) (Mihret, 2009). The development of accounting in Ethiopia seems to exhibit distinct patterns during the three chronological periods: Pre-1974, 1974 to 1991, and post-1991. These patterns are described below in terms of stakeholders' efforts to promote the development of accounting and the outcomes of such efforts.

According to Kinfu (1990) the establishment of the commercial school in 1943 provided an important only venue for training of would be office clericals in commercial subjects such as banking, secretarial and finance. These graduates in the area of banking, secretarial and finance did try to form some type of association with a view to establish a link among them. Another development in the 1940s was the start of public accounting in Ethiopia. This is traced to events when British accounting firms, like Price Waterhouse and Peat, opened branches in the country (Mihret, 2009).

Two significant developments in the history of accounting in Ethiopia took place in the 1960s. In 1960 the Commercial Code of Ethiopia was proclaimed (Government of Ethiopia, 1960) which was followed by the formation of the Office of the Auditor General (OAG) in 1961 by Proclamation 199/1961 (Government of Ethiopia, 1961). The commercial Code contains accounting and external auditing provisions, which serve as the legal basis for financial reporting and external audit of companies (Argaw, 2000; Kinfu, 1990; ROSC, 2007).

The early seventies saw the creation of many professional associations in Ethiopia (Mengistu, 2008). An effort to establish indigenous professional accounting associations in Ethiopia occurred in 1973 when the Ethiopian Professional Association of Accountants and Auditors (EPAAA) was established (Argaw, 2000; Kinfu, 1990; Mihret, n.d). According to Mihret (2009), the EPAAA was aspiring to develop to a level where it would certify and license public

accountants to practice in Ethiopia. Composition of members to the association included mainly accounting and auditing practitioners.

In 1974, a military government came into power in Ethiopia and declared a communist ideology. Most people agree that this period (up to 1991) was a time when the development of accounting appears to have been held back (Argaw, 2000; Blake, 1997; Kinfu, 2005). Nonetheless, an important landmark in the history of accounting and auditing in this period was the formation of the Audit Service Corporation (ASC) by Proclamation 126/1977 (Government of Ethiopia, 1977) (Mihret, 2009).

According to Seal, Sucher and Zelenka, (1996 as cited in Mihret, 2009), after 1991, when the country shifted back to a free-market economic order, a number of public enterprises were privatized, which resulted in a new corporate governance structure that would be expected to enhance the importance of financial reports. Change of government and the type of government are important influences on the development of the accounting profession. During this period the establishment of People's Democratic Republic of Ethiopia (PDRE) the power and functions of The Auditor General were reformulated and revised by proclamation 13/1988. In addition to this, the EPAAA has been re-activated and three other professional associations, i.e. the Ethiopian Accounting and Finance Association (EAFA), the Ethiopian chapter of the Institute of Internal Auditors (IIA), and the Accounting Society in Ethiopia (ASE) have been established (Mihret, 2009).

Though there are a number of developments in accounting after the coming in to power of PDRE, there is no specific set of accounting regulations in Ethiopia (ROSC, 2007). Problems related to accounting regulations and financial reporting are now being recognized and appreciated in Ethiopia. For instance, the recent proclamation on banking business has set a direction for banks to use international standards when reporting their results. In addition, the newly established Ethiopian Commodities Exchange Authority (ECEA) has issued a draft directive on independent auditors to require members of the Exchange to use International Financial Reporting Standards in preparing financial statements and for the auditors to use International Standards on Auditing (Gizaw, n.d).

The year 2014 marked significant water shed in Ethiopia's financial reporting as the country wholly adopts international Financial Reporting Standards (IFRS) as its financial reporting framework. With the growing internationalization of economic trade and the globalization of businesses and financial markets, financial information prepared and audited in traditional/rule based accounting and auditing system may no longer satisfy the needs of users whose decisions are more international in scope (Zeghal and Mhedhbi, 2006) ; (Carson and Dowling, 2010). As a result of the increasing popularity of participating in the global economy investors are becoming increasingly interested in emerging markets as they present a diversified opportunity according to Levich (2001).

Though IFRS was developed in 1973 by professional accountants in different countries, its transition to Europe came in 2005. It has been evolving over the years. The Government of Ethiopia in 2014 passed the Financial Reporting Proclamation—a ground breaking piece of legislation enshrining the accounting profession's role in fostering the growth of the economy and ensuring the stability of the economy; and the related Council of Ministers Regulation setting-up the oversight Board – the Accountants and Auditors Board of Ethiopia (AABE). The Proclamation sets out financial reporting frameworks applicable to different reporting entities and mandated AABE with the responsibility of regulating the accountancy profession and ensuring its development in the country. Currently, The Board plans a three phase transition over a period of three years for reporting entities in Ethiopia. (AABE Nov. 2015) The transition plan is prepared on the basis of Article 54(1) of the Proclamation and anchored on the understanding that the Board and all stakeholders will follow the milestones and timelines as described in strategic plan of AABE. (AABE Nov. 2015).

Even though IFRS is required for a certain type of institution, Ethiopia lacks resources to implement IFRS properly, National Bank of Ethiopia (NBE) has already developed a guideline for standard financial reporting; it has trained its staff in that regard (Alemayehu, 2009). Ethiopian Commodities Exchange Authority (ECEA) has also issued a draft directive to require members of the Exchange to use international financial reporting standards in preparing financial statements (Gizaw, n.d). Proclamation no.592/2008, part six, article 23 of the banking business proclamation states about the Financial Records and External Audit Inspection of banks.

According to article 23 sub article 1 of the proclamation, the National Bank of Ethiopia directs banks to prepare financial statements in accordance with the International Financial Reporting Standards whether their designation changes or they are replaced, from time to time.

Similar to many developing countries, Ethiopia's financial reporting practices are driven by its tax laws and fragmented accounting practices acquired from the country's institutions of higher learning. Implementing IFRS as a national standard have significant benefits and challenges for countries to improve corporate transparency that is required by investors and the public. Many countries are currently migrating to IFRS by abandoning their national accounting standards. This is an opportunity for countries like Ethiopia, which do not have national accounting standards even if transiting to international standards with weak financial reporting practices in the country may pose many challenges that must be overcome through time (Gizaw, n.d).

2.4. Financial Institution in Ethiopia

The government of Ethiopia as a nation has expressed an initiative to integrate the financial statements of its companies with international standards. In our country most of organizations use GAAP for their financial reporting and there are very few companies use IFRS and among them most of the companies are financial institutions currently government enforce companies to use IFRS in their financial reporting. (Financial Institutions Audit Reports) Intention of the government to implement IFRS in Ethiopian share companies, including Banks and Insurance, is Manifested by the issued Proclamation No. 847/2014 December 5, 2014 called “Financial Reporting Proclamation of Ethiopia” which obliges companies to follow IFRS in their financial statement presentation. The National Bank of Ethiopian (NBE) and the Securities and Exchange Commission also adopted this date for compliance and has issued guidance compliance circulars to ensure full implementation of IFRS in Ethiopia. There are no extra requirements for banks and insurance companies for preparation of their annual financial statements. Banks and insurance companies are subject to regulatory laws and directives issued by the National Bank of Ethiopia, but there are no extra requirements in these laws or directives for preparation of annual financial statements. The applicable requirements for preparation of annual financial statements for banks and insurance companies are those provided in the Commercial Code. The Commercial Code has no requirement for compliance with any Defined accounting standards.

Banks and insurance companies are public interest entities which should be subjected to high standards of financial reporting (World Bank, 2007). Auditors for banks are required to be approved by the National Bank of Ethiopia on an annual basis; banks are required to send selected auditor's name to the National Bank of Ethiopia for the approval of the appointment of bank auditor. This is a legal requirement under Proclamation for Licensing and Supervision of Banking Business No. 84/1994. When approving auditors the National Bank of Ethiopia ensures that only those auditors licensed by Office of the Federal Auditor General (OFAG) are approved (World Bank, 2007).

