



**BENEFITS AND CHALLENGES OF USING INTERNATIONAL
FINANCIAL REPORTING STANDARDS (IFRS): A STUDY ON
ETHIOPIAN PUBLIC ENTERPRISES**

MSc. Thesis

BY

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WOLKITE UNIVERSITY, WOLKITE, ETHIOPIA

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REPORTING STANDARDS (IFRS): A STUDY ON ETHIOPIAN
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**A thesis Submitted to the Department of Accounting and Finance in
partial Fulfilment of the Requirement for the Degree of Master of
Science (MSc.) in Accounting and Finance**

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STATEMENT OF DECLARATION

I **BEKELE JARSA NESHIER**, declare that this thesis entitled “**Benefits and Challenges of International Financial Reporting Standards (IFRS); A Study on Ethiopian public enterprises**”, has been carried out by me under the guidance and supervision of **Cherent B. (candidate PhD)** and Mr. **Mitiku M. (MSC)** and submitted by me for the award of the degree of Master of Science in accounting and finance of Wolkite University.

The thesis is original work and it hasn't been presented for the award of any Degree, in this University or any other University. It is offered for the partial fulfilment of the degree of Masters of in accounting and finance.

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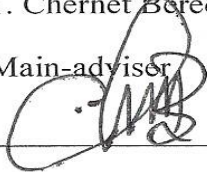
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This is to certify that the thesis entitled “**Benefits and challenges of using International Financial Reporting Standards (IFRS): A Study on Ethiopian public enterprises**” submitted to Wolkite University for the award of the Degree of Master of Science in accounting and finance and is a record of valuable research work carried out by Mr. **Bekele Jarsa Neshier**, under our guidance and supervision. Therefore we recommend that the student has fulfilled the requirements and hence hereby can submit the thesis to the department.

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As members of Board of Examiners of the MSc. thesis open defines examination, we certify that we have read and evaluated the thesis prepared by BEKELE JARSA NESHIER in title “**Benefits and Challenges of International Financial Reporting Standards (IFRS); A Study on Ethiopian public enterprises**”, and examined the candidate. We recommended that the thesis be accepted as fulfilling the thesis requirement for the Degree of Master of Science in Accounting and finance.

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DGC/SGC -----

Signature

Date

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Table of Contents

STATEMENT OF DECLARATION	iii
ADVISORS' APPROVAL SHEET.....	iv
EXAMINERS APPROVAL SHEET.....	v
ACKNOWLEDGEMENT.....	vi
LIST OF TABLE.....	x
LIST OF APPENDKCEX.....	x
LIST OF ABBREVIATIONS.....	xi
Abstract.....	xii
CHAPTER ONE:.....	1
1. INTRODUCTION.....	1
1.1 BACKGROUND OF THE STUDY	1
1.2 Statement of the problem	2
1.3 Objectives of the study	4
1.3.1 General objective.....	4
1.3.2 Specific objectives	4
1.4 Hypothesis of the study.....	4
1.5 Significance of the study.....	5
1.6 Scope of the study	5
1.7 Limitation of the study.....	6
1.8 Organization of the paper	6
CHAPTER TWO.....	7
2. LITERATURE REVIEW	7
2.1 Theoretical Literature Review.....	7
2.1.1 Objective of financial statements.....	7
2.1.2 The concept of IFRS.....	8
2.1.3 International Accounting Standards.....	9
2.1.4 Factors affecting the implementation of IFRS	12
2.1.5 Benefits of IFRS implementation	12
2.1.6 Challenges of IFRS implementation.....	13
2.1.7 Historical background and accounting in public enterprises.....	14
2.1.8 Public Enterprises in Ethiopia	16
2.1.9 IFRS Implementation on Ethiopian public enterprise.....	16

2.2	Empirical Literature Review	18
2.3	Identified literature gap.....	29
2.4	Conceptual Frameworkof the study.....	30
CHAPTER THREE:		31
3.	RESEARCH METHODOLOGY.....	31
3.1	Research design.....	31
3.2	Population, Sample size and Sampling Techniques	32
3.2.1	Target population.....	32
3.2.2	Sampling Techniques.....	32
3.3	Data Collection Instruments.....	33
3.3.1	Dependent Variable	34
3.4	Data analysis	37
3.4.1	Ordered Logistic Regression Model	38
3.4.2	Parameter Estimation in Ordinal Logistic Regression Model	41
3.4	Model Selection.....	42
3.5	Validityofthestudy	44
3.6	Reliability of the Instrument	44
3.7	Ethical Consideration.....	45
CHAPTER FOUR:		46
4.	RESULTS AND DISCUSSION	46
4.1	Introduction.....	46
4.2	Demographic Characteristics of Respondents.....	46
4.2.1	Gender of Respondents	46
4.2.2	Academic level of respondents.....	47
4.2.3	Work Experience of the respondents	47
4.2.4	Current Job Position of Respondents	48
4.3	Descriptive Statistics	48
4.3.1	Factors affecting IFRS implementation	49
4.3.2	Benefits of implementation of IFRS	56
4.3.3	Challenges of IFRS implementation.....	62
4.4	Correlation Analysis	66
4.4.1	Correlation analysis between management support and quality of IFRS Implementation	68
4.4.2	Correlation analysis between Education level and quality of IFRS Implementation...	68

4.4.3	Correlation analysis between enforcement mechanism and quality of IFRS Implementation	69
4.4.4	Correlation analysis between Institutional readiness and quality of IFRS Implementation	69
4.5	Ordered Logistic Regression Analysis.....	69
4.5.1	Model fitting information.....	69
4.5.2	Goodness-of-Fit Statistics	70
4.5.3	Pseudo R-Square.....	70
4.5.4	Parameters of Estimates	71
4.6	Test of parallel lines.....	72
CHAPTER FIVE:		73
5.	Summary, Conclusions and Recommendations	73
5.1	INTRODUCTION.....	73
5.2	SUMMARY OF FINDINGS	73
5.3	CONCLUSIONS	74
5.4	RECOMMENDATION.....	75
6.	REFERANCE	77

LIST OF TABLE

Table 4-1: working experience of the respondents	48
Table 4-2: Descriptive statistics for Contribution of IFRS on improving quality of financial reporting	49
Table 4-3: Descriptive statistic for respondent's response to Effects of education and trainings on IFRS implementation	51
Table 4-4: Descriptive statistics for Management support.....	53
Table 4-5: Descriptive statistics for Enforcement capacity	54
Table 4-6: descriptive statistics for Institutional readiness to implement IFRS	55
Table 4-7: Descriptive statistics for Benefits of implementing IFRS to companies	56
Table 4-8: Descriptive statistics for Benefits of IFRS for investors	59
Table 4-9: Descriptive statistics for benefits of IFRS for management	60
Table 4-10 Descriptive statistics for Benefits of IFRS for other stake holders	61
Table 4-11: Descriptive statistics for Challenges of IFRS implementation	62
Table 4-12: Correlation Coefficient	67
Table 4-13: Correlation Analysis between Independent variables and Dependent Variable	67
Table 4-14: Ordinal Logistic Regression Analysis Model Fitting Information.....	69
Table 4-15: Ordinal Logistic Regression Analysis Goodness-of-Fit	70
Table 0-1: Ordinal Logistic Regression Parameter Estimates	71
Table 0-2: Ordinal Logistic Regression Test of parallel lines	72

LIST OF FIGURES

Figure 4-1 Gender of respondents	47
Figure 4-2 Academic levels of respondents	47
Figure 4-3 : Current job positions of the respondents	48

LIST OF APPENDKCEX

Appendex 1 : Questionnaire	80
Appendex 2: Correlation Coefficient	84
Appendex 3: Ordinal Logistic Regression Analysis Model Fitting Information	85
Appendex 4: Ordinal Logistic Regression Analysis Goodness-of-Fit	85
Appendex 5: Ordinal Logistic Regression Analysis Pseudo R-Square.....	86
Appendex 6: Ordinal Logistic Regression Parameter Estimates	86
Appendex 7: Ordinal Logistic Regression Test of parallel lines	86