Auditors for insurance companies are not subjected to any additional requirements other than the provisions of the Commercial Code. The Proclamation for Licensing and Supervision of Insurance Businesses No.86/1994 states that the auditors for insurance companies shall have powers, functions, and duties; and be subject to liabilities and penalties under the Commercial Code. There are no other regulations for auditors of insurance companies (World Bank, 2007). The Income Tax Law requires taxable income of businesses to be determined on the basis of financial statements prepared according to generally accepted accounting standards. The Income Tax Proclamation No. 286/2002 states that taxable business income shall be determined per tax period on the basis of the profit and loss account, or income statement, which shall be drawn in compliance with generally accepted accounting standards. The problem in this case is that 'generally accepted accounting standards' is not defined, and there are no accountings standards set in the country (World Bank).

2.5. IFRS Adoption and Implementation in Ethiopia

Adopting and implementing International Financial Reporting Standards (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 and implementers of IFRS should pass through before implementing it. According to this guide, the first step is making policy decisions through building consensus among concerned stakeholders. The second step is preparing a plan by building in targets and deadlines, and making them public and helps to identify obstacles that must be overcome. The third step is 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 (IFRS, 2013). According to AABE report implementation of IFRS in Ethiopia is ongoing up to know. From this standpoint, this study will carry out to study prospects and challenges of implementing IFRS in Ethiopia.

2.6. Challenges of implementing IFRS

According to researchers, Kholeif (2008) and Braun and Rodriguez (2014) have suggested that there is a need to undertake more research to assess the challenges that is facing the implementation of IFRS in developing nations. The main practical challenges that arise in implementing IFRS that have been identified through the country case studies and the lessons learned are generalized as depending on the general economic situation, existing regulatory framework and financial reporting tradition of a given member State, practical implementation of IFRS poses considerable challenges. These practical challenges relate to the coherence of the regulatory framework and the state of preparation of relevant institutions, enforcement and technical capacity. Technical challenge is extensive technical training for: Management and staff at companies subject to IFRS; Oversight and regulatory bodies; Academic community (professors, teachers, etc.); – Auditors. Amendment of curriculum for students; Creation of internationally accepted qualifications (IES).

Irvine and Lucas (2006) state that substantial benefits have been proposed by the adoption of IFRS, including a decreased cost of capital, greater mobility of capital, greater efficiency in the allocation of resources, improved and more comparable financial reporting, on the other hand, Implementing IFRS by developing countries had posed several challenges. Such difficulties include the complex structure of the international standards, potential knowledge shortfall and other difficulties in the application and enforcement issues. Alp and Ustuntage (2009) and Zhang et al. (2007)

As accounting standards and practices become more complex, the ability to apply and interpret those standards and practices will depend on the educational level of the population (Choi and Meek, 2008). Countries with less sophisticated educational systems may find the transition to IFRS more costly to implement compared to other countries with better education systems. Therefore, education should be positively related to adoption.

Emerging economies, in pursuing the global financial advantages offered by the adoption of IFRS, face challenges in adapting their regulatory infrastructure to western oriented accounting standards (Irvine and Lucas, 2006; Zhang et al., 2007). Michas (2010) highlights that, in emerging market countries, there are often deficiencies in the accounting and auditing practices. As evident from the literature review, good number of studies carried out in different countries have highlighted the benefits of having single set of financial reporting standards across the globe. Few of the studies have also brought out the procedural aspects of implementation of IFRS. Some of the studies have given a contradictory view wherein the articles talk about the difficulties and complications faced in implementing IFRS.

In order to reap the full benefits of harmonized global reporting standards and their consistent application in countries with different economic and business environments, a number of practical implementation challenges need to be addressed to assist developing countries and countries with economies in transition in meeting internationally recognized standards, particularly in the area of institutional and technical capacity-building (UNCTAD 2008). These studies were assessing on the institutional readiness, enforcement mechanism, political influence and Availability of the required skill those explained below.

Institutional readiness

When International Financial Reporting Standards (IFRS) are introduced in a given country, they form part of the pre-existing laws and regulations in the country pertaining to the governance of business entities. Given, Ethiopia has no single and formal accounting and reporting structure until the IFRS proclamation; the tradition of financial reporting was not consistent and was not coordinated. According to (UNCTAD 2008), Often, laws and regulations overlap or become inconsistent with each other, especially when the roles and responsibilities of different institutions are not clearly defined and coordination mechanisms are not in place. Lack of coherence in the regulatory system becomes cause for serious misunderstandings and inefficiency in the implementation of IFRS.

Enforcement mechanism

One of the critical elements in the implementation of IFRS is the rigorous enforcement of standards. The full benefits of a global set of financial reporting standards such as IFRS realized only when these standards are consistently enforced. Thus, IFRS consist of only one element of the financial reporting infrastructure. The institutions responsible for enforcing IFRS need to realize that, as a result of the growing globalization of financial markets, their enforcement efforts often protect both domestic and international investors. (UNCTAD 2008).

The responsibility of enforcing IFRS rests with a number of parties. Institutions such as Ministry of Finance and Economic Development, banking and insurance supervisory authorities (National Bank of Ethiopia), Ministry of Trade and Industry, Charities and Societies Agency (CHA's) ETC play important roles in enforcing financial reporting requirements like IFRS. Zhou et al (2009) in one such study of Chinese firms' data concluded that the firms adopting IFRS need for a stricter enforcement mechanism of financial reporting standards in emerging markets. Working on the data of European firms, Armstrong et al (2010) found out a positive reaction to IFRS adoption events for firms with high quality pre adoption information, consistent with investors expecting net convergence benefits from IFRS adoption.

In his study of 1084 European Union firms during the period of (1995-2006), Siqu Li (2010) concluded that on average, the IFRS mandate significantly reduces the cost of equity for mandatory adopters. He also suggested in his research. IFRS adoption may translate into market benefits only where there are greater incentives for better disclosure (Daske et al., 2008; Li, 2009). In common law countries, information asymmetry is likely to be resolved by timely and greater public disclosures to shareholders ("shareholder model"), whereas communication in code law countries is more likely to be conducted more privately between major political groups ("stakeholder model"). As a result, accounting standards in common law countries may be similar to IFRS, thus making adoption of IFRS easier and more enforceable.

Availability of the required technical skill

Practical implementation of IFRS requires adequate and efficient technical capacity among preparers, auditors, users and regulatory authorities. Countries that implement IFRS face a

variety of capacity-related issues, depending on the approach they take. One of the principal difficulties encountered in the practical implementation process is the shortage of accountants and auditors who are technically competent in implementing IFRS and ISAs. Usually, the time between when a decision is made to implement the standards and the actual implementation date is not sufficiently long to train a sufficient number of professionals who could competently apply international standards. (UNCTAD 2008).

Elena et al (2009) in their article dealing with the issues of convergence between US Generally Accepted Accounting Principles (GAAP) and IFRS were of the opinion that the adoption of IFRS in the USA undoubtedly would mark a significant change for many US companies. It would require a shift to a more principles based approach, place for greater reliance on management (and auditor) judgment, and spur major changes in company processes and systems.

Many member States, particularly developing countries and countries with economies in transition, lack a critical mass of competent accountants and auditors capable of applying highly sophisticated and voluminous global standards such as IFRS. In general, training materials on IFRS are scarce, particularly in languages other than English. Furthermore, proper application of certain measurement requirements in IFRS requires input from competent professionals in other areas such as actuary, property valuation and others. Lack of technical capacity poses a significant barrier to the successful implementation of IFRS. (UNCTAD 2008).