LIST OF ABBREVIATIONS

- ASC- Audit Service Corporation
- AABE-Auditing and Accounting board of Ethiopia
- ACCA-Association of Chartered and Certified Accountants
- ARC-Accounting Regulatory Committee
- ASBJ-Accounting Standard Board of Japan
- ASE-Accounting Society of Ethiopia
- CFO-Committee of Finance Officer
- CHA-Charities and Societies Agency
- EPAAA-Ethiopian professional association of Accountants and Auditor
- EAFSA-Ethiopian Accounting and Finance Association
- EU-European union
- ERP-Enterprise resource planning
- FRN-Financial reporting council Nigeria
- GAAP- Generally Accepting Accounting Principle
- GAS-Ghana Accounting standards
- IFRS –International Financial Reporting Standard
- IASC-International Accounting Standard Committee
- IASB-International Accounting Standard Board
- IAS-International Accounting Standard
- IT-Information Technology
- IAC-International Accounting Committee
- ISA-International Standard Auditing
- IFAC-International federation of Accountants
- LAAA-Libya Accounting and Auditing Association
- NASB-Nigerian Accounting Standard Board
- SAS-Statement of Accounting Standard
- SIC-Standing Interpretations Committee
- US-United States
- UNCTAD-United Nations Conference on Trade and Development

Abstract

International Financial Reporting Standards (IFRS) are set of Accounting Standards developed by International Accounting Standard Board (IASB) that is the global standards recognized for the preparation of companies' financial statements. This study examines benefits and challenge of implementation of IFRS in Ethiopian public enterprises which establish in accordance with financial reporting proclamation # 847/2014, the study also identifies the factors that facilitate implementation of IFRS in Ethiopian public enterprises. Primary data were collected through five Point Likert-scale questionnaires. The study used non-random sampling of judgmental technique to select 10 enterprises from 22 enterprises based on nearness of the company and time of establishment. SPSS used to analyze a data collected through questionnaire the questionnaire data were analyzed using descriptive statistics, correlations, parameter estimiat and Ordinal Logistic Regression analysis. The findings revealed that IFRS improves effectiveness of financial reporting, provides greater reporting transparency, it reduce cost of capital, It provides better information for decision making, make confidence for lender, enables better risk management and provides greater creditability. The study also foud that IFRS Implementation have challenges. It is costly, IFRS increases the complexity of financial reporting, Lack of IFRS implementation guidance affects the implementation of IFRS and increases the risk for manipulation in interpretation of financial statements, IFRS increased volatility of earnings, Tax driven nature of previous standards is a challenge for IFRS implementation, lack of proper instructions from regulatory bodies and Problem with IT system. The study also revealed Management support, Institutional readiness, Educational level, and Enforcement capacity significantly affect the quality of IFRS implementation in Ethiopian public enterprises. The findings suggest that a rigorous IFRS capacity building program should be embarked by the government, all regulatory bodies, enterprises and training institutions in order to provide the needed manpower for IFRS implementation.

Keywords: *IFRS, IFRS implementation, IFRS in Ethiopia, benefit, challenges*

CHAPTER ONE:

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Financial reporting aims to make information available for decision making apart from stating the financial position of an organizations financial statement provide other information such as value-added, changes in equity and cash flow of the enterprise within the defined period of time to which it relates (LYOHA and FABOYEDE 2011). The quality of financial information reporting is indispensable to the need of users who requires them for investment and other economic decision making purposes.

Financial reports can only be regarded as useful if it represents the economic purpose of an organization in terms of relevance, reliability, comparability and aids interpretation simplicity (Penman1984). Diversity in financial reporting in different countries arises because of the differences in legal system, tax systems and business structure. The international financial reporting standard (IFRS) is intended to harmonize these diversities by making information more comparable and easier for analysis. It also reduces the cost of preparing a different version of financial statements where an organization is multi-national (Healy and Palepu 2001) before international financial reporting standard (IFRS) implementation most countries had their own standards to prepare a financial report.