Political influence

A recent paper from Harvard business school (2011) explores the international political dynamics of how the countries approach the adoption and implementation of International Financial Reporting Standards (IFRS). The draft of working paper the international politics of IFRS harmonization draw on the field studies in Canada, China, and India to drive a frame work to analyses how international politics can shape a specific countries strategies with IFRS implementation. The paper outlines two dimensions that can be used to characteristic the

response by specific jurisdictions to IFRS: Jurisdiction to existing political power at the IASB, Jurisdiction about own potential political power at the IASB.

2.7. Empirical Evidence

Eva K. Jermakowicz and Sylwia Gornik-Tomaszewski (2006) conducted a study on Implementing IFRS from the perspective of EU publicly traded companies, The objective of this study was to examine the process of implementing IFRS by European publicly traded companies, including the approach which these companies take to conversion, the impact of adopting IFRS on the financial statements, and the perceived prospects and challenges of implementing IFRS. The study assesses the approaches that companies take in the conversion process. And the overall findings of the study suggest that the process of implementing IFRS was costly, complex and burdensome. A study by (Street & Bryant, 2000) highlighted the significance of the enforcement issue for the IASC as it was seeking an International Organization of Securities Commissions (IOSCO) endorsement.

Several papers attempted to determine the level of accounting harmonization selected measurement practices used by companies in Europe (Murphy, 2000; Van der Tas, 1988). These studies analyzed the annual reports from companies headquartered in different countries to determine the level of compliance between various accounting practices and the impact of adopting international standards on accounting harmonization.

Various accounting items exhibit high-value relevance in common law countries that have effective judicial systems, better investor protection, and higher quality of accounting practices (including more transparent reporting) and auditing systems compared with code law countries. It is expected that the smaller the deviation of a domestic practice from the IFRS, the higher the value relevance of that practice. Accordingly, the EU countries with the largest deviation of a domestic practice from the IFRS should have the most to gain from transition to IFRS (Francis, Khurana, & Pereira, 2003; Hung, 2001). Prior research investigated problems associated with implementing the true and fair view requirement in the EU (Aisbitt & Nobes, 2001; Alexander & Archer, 2003).

Recent developments in the EU provide an opportunity to investigate the impact of the IAS regulation on national accounting standards. Previous studies have investigated issues related to possible consequences of the IAS regulation, including the costs involved and potential problems associated with the adoption of IFRS (Delvaille, Ebbers, & Saccon, 2005; Epstein & Mirza, 2006). The challenge of implementation is a lack of adequate education, training, and knowledge of IFRS. A training program for staff across a company need to let them adopt an entirely different system of business operations, performance measurement, and communication with the markets. This training is ongoing exercise since IFRS is a moving target. Audit firms play the crucial role in this training program. The involvement of auditors is so significant that they run the risk of becoming heavily involved in preparing the financial statements they are required to audit. This is mainly caused by the complexities of IFRS where many entities, especially smaller listed entities, lack sufficient expertise (Hoogendoorn, 2006).

The consequences of implementing IFRS is undoubtedly go far beyond a simple change of accounting rules by the companies concerned (Eichhorst, Steen, van der Tas, & Smits, 2002). It further suggests that European standard-setters and legislators act now to determine the future of accounting and financial reporting in their countries. But the future of financial reporting is also be shaped by the preparers themselves. Many decisions as to the process of implementation of IFRS have been left to the companies. It is vital that company management recognize the impact that IFRS have on business.

2.8 Summary and knowledge gap in existing literature

With the advent of globalization, global capital markets have witnessed rapid expansion, diversification and integration. This has brought about a shift away from local financial reporting standards to global standards. Because of advantages it provides for countries, multinational companies and regulators, many countries adopt International Financial reporting standards. Adoption of IFRS has a number of benefits for a range of stakeholders such as effective and efficient financial reporting for companies (Tesfu,2012), improved comparability

(Thappa,2012), (Aleme,2016), reliability of financial statements, enhanced transparency (Teshome,2017), enhanced investor confidence (odja.et.al,2013).

Most of existing studies on IFRS adoption and implementation on developed countries mainly focus on European and other developed countries with paucity of such studies on emerging economies. Several studies are addressed issues related to accounting harmonization in Europe and its impact on comparability and transparency of financial statements (Thappa, 2012). Relatively few studies have been conducted on the data from developing countries like Ethiopia. Inspire of studies have conducts on the challenges and prospects of IFRS implementation previously in Ethiopia, as per the knowledge of the researcher prior studies does not address the scope in terms of time horizon, there is no studies address to emphasize political influence and under investigation there is no studies use sample from large tax payers business organization in Ethiopia. Therefore these studies try to makes an attempt to fill this gap and try to study the current challenges and prospects of IFRS implementation process in Ethiopia.

CHAPTER THREE

3 Methodologies

3.1. Introduction

This chapter describes the methodology that is used in order to conduct the study. It describes the types of methods selected for data collection and analysis and the reasons for why this method is chosen. This chapter includes description of the study area, research design, research approach, source and method of data collection, target population and sampling frame, sampling technique and the sample size, methods of data analysis, and data collection instruments.

3.2. Description of the study area

The study subjects are challenges and prospects of IFRS implementation in Ethiopia. The study area is mainly focuses on large tax payers business around Addis Ababa to get the available data and because of difficulties (lack of finance and limitation of time) to consider and collect data from all large tax payers in Ethiopia.

3.3 Research design

The research methodology begins by presenting the overall research design, as the research design is a design that provides an important framework & guidelines on how to collect and analyze data. The choice of appropriate research design helps the researcher to answer the research questions and to satisfy the research objectives. Therefore, it is a paramount to properly define and evaluate the research design before conducting the research. Research design is a plan of collecting and analyzing data in an economic, efficient and relevant manner. It makes research projects as efficient as possible and help to yield maximum information with minimum expenditure, time and effort. The type of research design is exploratory research design, Explanatory research design, and Descriptive research design. Descriptive research design is a type of research design that concerned to describing the characteristics of particular individual or of a group. Therefore the researcher used descriptive research design easy to understand and interpret data.

3.4 Research approach

There are three basic research approaches; these are quantitative, qualitative and mixed research approaches. The qualitative research approach tells the story of particular groups experience in their own words and focus on narrative. The quantitative research approach relies on the measurement and analysis of data to produce quantifiable conclusions (Creswell, 2009). Therefore, for this study the researcher is use mixed research approach to see the challenges and prospects of IFRS implementation in Ethiopia. Mixed methods approach used to meet the overall objective of the study and to answer research questions.

3.5 Source and Method of Data Collection

There are two type of data source such as primary and secondary data. The sources of data for this research are primary data sources. Primary data are those information gathered by researcher himself from the field of study directly and are gathered for the first time, thus, happening to be original. Data is collectected from the association of business organization and on each selected large taxpayers business included in the sample and related other researches. Data collected from until 2020 on annual bases. According to Bryman\$Bell, 2007(cited in Thanh\$Carl, 2014), using primary data cannot save cost and time. But it has very high quality and current information.

3.6 The target population and sampling frame

The study population includes all large tax payers' business organization in Ethiopia. According to Addis Ababa revenue and customs authority (ARCA) (2019), there are tax payers that are served under for division- micro; small; middle and large taxpayers. From taxpayers, there is 69,319 large tax payers business or category A. The sampling frame for drawing the sample includes those large tax payers located in and around Addis Ababa until, 2020.

3.6.1 The Sampling technique and the sample size

There are two types of sampling techniques; probability or representative sampling and non-probability or judgmental sampling. The sampling technique used in this study is a non-probability sampling. The non-probability sampling method is a sampling technique does not give equal chance that each elements of the population is included in the sample. Non probability

sampling can adequate if the researcher has no desire to generalize his findings beyond the sample. This study use judgmental (purposive) sampling. As stated by Saunders et al (2009), judgmental sampling is often used when the researcher select the sample based up on his judgment about some appropriate characteristics required from the sample members. Because of lack of finance to consider all tax payers in Ethiopia, the studies were select sample of 70 large tax payers around Addis Ababa.

3.7. Methods of Data Analysis

After the data was collected, the researcher organized, analyzing and interpreting them accordingly to achieve the stated objectives. In this study descriptive type of statistical analysis is used to transform raw data into a form that make them easy to understand and interpret. These descriptive statistics analysis used to see the calculation of average, frequency distribution, and percentage distribution is the most common form of summarizing data. This were helps to convert the raw data into a more meaning full form which enables the researcher to understand the ideas clearly, and then interpret.

3.8 Data Collection Instruments

Data collection instrument is a method a researcher should personally directly observe the condition and incidence of his field of study. This study used Primary sources of data include interview and questionnaire.

3.8.1. Questionnaire

Questionnaire is a list of structured questions, which is presented, mailed, or e-mailed to select respondent to obtain reliable response from them. Questionnaires was distributed through mail and physically distributed questionnaire to large taxpayers officers included in the samples who are deemed to be knowledgeable about IFRS and could provide important perspective on its implementation. The response help to understand the factors that could assess the implementation of IFRS in Ethiopia, the perceived and actual challenges and prospect of International Financial Reporting Standards both for companies and for the country at large. The research evidence is gathered by using both close-ended and open-ended questionnaires. Mixed questionnaires have many merits; the most important of this advantage is its considerable flexibility (McNabb, 2005).

The questionnaires was structured based on those used by Iyoha and Faboyede (2011), and Sharif (2010).With regard to the close- ended questions, the respondents were asked to indicate their level of agreement on a five point Likert scale with the following ratings.

Item

- 1 .Strongly Disagree (SD)
2. Somewhat Disagree (D)
3. Neither Agree nor Disagree (N)
4. Somewhat Agree (A)
5. Strongly Agree (SA)

On this scale a score of 5 or 4 indicates that the item is perceived to be essential while a score of 3 or 2 indicates that the item is perceived to be fairly important, but not essential, while a score of 1 indicates that the item could be disregarded for being unimportant. Similar scales have been used by Curtis (1992) and Iyoha and Faboyede (2011) and found suitable. With respect to the open ended questionnaires the respondents was asked to provide open ended responses to the questions that require opinion and if they have opinions they feel the researcher would find useful.

3.8.2. Interview

Interview method is a method that researcher used to meet people and discuss is social economic or some other problem with them to gather facts. Telephone interview with AABE officer instead of large taxpayers officers to minimize cost and to get and conduct reliable information. It allows the investigator some degree of flexibility at the time of interviewing for the pursuit of unexpected line of inquiry which is arising at the study progresses. Questions in the interview checklist are constructed based on the review of literature.

Chapter 4

Results and Discussion

4.1. Introduction

This chapter explains and discusses the results of findings based on the analysis done on the data collected. The results of the study are discussed by the different sources results: questionnaire results and interview results. The discussion attempts to accomplish the objectives of the study, answer the research questions.

A total of 70 questionnaires, which dealt with the Implementation of International Financial Reporting Standards, were distributed to a sample of companies, which implement this international standard. However, only 54 questionnaires were collected out of which 44 questionnaires had usable responses (62.9% response rate). Compared to other IFRS implement studies and considering the difficulty of collecting data in developing countries such as Ethiopia, a 62.9 % response rate was reasonably good. All the survey respondents were located in and around Addis Ababa.

As indicated in the previous chapter, survey was the main strategy of inquiry adopted to investigate the implementation of IFRS in Ethiopia. To this end, the results obtained from the survey are analyzed through frequency distribution. Frequency distributions indicate the questions response and are presented in the subsequent sections.

4.2. The Application of IFRS in Ethiopia

According to ROSC (2007), so far there is no particular accounting standard in Ethiopia. Even though some of the laws indicate to use Generally Accepted Accounting Principles for example the income tax proclamation of Ethiopia article 58(1), neither of the international standards are officially implemented. But very recently, the government of Ethiopia issued a draft

proclamation called “Financial Report Proclamation of Ethiopia” which obliges „public interest entities to follow IFRS in their financial reporting.

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. These are: IFRS issued by IASB or its successor; 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.

According to the draft Financial Reporting Proclamation of Ethiopia, the country is in the progress of implementing IFRS and it is already required for a certain type of institutions. The main problem associated with this was the lack of an authoritative body for accounting which can guide and dictate the implementation of IFRS. These days it can no longer be a problem, as the Council of Ministers established the Institute of Certified Public Accountants of Ethiopia. The Institute of Certified Public Accountants of Ethiopia has objectives, among others, to promote the development of the accounting profession; and ensure the accountancy profession acts in the public interest.

There is no doubt that, individual countries, both developed and emerging economies, are adopting IASB standards. Since most of the countries in the world are following IFRS, Ethiopia should not isolate itself. In this regard the survey respondents were asked to mention the previous accounting standards they used to prepare financial statements and to compare IFRS with the previous standard. Based on the data finding most of them stated the nonexistence of any particular previous accounting standard in the country and they believe that the financial reporting practice of Ethiopia is driven by its tax laws. On the other hand some of the respondents mentioned GAAP as their previous standard.

In contrast the interview result indicated the absence of specific accounting standard in the country and the application of fragmented accounting practices acquired from the higher learning institutions. Because of the absence of one set of accounting standard in the country financial statements depict limited information for users. This shows the existence of urgent need for

Ethiopia to implement International Financial Reporting Standards and help financial statement users get the best out of financial statements.

In relation to the respondents perception regarding the previous standards and IFRS, more than half of the respondents indicated that IFRS is more preferable which consists of 28 (63.6%) of the respondents (table 4.1).

Table 4.1 Comparison of previous accounting standard to IFRS

| | Frequency | Percentage |
|-------------------|-----------|------------|
| Previous Standard | 16 | 36.2 |
| IFRS | 28 | 63.8 |
| Total | 44 | 100 |

Source: Survey results

The respondents were also asked to list the reasons for their preferences, and most of them believe that IFRS would enhance the comparability of financial statements and make them more reliable. They believe that the prospects of uniform and complete information provided by IFRS would help different stake holders such as investors, regulators, managers, accounting professionals and others to have confidence on the financial statements and to get the best out of the financial statements. Implementations of IFRS would also provide greater reporting transparency for the financial statements, improves management information for decision making, and provides better information for investors so that they can make informed decisions.

This fact is further captured in telephone interview which has been held from ABBE Finance Officer. He clearly explained the prospects of IFRS for Ethiopia in practical terms and depends on these explanations the Researcher set the interview results as follows:

Implementing IFRS make it easier for investors and businesses to evaluate the financial performances of organizations with which they might do business or invest in: The standardized auditing system is enables the Ethiopian Revenues and Customs Authority (ERCA) to rely on

external auditor's reports for their tax collection. It also affords banks the confidence to grant loans based on the financial statements of a company.

Even though IFRS is required for a certain type of institutions, the companies are not applying the standards properly. According to finance manager of one of the member companies of ECX, the companies which start using IFRS do not fully apply all of the standards rather they make some minor amendments to the existing financial reporting standards. Regardless of article 24 sub article 2 of the regulation issued by Ethiopian Commodities Exchange Authority (ECX) for external auditors which states that member companies should keep their accounts in accordance with IFRS for SMEs, the authority do not strictly follow the application of all the standards. Instead of following the proper application of the standards ECX gives its trading members a format to use in reporting their financial information. The finance officer noted in the interview that:

If these standards are implemented and not applied, they become valueless.