The increasing growth in international trade cross border financial transaction and investment which unavoidably involves the preparation and presentation of accounting reports that is uses full across various national borders has brought about the implementation of international financial reporting standard (IFRS) in both the developing and developed countries(Armstrongetal,2007) there are arguments for and against the global implementation of international financial reporting standard (IFRS) one of the determinants that will be experienced by countries implementing of (IFRS) include forgoing the benefits of any innovations in local reporting standard specific to their economics single set of accounting standard cannot reflect the differences institution and cultures (Armstrongeta,l2007) supporter of the implementation of international financial reporting standard (IFRS) argue that there are a number of benefits which can be gained greater cross country comparability of firms financial reports.

The argument here is that countries choose to implement international financial reporting standard (IFRS) when they expect to increase the share of foreign capital and trade in the

economy. On the opposite, opponents argue that one single set of accounting standard cannot reflect difference in national business practice arising from differences in institutions and cultures (Armstrong, Barth, Jagolinzer, riedk, 2007) for the basis of financial reporting currently many developed countries have a set of accounting principles that is hastily gaining acceptance on global base.

In Ethiopia primarily IFRS implementation started by banks, followed by public interest entities and small and medium enterprise mandatorily healed by proclamation No. 847/2014. Public interest entities have to be careful to comply with all disclosure and presentation of Financial Statements. If a company follow to report IFRS based financial statements for the year ended Sene 30, 2010 E.C under IFRS it also must provide comparative financial statements for the year ended Sene 30, 2009, Hamle 1, 2008, was the beginning of the earliest period for which the comparative information must be provided, and therefore Hamle 1, 2008 was the transition date for the company. (Source public enterpris)

The study focuses on the benefits and challenges of using international financial reporting standards (IFRS) a study on Ethiopian public enterprises.

1.2 Statement of the problem

Significant differences present across countries with respect to how financial statements are set and offered. These differences are in recognition, measurement, presentation, and disclosure of financial statement. If the preparation of financial statement across countries are different there is Problems related to preparation of consolidated financial statements by companies with foreign operations, gaining access to foreign capital markets and lack of comparability of financial statements between companies from different countries (HOLYE, 2011).

These differences can affect the foreign financial statement practice for making investment and lending decisions. Otherwise, it is difficult for potential investors to directly compare the financial position and performance of different countries; because different countries have different financial accounting and reporting standards. It needs efforts to reduce the difference that exists in financial reporting across countries.

For this reason International Accounting Standards Committee (IASC) and the International Accounting Standards Board (IASB) to adopt International Financial Reporting Standards (IFRS). Nowadays publicly traded companies around the world are

using IFRS to prepare financial statements its wide spread implementation has been promoted by the argument that the benefits greater than the costs.

Due to this benefit with application International Accounting Standards Board (IASB) developed international financial reporting standard (IFRS) this is attracting significant influence in markets where making decision on its implementation.

Different researches show that there are obstacles for immediate implementation of IFRS such as cultural, legal & political. Once the financial institution opening IFRS balance sheet has been prepared, enterprises continue to use IFRS for the consecutive two years so that necessary information can be included in the first set of annual financial statements prepared under IFRS. For this fact researches done in Nigeria, Ghana, Kenya, Libya and other countries the research result show that IFRS implementation were complex and faced many challenges in developing and least developed countries due to the complex and less understandable nature of IFRS.

The complexity nature of IFRS requires a workload during the transition year for finance, accounting staff and other relevant bodies. These enclosure high internal and external costs such as high audit fees and intensive training program for staff across the company. According to (P.Fareed Mastan et.al, 2015) the other one is technical aspects of the application of IFRS including lack of comprehensive training, adequate IFRS training bodies, problem with IT system in handling the transaction to IFRS, increase volatility of earnings as a result of IFRS implementation, availability of competent specialists, proper instructions from regulatory bodies and lack of adequate IFRS implementation guidance suited to the specific industry.

Even though IFRS implementation enclosure have the above challenges/costs the Public enterprises include enterprises which are accountable to the agency and which have been established under proclamation No. 25/92 are under the study. The researcher identified there is a need to make a research on public enterprises on the issue, thus, studies on implementation of IFRS benefits, and challenges in public enterprises are important at present.