Furthermore the published financial statements of the companies reveal the same fact about the lack of proper applicability of some of the IFRS standards. Even though IFRS provides a fair value option for property, plant and equipment and other financial assets, the United Bank Share Company prepares its financial statements on historical cost basis. According to the 2011 annual report of the bank, financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost or historical cost, except for foreign currencies which are stated at closing exchange rate. On the other hand the Commercial Bank of Ethiopia recognizes gain on disposal of property and equipment by comparing the proceeds on disposal and the carrying amount of the respective item, regardless of IAS 16 which states that an entity cannot classify as revenue a gain it realizes on the disposal of an item of property, plant and equipment.

The National Bank of Ethiopia (NBE) in case of banks, and the Ethiopian Commodities Exchange Authority (ECX) in case of its member companies, requires compliance with the International Financial Reporting Standards. Even though the prospects are longer lasting than the problems in applying IFRS, the respondents believe that the required companies are facing many challenges. Lack of proper instructions from regulatory bodies, lack of availability of competent specialists, need for training, and lack of IFRS implementation guidance are listed among the most important challenges of IFRS implementation in Ethiopia. In alleviating these

problems HST Chartered Certified Accountants, independent external auditing and consulting firm in the country and very few others are providing professional service to companies in the form of trainings and consultations.

4.3. Prospects of Implementation of IFRS

In this section, the four questionnaire results related to the prospects of IFRS implementation were analyzed. The current data related to prospects of IFRS to companies was presented and discussed.

4.3.1. Prospects of Implementation of IFRS to Companies

Four questions were distributed to assess the prospects of IFRS implementations to Ethiopian companies. The assessing of this survey seem consistent with the results of the survey carried out by Apostolos et al., (2010) among Greece publicly traded companies, which revealed that on average the respondents agreed with the proposition that the implementation of IFRS has many benefits to companies.

Table 4.2. Frequency Distributions prospects of implementation of IFRS to companies

| | Frequency and Percentage | | | | | Total |
|---|--------------------------|-------|-------|-------|------|-------|
| | SA | A | SD | D | N | |
| implementation of IFRS improves the efficiency of financial reporting | 13 | 12 | 7 | 9 | 3 | 44 |
| | 29.5% | 27.3% | 15.9% | 20.5% | 6.8% | 100% |
| implementation of IFRS reduce cost | 15 | 17 | 3 | 7 | 2 | 44 |
| | 34.2% | 38.6% | 6.8% | 15.9% | 4.5% | 100% |
| Financial statements based on IFRS are reliable and comparable | 11 | 13 | 7 | 12 | 1 | 44 |
| | 25% | 29.5% | 15.9% | 27.3% | 2.3% | 100% |

| | | | | | | |
|--|-------|-------|-------|-------|-------|------|
| implementation of IFRS achieves the objectives and transparency of financial reporting | 13 | 13 | 5 | 6 | 7 | 44 |
| | 29.5% | 29.5% | 11.5% | 13.6% | 15.9% | 100% |

Source: Survey results

In relation to the assertion that IFRS result in improved efficiency and effectiveness of financial reporting, many respondents (with percentage response of 29.5 % (strongly agree) and 27.3 % (agree) believe that implementation of IFRS improves the efficiency of financial reporting. The survey percentage of response 15.9%, 20.5% are not agreeing with improvement of efficiency and effectiveness of financial reporting by IFRS. The response rate 6.8% of the survey implies neither agrees nor disagrees with these questions.

The second question under prospects of implementation IFRS for companies was about cost of capital of a firm, i.e. whether implementation of IFRS brings about a reduction in cost of capital for companies. As it is shown in the table above the response rate of 34.2% and 38.6% indicates that implementation of IFRS would significantly reduce cost of capital of firms.

The finding of this study is supported by the conclusions forwarded by Iyoha and Faboyede, (2011); and Leuz, and Verrecchia, (2000). Leuz, and Verrecchia, (2000) states that lower cost of information, reduction in bad earnings management, increased value relevance of accounting information, greater marketability of shares, and reduced information asymmetry between managers and shareholders have positive impact on cost of capital. The aforementioned prospects of IFRS would lead companies to a reduced cost of capital.

The response rate of 6.8% and 15.9% indicates that implementation of IFRS does not reduce cost of capital of firms and response rate 4.5% does not give necessary decision on these questions.

The survey respondents 25% (strongly agree) and 29.5 % (agree) agreed with the proposition that financial statements prepared based on IFRS are more reliable and comparable. Similarly, the interview result reveals that since similar economic transactions are accounted for similarly by eliminating different methods of accounting for the same transactions, implementation of IFRS leads to improved comparability and reliability of financial statements. The response rate of 15.9% and 27.3% are not agree and response rate of 2.3% is neutral.

Respondents who do not agree that IFRS increase comparativeness of the financial statements may be influenced by the widely acknowledged tendency of IFRS to sanction multiple alternative treatments (Bowrin, 2007, p. 29).

Almost more of the respondents 29.5%(strongly agree) and 29.5% (agree) believe that the financial statements would become more transparent and reached its objective as a result of the implementation of IFRS while most believed that the implementation of IFRS would make external financing easier. The implementation of IFRS would also enable greater effectiveness of the internal audit. Many of the respondents believe that IFRS should have been implemented earlier in Ethiopia due to the greater transparency and the better provision of information that IFRS supply in a globalized environment. In relation to transparency of financial statements the interview result reveals that the increased transparency promised by IFRS could substantially reduce the agency problem between management and shareholders through implementation of IFRS as increased transparency causes managers to act more in the interests of the shareholders. It could also cause a similar increase in the efficiency of contracting between firms and lenders. This finding was (consistent with Jermakowicz, 2004; and Apostolos et al., 2010).

4.4. Challenges of IFRS implementation

There were four questions under challenges of IFRS implementation. The result in table 4.2 revealed that on average the respondents agreed up on the challenges of IFRS implementation.

Table 4.2.Frequency Distributions of challenges of IFRS Implementation

| | Frequency and Percentage | | | | | Total |
|---|--------------------------|-------|-------|-------|------|-------|
| | SA | A | SD | D | N | |
| IFRS increases the complexity of financial reporting | 13 | 9 | 10 | 8 | 3 | 44 |
| | 32.7% | 20.5% | 22.7% | 18.2% | 6.8% | 100% |
| There is lack of IFRS implementation guidance and institutional readiness | 13 | 11 | 11 | 6 | 3 | 44 |
| | 32.7% | 25% | 25% | 13.6% | 6.8% | 100% |
| Lack of availability of competent specialists and political influence | 12 | 15 | 8 | 7 | 2 | 44 |
| | 27.3% | 34.1% | 18.2% | 15.9% | 4.5% | 100% |
| implementation of IFRS is costly | 17 | 10 | 7 | 9 | 1 | 44 |
| | 38.6% | 22.7% | 15.9% | 20.5% | 2.3% | 100% |

Source: Survey results

The survey respondents 38.6 % (strongly agree) and 22.7 % (agree) agreed with the proposition that implementation of IFRS is costly. According to the respondents result 32.7 % (strongly agree) and 20.5 % (agree) this is due to the complex and less understandable nature of IFRS and it is especially the case for developing and least developed countries. This complexity requires a double workload during the transition year for finance and accounting people and many others. This results in not only increased internal employee cost but also external monitoring costs such as high audit fees. A training program for staff across the company is also another costly investment and of course one of the most important factors that increase the implementation of IFRS

Even though IFRS implementation requires companies a huge amount of initial investment during the implementation phase, importance of IFRS will accrue throughout the life of the company as a going concern. In other words the importance of IFRS is longer lasting than the costs that occur during the initial phase of its implementation.

Another challenge in the process of implementing IFRS, according to respondents is it increases the complexity of financial reporting. According to Jermakowicz, (2004), one of the reasons is the complex nature of some of the IFRS, including standards related to hedge accounting (IAS 39) and impairment tests (IAS 36). For some businesses, criteria for the capitalization of development costs seem to be „away from economic reality“ (IAS 36). Even though IFRS is being criticized for its wide and complex nature, some respondents argue that these days the complex nature of IFRS implementation seems decreasing at an increasing rate. They put two reasons to support their argument; the first is countries which implement IFRS lately can learn lessons from early implementer's mistakes. This means countries like Ethiopia have a latecomer advantage. The other reason is higher learning institutions of the country and the Association of Chartered Certified Accountants (ACCA-UK) are producing accounting professionals with IFRS orientation.

The respondents 27.3%(strongly agree) and 34.1%(agree) also believe that lack of availability of competent specialists, lack of proper instructions from regulatory bodies, problem with the IT system in handling the transition to IFRS, increased volatility of earnings as a result of IFRS , the difficulties regarding the technical aspects of the application of IFRS is the lack of comprehensive training and lack of adequate IFRS implementation guidance and Tax driven nature of previous standards as challenges of implementing IFRS. Another challenge is that the tax-driven nature of previous standards. Even though Ethiopia has no specific set of accounting standards to follow or its own national standard, the few that existed were driven by the countries tax system which causes major differences in accounting requirements under the previous standards and IFRS, requiring several reconciliation items in the conversion process. The implementation of IFRS creates the need for the previous standards to be modified and to progressively converge towards IFRS.

Most of the respondents more than half (32.5% + 25%) believe that the implementation of IFRS which uses fair-value financial reporting approach introduce significant volatility in the balance sheet and, more importantly, in earnings. Company management will have to learn how to deal with volatility in reported performance. This is also supported by the results of the 2004 survey carried out by Jermakowicz, according to which implementation of IFRS brings about increased volatility of earnings.

4.6. Summary of the Chapter

In this chapter the results of findings has been explained and discussed based on the analysis done on the data collected. The results of the study are discussed the results: telephone interview and questionnaire results. The Data collected using questionnaires were analyzed through frequency distribution. The discussion attempted to accomplish the objectives of the study, answer the research questions. The prospects of IFRS implementation to different stakeholders, the related challenges, and the factors that could influence the implementation of IFRS in Ethiopia has been analyzed in the chapter.

Chapter 5

Conclusions and Recommendation

5.1. Introduction

This chapter presents conclusions and implications of the results. It has three parts; the first part presents conclusions of the study. The second part presents implications and finally, the last part presents possible future research areas.

5.2. Conclusions

This study assessed the implementation of International Financial Reporting Standards (IFRS), its prospects, the challenges of implementing International Financial Reporting Standards, and the factors that could influence its implementation in Ethiopia with particular reference to companies which implemented this standard. Two research questions were developed and tested in this study. The first question is to understand the practical prospects of implementing IFRS for companies. The second question is to understand the challenges faced by the companies in the process of implementation of IFRS. And assess the underlying factors.

The study used interview with finance manager self-administered questionnaire to finance officers. Questionnaire data were interpreted using frequency distributions qualitatively.

Even though Ethiopia has not officially implemented IFRS, it is already required for a certain type of institutions. National Bank of Ethiopia (NBE) and Ethiopian Commodities and Exchange Authority (ECX) are the main institutions in this regard which required the companies under their domain. This paper investigated a wide array of issues related to the implementation of IFRS in Ethiopia with particular reference to large tax payers companies which already started reporting using this international standard and the following conclusions were drawn.

The government of Ethiopia has expressed an initiative to integrate its financial statements with international standards. Intention of the government to implement IFRS is manifested by the recently issued draft proclamation called Report Proclamation of Ethiopia” which obliges „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.

The results of the survey reveal that IFRS should have been implemented earlier in Ethiopia due to the greater importance it has compared to the associated problems. On the other hand, the institutions, which are required to use IFRS in preparing their financial reports, are not applying all the standards. In other words, there is a serious compliance problem with IFRS in Ethiopia. The results show that the introduction of IFRS in Ethiopia will result in a number of important for a wide range of stakeholders. The importance of effective and efficient financial reporting will accrue to companies. Since similar economic transactions are accounted for similarly by eliminating different methods of accounting for the same transactions, implementations of IFRS leads to improved comparability and reliability of financial statements.

Implementation of IFRS has also the importance 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. Implementation of IFRS would also significantly reduce cost of capital of firms through lower cost of information, reduction in bad earnings management, greater marketability of shares, and reduced information asymmetry.

The main challenges in the process of implementing IFRS include significant cost of implementation of IFRS, need for training, the complex nature of some of the IASBs standards and the lack of adequate implementation guidance and lack of institutions readiness to implement IFRS. 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 and problem with IFRSs use of fair value accounting. IFRSs 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.

Finally, this empirical study has been conducted to critically assess the factors that could influence the implementation of IFRS in Ethiopia.

5.3. Recommendation

As the conclusions reveal since the benefits are longer lasting than the costs of implementing IFRS, there is an urgent need to prepare financial statements based on this international standard. This implies that the government of Ethiopia should set a firm deadline for the IFRS transition and the official implementation of IFRS by Ethiopian companies should be announced in earnest.

The conclusions also reveal that there is a serious problem in relation to the detailed application of the implemented standards in Ethiopia. This implies that the concerned regulatory bodies such as the National Bank of Ethiopia, the Ethiopian Commodities Exchange Authority, the newly established institute that is the Institute of Certified Public Accountants of Ethiopia and others should strictly follow the application of all the standards. If these standards are implemented and not applied, they become valueless.

In other words a rigorous IFRS capacity building program should be embarked upon by all regulatory bodies, firms and training institutions in order to provide the needed manpower for IFRS implementation.

Finally, the findings reveal that there are numerous assessing of factors that impact implementation of IFRS in Ethiopia. Based on the findings of the study, it is essential that the government should support implementation of IFRS. The government should also open training for accountants about IFRS and encourage its implementation, since implementation of IFRS could attract foreign direct investment, which in turn may lead to economic growth.

5.4. Future Research Areas

The International Financial Reporting Standards (IFRS) is a broader scope of accounting, which cannot be dealt with in its entirety in one study alone. This study focused on the prospects, challenges that could explain the implementation of these standards in Ethiopia. However, it would be highly appropriate for future research to be conducted on the issue of disclosure and

compliance with IFRS in Ethiopia. This would comprise the detailed application of the implementation standards and how well companies in Ethiopia apply these standards. Furthermore, little is known about how mandatory IFRS implementation affects financial statements and it is therefore still an open question whether financial statements are more informative following mandatory IFRS implementation. How large scale enterprises implementation and comply with IFRS tailored for them could also be considered as another area for future researches.

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Appendix

Appendix (A)

Questionnaire

Tewodros Birhanu Bekele (BA)

Wolkite University

College of Business and Economics

Department of Accounting and Finance

Dear sir/madam

The aim of this questionnaire is to seek information regarding the implementation of International Financial Reporting Standards (IFRS) in Ethiopia. The questionnaire was distributed to all Accountants and finance officers of randomly selected companies. The information you provide in response to the items in the questionnaire used as part of the data needed for a study on implementation of International Financial Reporting Standards in Ethiopia: prospects and key Challenges.