Due to the following reason they are lack of adequate training for the finance and audit officer, lack of government support because of IFRS report standard not started in government sector, lack of experienced manpower on IFRS report standard. Even the management of the company/organization not fully understand and support the finance and audit department & also the finance department not cooperate with other department for

this reason the researcher have made a research to file the above mentionend and other gap taking in to consideration the theoretical and other countries experiences in implementation of IFRS. Adapted from (P.FareedMastan et.al, 2015) with some modification.

The study tray to answer the following research questions

1. What benefits have gain from the implementation of IFRS in Ethiopian public Enterprises?
2. What are the challenges faced in the Practical implementation of IFRS in Ethiopian public enterprise?
3. What are the factors that affect the implementation of IFRS in Ethiopian public enterprises?

1.3 Objectives of the study

1.3.1 General objective

The main objective of this study is to examine benefits and challenge of implementation of IFRS in Ethiopian public enterprise.

1.3.2 Specific objectives

- To assess the benefits of implementing IFRS in Ethiopian Public Enterprise.
- To examine challenges faced by Public Enterprise of Ethiopia in implementation of IFRS.
- To identify the factors that affects the implementation of IFRS in Ethiopian public enterprise.

1.4 Hypothesis of the study

In order to achieve the objective of the study a number of hypotheses were tested regarding the factors of IFRS implementation in Ethiopian public enterprises.

These testable hypotheses were stated as follows;

Hypothesis 1: There is a positive and significant relationship between management support and the quality of IFRS implementation in Ethiopian public enterprise.

Hypothesis 2: Level of education has a positive and significant relationship with quality of IFRS implementation in Ethiopian public enterprise.

Hypothesis 3: There is a positive and significant relationship between Enforcement mechanism and the quality of IFRS implementation in Ethiopian public enterprise.

Hypothesis 4: There is a significant relationship between Institutional readiness and the quality of IFRS implementation in Ethiopian public enterprise.

1.5 Significance of the study

The result of the research will be useful to Government, management of the Public Enterprises, potential investors and other stakeholders of Public Enterprises. Finally, it will serve as a reference on the implementation of IFRS to the public enterprises with benefit and challenges, and serve as a reference to students or other researchers who might want to carry out their research on similar topic. Let us discuss one by one. The government can use the findings of this study to assist in policy formulation and development for a framework used for improving the implementation of IFRS practices in public enterprises. other use of study are Public Enterprises established based on proclamation No. 25/1992 for properly safe guarded and economically utilized properties and should be upgraded to serve the need. So, the researcher asserts Proper implementation of IFRS would better serve for this purposes. Stakeholders such as, suppliers, customers and others need sufficient information about the enterprise. Findings from this study were assist academicians or other researchers to use as a base for farther research or study hence it was provide additional understanding of benefit and challenge on implementation of IFRS in Ethiopian public enterprise.

1.6 Scope of the study

According to proclamation No. 847/2014 issued Public interest entities are significant public relevance as the board may decide from time to time because of the nature of its business, size & number of employees includes; in particular a company whose securities are admitted to trading on a regulated capital market, banks, insurance companies and any financial institutions and public enterprises Pursuant to proclamation No. 847/2014 AABE was established by regulation no.332/2015 in January 2015 and was given power and duties to prepare IFRS implementation roadmap. AABE issued roadmap for public interest entities and smalland medium enterprises required to implement IFRS.

Public interest entities required toimplement IFRS in the first phase According to AABE road map (Hamle 1, 2008 E.C. or July 1, 2016 G.C) is the starting period of implementing IFRS and it is the conversion period, and (Sene 30, 2010 E.C. or June30, 2018) is reporting period for those significant public interest entities. Public Enterprises are one of the public interest entities. Countries experience tells us implementation of IFRS has many

benefits and challenges. Implementation of IFRS in public interest entities has got those benefits and challenges.

Therefore, the researcher interested to make a research on one of significant public interest entities in Ethiopia established under proclamation No. 25/92 and accountable to the agency. The study involved head of finance department which are working for the selected public Enterprise they are (Government Housing Corporation, Ethiopian Tourism Business Enterprise, Building Providers, Pulp and Paper Axis Association, National Alcohol & Liquor Factory, Light and Peace Publishing Company, Ethiopian Construction Design and Supervision Works Corporation, Agricultural Works Corporation, Ethiopian Construction Works Corporation, Ethiopian telecommunication, Ethiopian fuel importer and supplier) of supervisor, finance officers, management and auditors. The study deals only benefits and challenges of IFRS implementation on Public Enterprise in Ethiopia.