I would like to assure you that the information you provide accessible only to the academic purpose. Your involvement is regarded as a great input to the quality of the research results. Hence, I believe that you is enlarge your assistance by participating in the study. Thank you for your participation

1

Section 1: *Demographic Background*

Please kindly circle your answer in the appropriate boxes or respond by writing if required.

1. Gender:

1. Female 2. Male

2. Academic level:

1. Technical / vocational certificate
(Diploma)

3. Master's degree 4. Other
(specify)

2. Bachelor's degree

3. Working Experience:

1. Less than 5 years

4. 16 to 20 years

2. 6 to 10 years

5. Over 20 years

3. 11 to 15 years

4. Current position in your organization_ 1. officer

2. other _____

Section 2: *Implementation and practices of International Financial Reporting Standards (IFRS) in your company.*

5. When did your company start using IFRS? Please state the year _____ 1. before 2018 2. after 2018

6. Before the adoption or implementation of IFRS, What reporting standards did your company use? 1. US GAAP 2. None

7. If you compare the previous standard to the IFRS, which one is more preferable?

Please underline your answer (1) previous standard (B) IFRS

Section 3: Your perception towards factors that could affect the implementation of IFRS by Ethiopian companies and the prospects and challenges of implementing it.

In this section the researcher is seeking your specific perceptions toward the implementation of IFRS by Ethiopian companies. Please kindly indicate the appropriate scale for your opinion by ticking (✓) on the spaces that indicate your choice from the options that range from ‘**strongly Disagree (SD), Disagree (D), Neutral (N), and Agree (A) to Strongly Agree (SA)**’.

A. Factors affecting IFRS implementation

| | SD | D | N | A | SA |
|--|-----------|----------|----------|----------|-----------|
| Government policy | 1 | 2 | 3 | 4 | 5 |
| 8. The Ethiopian government encourage companies to implement IFRS | () | () | () | () | () |
| 9. Politics is one of the major barriers to implement IFRS | () | () | () | () | () |
| Educational level | | | | | |
| 10. Having trained people in place greatly influence the implementation | () | () | () | () | () |
| 11. Weak educational level of accountants is barrier for the implementation of IFRS | () | () | () | () | () |

B. implementation of IFRS by Ethiopian Companies

| | SD | D | N | A | SA |
|--|-----------|----------|----------|----------|-----------|
| 12. implementation of IFRS improves the efficiency of financial reporting | () | () | () | () | () |
| 13. implementation of IFRS is costly | () | () | () | () | () |
| 14. Financial statements based on IFRS are reliable | () | () | () | () | () |

| | | | | | |
|---|-----|-----|-----|-----|-----|
| and comparable | | | | | |
| 15. implementation of IFRS achieves the objectives of financial reporting | () | () | () | () | () |

C. challenges of IFRS implementation

| | | | | | |
|--|-----|-----|-----|-----|-----|
| 16. IFRS increases the complexity of financial reporting | () | () | () | () | () |
| 17. There is lack of IFRS implementation guidance | () | () | () | () | () |
| 18. Lack of availability of competent specialists | () | () | () | () | () |
| 19. Need for training | () | () | () | () | () |

Section 4: Company profile

The following questions seek general information about your company. Please provide your response by circle

20. Identify the primary business of your company:

- 1. Finance/banking 2. Merchandising
- 3. Manufacturing 4. Service

21. What is the capital of your firm?

- 1. Less than Br. 500,000 2. Br. 500,000 to 1.5 million
- 3. Over 1.5 million

Additional Comments

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Appendix (B)

Interview Guide

Tewodros Birhanu Bekele (BA)

Wolkite University

College of business and Economics

Department of Accounting and Finance

Dear sir/madam

The intent of this interview is to explore information regarding the implementation of International Financial Reporting Standards (IFRS) in Ethiopia and to have sufficient response to the research problem in addition to questionnaires distributed to Accountants and finance officers of companies in Ethiopia. The interview will be made with financial managers and audit directors of the randomly selected companies. The information you provide in response to the items in the interview will be used as part of the data needed for a study on The implementation of International Financial Reporting Standards in Ethiopia: Prospects and key Challenges.

I would like to assure you that the information you provide will be accessible only to the academic purpose. Your involvement is regarded as a great input to the quality

of the research results. Hence, I believe that you will enlarge your assistance by participating in the study.

Thank you for your participation

1. What accounting standards were employed in Ethiopia before the adoption of IFRS?
2. What would you say are the main factors that could influence the implementation of IFRS in Ethiopia?
3. Do you agree with the statement that IFRS is developed by the developed countries hence not practical for developing countries?
4. What are the main problems faced to implement IFRS?
5. What are the ways through which these problems can be addressed? Please recommend some solutions to overcome the problems.

Results collected from respondents

| Resp no. | Result Q 1 | Result Q 2 | Result Q 3 | Result Q 4 | Result Q 5 | Result Q 6 | Result Q 7 | Result Q 8 | Result Q 9 | Result Q 10 | Result Q 11 |
|----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|
| 1 | 2 | 3 | 2 | 1 | 2 | 1 | 1 | 1 | 3 | 4 | |
| 2 | 2 | 3 | 1 | 1 | 2 | 1 | 1 | 2 | 4 | 5 | |
| 3 | 2 | 3 | 3 | 1 | 2 | 1 | 1 | 4 | 2 | 4 | |
| 4 | 1 | 3 | 1 | 1 | 2 | 1 | 2 | 2 | 2 | 1 | |
| 5 | 1 | 3 | 3 | 1 | 2 | 1 | 1 | 4 | 5 | 5 | |
| 6 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 2 | 4 | 2 | |
| 7 | 1 | 2 | 3 | 1 | 2 | 1 | 2 | 4 | 4 | 4 | |
| 8 | 2 | 2 | 2 | 1 | 2 | 1 | 1 | 4 | 4 | 5 | |
| 9 | 1 | 3 | 1 | 1 | 2 | 1 | 2 | 4 | 4 | 5 | |
| 10 | 2 | 3 | 3 | 1 | 2 | 1 | 1 | 4 | 5 | 5 | |
| 11 | 1 | 3 | 1 | 1 | 2 | 1 | 1 | 4 | 4 | 3 | |
| 12 | 1 | 3 | 2 | 1 | 2 | 1 | 1 | 3 | 3 | 4 | |
| 13 | 1 | 3 | 2 | 2 | 2 | 1 | 2 | 4 | 5 | 4 | |
| 14 | 2 | 2 | 1 | 1 | 2 | 1 | 1 | 2 | 5 | 4 | |
| 15 | 2 | 2 | 3 | 1 | 2 | 1 | 2 | 4 | 2 | 4 | |
| 16 | 2 | 3 | 1 | 1 | 2 | 1 | 1 | 2 | 2 | 4 | |
| 17 | 1 | 3 | 3 | 1 | 2 | 1 | 1 | 1 | 2 | 4 | |
| 18 | 1 | 2 | 1 | 2 | 1 | 1 | 2 | 1 | 4 | 5 | |
| 19 | 1 | 3 | 2 | 1 | 2 | 1 | 2 | 4 | 4 | 5 | |
| 20 | 2 | 3 | 2 | 1 | 2 | 1 | 2 | 5 | 4 | 5 | |
| 21 | 2 | 3 | 1 | 1 | 2 | 1 | 1 | 5 | 4 | 1 | |
| 22 | 2 | 2 | 3 | 1 | 2 | 1 | 2 | 5 | 5 | 3 | |
| 23 | 2 | 2 | 1 | 1 | 2 | 1 | 1 | 5 | 5 | 2 | |
| 24 | 1 | 2 | 2 | 1 | 1 | 1 | 1 | 5 | 5 | 2 | |
| 25 | 1 | 3 | 2 | 1 | 2 | 1 | 1 | 5 | 5 | 2 | |
| 26 | 1 | 3 | 1 | 1 | 2 | 1 | 1 | 2 | 5 | 4 | |
| 27 | 2 | 3 | 3 | 2 | 2 | 1 | 1 | 4 | 3 | 4 | |
| 28 | 2 | 3 | 1 | 1 | 2 | 1 | 1 | 1 | 4 | 5 | |
| 29 | 2 | 3 | 3 | 1 | 2 | 1 | 2 | 5 | 5 | 4 | |
| 30 | 2 | 2 | 1 | 1 | 1 | 1 | 2 | 4 | 5 | 5 | |
| 31 | 1 | 2 | 3 | 1 | 2 | 1 | 2 | 4 | 2 | 5 | |
| 32 | 1 | 2 | 2 | 1 | 2 | 1 | 2 | 4 | 2 | 4 | |
| 33 | 2 | 3 | 1 | 1 | 2 | 1 | 2 | 1 | 5 | 3 | |
| 34 | 2 | 3 | 2 | 1 | 2 | 1 | 2 | 3 | 5 | 4 | |
| 35 | 2 | 3 | 1 | 1 | 2 | 1 | 2 | 3 | 4 | 5 | |
| 36 | 2 | 3 | 3 | 2 | 1 | 1 | 1 | 1 | 5 | 1 | |
| 37 | 2 | 3 | 2 | 1 | 2 | 1 | 2 | 5 | 5 | 5 | |
| 38 | 1 | 2 | 1 | 1 | 2 | 1 | 1 | 5 | 4 | 4 | |

| | | | | | | | | | | |
|----|---|---|---|---|---|---|---|---|---|---|
| 39 | 1 | 2 | 3 | 1 | 2 | 1 | 2 | 5 | 4 | 4 |
| 40 | 1 | 2 | 1 | 1 | 2 | 1 | 1 | 4 | 2 | 5 |
| 41 | 2 | 3 | 3 | 1 | 2 | 1 | 2 | 2 | 4 | 5 |
| 42 | 2 | 3 | 1 | 1 | 1 | 1 | 2 | 4 | 2 | 2 |
| 43 | 2 | 3 | 2 | 1 | 2 | 1 | 2 | 4 | 1 | 4 |
| 44 | 2 | 3 | 2 | 1 | 2 | 1 | 1 | 4 | 1 | 3 |

| Result Q 11 | Result Q 12 | Result Q 13 | Result Q 14 | Result Q 15 | Result Q 16 | Result Q 17 | Result Q 18 | Reasult Q 19 | Result Q 20 | Result Q 21 |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|
| 4 | 2 | 4 | 2 | 2 | 5 | 1 | 5 | 1 | 1 | 4 |
| 5 | 5 | 5 | 4 | 4 | 5 | 5 | 5 | 5 | 4 | 1 |
| 1 | 5 | 5 | 2 | 2 | 5 | 1 | 5 | 5 | 2 | 4 |
| 5 | 5 | 4 | 4 | 4 | 5 | 5 | 5 | 2 | 3 | 4 |
| 5 | 5 | 2 | 2 | 2 | 5 | 3 | 5 | 2 | 2 | 3 |
| 4 | 5 | 4 | 4 | 4 | 4 | 2 | 1 | 2 | 3 | 4 |
| 4 | 1 | 2 | 2 | 5 | 2 | 4 | 1 | 4 | 2 | 4 |
| 4 | 1 | 4 | 4 | 5 | 4 | 1 | 2 | 4 | 3 | 2 |
| 2 | 1 | 2 | 2 | 3 | 2 | 5 | 4 | 4 | 2 | 3 |
| 4 | 1 | 4 | 4 | 1 | 4 | 1 | 2 | 2 | 3 | 4 |
| 2 | 2 | 4 | 2 | 3 | 2 | 5 | 4 | 4 | 2 | 3 |
| 1 | 4 | 4 | 4 | 1 | 4 | 1 | 2 | 2 | 1 | 4 |
| 5 | 3 | 4 | 2 | 4 | 2 | 5 | 4 | 4 | 3 | 2 |
| 5 | 2 | 4 | 2 | 2 | 4 | 1 | 2 | 4 | 4 | 3 |
| 5 | 4 | 5 | 2 | 4 | 3 | 5 | 4 | 1 | 1 | 3 |
| 5 | 2 | 5 | 4 | 2 | 2 | 5 | 3 | 5 | 4 | 3 |
| 1 | 4 | 5 | 4 | 4 | 4 | 5 | 5 | 1 | 1 | 4 |
| 5 | 2 | 5 | 4 | 2 | 3 | 5 | 1 | 5 | 4 | 3 |
| 1 | 4 | 5 | 4 | 5 | 2 | 5 | 5 | 1 | 1 | 4 |
| 5 | 2 | 5 | 5 | 1 | 1 | 5 | 5 | 5 | 3 | 3 |
| 2 | 4 | 1 | 5 | 5 | 1 | 2 | 5 | 1 | 4 | 4 |
| 4 | 2 | 1 | 1 | 5 | 5 | 4 | 2 | 5 | 2 | 3 |
| 2 | 3 | 3 | 5 | 3 | 1 | 2 | 3 | 5 | 1 | 3 |
| 4 | 4 | 4 | 1 | 1 | 5 | 1 | 1 | 5 | 4 | 3 |
| 2 | 5 | 4 | 5 | 1 | 1 | 1 | 5 | 5 | 3 | 2 |
| 5 | 5 | 5 | 1 | 5 | 5 | 1 | 1 | 5 | 2 | 2 |
| 5 | 1 | 5 | 5 | 5 | 2 | 1 | 5 | 5 | 1 | 2 |
| 5 | 1 | 5 | 5 | 2 | 2 | 5 | 5 | 1 | 3 | 4 |
| 4 | 5 | 1 | 4 | 4 | 5 | 5 | 5 | 4 | 2 | 4 |
| 2 | 1 | 5 | 2 | 2 | 1 | 1 | 5 | 4 | 4 | 4 |
| 5 | 5 | 5 | 1 | 4 | 5 | 5 | 5 | 2 | 4 | 3 |
| 5 | 2 | 5 | 5 | 2 | 1 | 5 | 1 | 4 | 4 | 2 |
| 5 | 3 | 4 | 5 | 4 | 5 | 2 | 1 | 2 | 4 | 4 |
| 5 | 2 | 4 | 1 | 4 | 1 | 4 | 1 | 4 | 3 | 3 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 4 | 5 | 2 | 4 | 4 | 5 | 2 | 2 | 2 | 4 | 2 |
| 4 | 5 | 4 | 3 | 4 | 1 | 4 | 4 | 4 | 3 | 4 |
| 2 | 4 | 4 | 2 | 4 | 5 | 2 | 2 | 4 | 4 | 3 |
| 4 | 4 | 4 | 1 | 4 | 1 | 4 | 4 | 4 | 3 | 2 |
| 2 | 4 | 2 | 5 | 2 | 4 | 1 | 1 | 4 | 4 | 3 |
| 4 | 4 | 4 | 4 | 2 | 2 | 4 | 5 | 4 | 4 | 4 |
| 1 | 5 | 2 | 2 | 2 | 2 | 4 | 5 | 4 | 3 | 2 |
| 5 | 5 | 4 | 5 | 2 | 4 | 4 | 1 | 4 | 4 | 4 |
| 5 | 4 | 2 | 1 | 2 | 4 | 4 | 5 | 4 | 3 | 1 |
| 5 | 4 | 5 | 3 | 2 | 1 | 4 | 5 | 4 | 2 | 3 |