1.7 Limitation of the study

Even if the research project carried out by taking proper care, attention and devotion, there was limitation.

- ✓ The limitation was,
- ✓ The respondents not returned the response on time
- ✓ The researcher only use primary data for this reason it may be biasness

1.8 Organization of the paper

Generally the paper is organized into five chapters. The first chapter presents introduction, background, statement of the problem, objective of the study, significance of the study, scope of the study and organization of the paper. The second chapter deals with the literature review and conceptual framework of the study. The third chapter deals with research methods. The fourth chapter deals with results and discussion. The fifth chapter deals with summary of major findings, conclusions and recommendation.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Theoretical Literature Review

This section presents a review of related literature to International Financial Reporting Standards (IFRS) and its implementation. It consists of general overview about objective of financial statements, International Financial Reporting standards, benefits and challenges of implementing IFRS, factors affecting the implementation and development of accounting in public Enterprise in Ethiopia.

2.1.1 Objective of financial statements

Financial statements are ordered illustration of the financial positions and financial performance of an entity. The objective of financial statements is to provide information about the financial positions, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions. Financial statements also show the results of the management's stewardship of the resources entrusted to it.

IFRS financial statements consist of;

- ✓ A statement of financial position
- ✓ A statement of comprehensive income, which reconciles profit or loss on the income statement to total comprehensive income
- ✓ A statement of changes in Equity
- ✓ A Cash Flow statement or statement of Cash Flows

Notes, including a summary of the significant accounting policies comparative information is required for the prior reporting period An entity preparing IFRS accounts for the first time must apply IFRS in full for the current and comparative period although there are transitional exemptions to meet these objectives, financial statements provide information about an entity's: assets; liabilities; equity; income and expenses, including gains and loss; contributions by and distributions to owners in their capacity as owners; and cash flows. This information, along with other information in the notes, assists users of financial statements in predicting the entity's future cash flows and, in particular, their timing and certainty.

The following are the general features in IFRS.

- Fair presentation and compliance with IFRS: Fair presentation requires the faithful representation of the effects of the transactions, other events and conditions in

accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework of IFRS. Going concern:

- Financial statements are present on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. Accrual basis of accounting: An entity shall recognize items as assets, liabilities, equity, income and expenses when they satisfy the definition and recognition criteria for those elements in the Framework of IFRS. Materiality and aggregation: Every material class of similar items has to be presented separately. Items that are of a dissimilar nature or function shall be presented separately unless they are immaterial offsetting. Frequency of reporting: IFRS requires that at least annually a complete set of financial statements is presented. However listed companies generally also publish interim financial statements (for which the accounting is fully IFRS compliant) for which the presentation is in accordance with IAS interim Financial Reporting. Comparative information: IFRS requires entities to present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. In addition comparative information shall also be provided for narrative and descriptive information if it is relevant to understanding the current period's financial statements.
- The standard IAS also requires an additional statement of financial position (also called a third balance sheet) when and entity applies an accounting policy all together or makes a back ward looking restatement of items in its financial statements, or when it reclassifies items in its financial statements. Consistency of presentation: IFRS requires that the presentation and classification of items in the financial statements is retained from one period to the next unless:
 - a) It is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IAS) IFRS standard requires a change in presentation. FROM (Abebaw Dagne Wubetie, 2018)

2.1.2 The concept of IFRS

IFRS stands for International Financial Reporting standards and they are standards for reporting financial results and are applicable to general purpose financial statements and

other financial reporting of all profit oriented entities. According to (Holye B. et al, 2011 Baker E. et al, 2009 and Larsen E.2008)

The term IFRS comprises issued by IASB, IAS issued by IASC; and interpretations issued by the standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations committee (IFRIC) of the IASB. Since 2001, International Financial Reporting Standards (IFRS) are being developed and approved by the International Accounting Standards Board (IASB). The IASB is a standalone, privately funded accounting standard setting body established to develop global standards for financial reporting. It is the successor to the International Accounting Standards committee (IASC), which was created in 1973 to develop International Accounting Standards (IAS).

Based in London the IASB assumed accounting standard setting responsibilities from the IASC in 2001 (Hoyle B., et al, 2011, Baker E. et al., 2009 and Larsen E. 2008). One of the basic features of IFRS is that it is a principle based standard and seeks to avoid a rule based mentality (Hlacuc ET. Al. 2009) Instead, the application of IFRS requires exercise of judgment by the preparer and the auditor in applying principles of accounting on the basis of the economic substance of transactions. According to IASB (2009); the IASB achieves its objectives primarily by developing and publishing IFRS and promoting the use of those standards in general purpose financial statements and other financial reporting. Other financial reporting comprises information provided outside financial statements that assists in the interpretation of a complete set of financial statements or improves users' ability to make efficient economic decisions.

The term 'financial reporting' encompasses general purpose financial statements plus other financial reporting. IFRS get recognition, measurement, presentation and disclosure requirements dealing with transactions and other events and conditions that are important in general purpose financial statements. IFRS are based on the Framework, which addresses the concepts underlying the information presented in general purpose financial statements. The objective of the Framework is to facilitate the consistent and logical formulation of IFRS. It also provides a basis for the use of judgment in resolving accounting issues (IASB, 2009).

2.1.3 International Accounting Standards

To reduce accounting differences across countries have been ongoing for more than four decades, because of the problems associated with worldwide accounting diversity. The ultimate goal of reducing accounting diversity is to have all companies around the world

follow one set of international accounting standards (Holye B., et al., 2011, Baker E. et al., 2009). With growing international markets and international investing opportunities, the advantages of uniform worldwide accounting standards as a global language of financial information have become more and more apparent (Apostolos et al., 2010).

IFRS are a manifestation of globalization, with financial report prepared under IFRS presenting an image consistent with that of Multinational Corporation and developed nations. Recently, it is over countries around the world require or permit IFRS, including big countries such as EU, China, Japan, South Korea, Australia, Russia, etc. United States who implement US GAAP for years also accept IFRS (Latifah et al, 2012). With the growing internationalization of economic trade and the globalization of businesses and financial markets, financial information prepared and audited according to a national 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).

Implementation of international Financial Reporting Standards is becoming trend among countries because of its advantages it provides for countries and multinational companies. According to the proponents of accounting harmonization, worldwide comparability of financial statement is necessary for the globalization of capital markets. It would be easy for investors to evaluate potential investment in foreign securities and it would also simplify multinational companies' evaluation of possible foreign takeover targets. International Financial Reporting Standards would reduce the cost of preparing worldwide consolidated financial statements. Multinational companies would also find it easier to transfer accounting staff to other countries (Apostolos et al., 2010; Iyoha and Faboyede, 2011; Jermakowicz, 2004; Alicja et al., 2007; Susana et al., 2007; William et al., 2010)

To meet the needs of International capital markets and their participants, companies must supply for current and potential investors with accurate and useful information that provides the necessary data to make investment decisions. According to (Paul Volker,) chairman of the International Accounting committee (IAC) Foundation Board of Trustee in 2001, "If markets are function properly and capital is to be allocated efficiently, investors require transparency and must have confidence that financial information accurately reflects economic performance.

Investors should be able to make comparisons among companies in order make rational investment decision. In a rapidly globalizing world, it only makes sense that the same economic transactions are accounted for in the same manner across various jurisdictions."

According to (Jermakowicz and Gornik-Tomaszewski (2006) IFRS are not only relevant to external parties but are useful to management decision making as well. (Caramanis and Papadaki (2008) found that accounting information provided by financial statements prepared according to IFRS is reliable, relevant, understandable and comparable.

In general, they believe that the quality of financial information has improved as a consequence of the introduction of IFRS. According to (Jermakowicz (2004) the implementation of IFRS will increase comparability of consolidated accounts as well as levels of transparency for many companies, Even though IFRS has the aforementioned benefits the preparation of the financial statements becomes time-consuming due to the amount of information that is required which in turn leads to an increase in the accounting activities (Apostolos et al., 2010). On the other hand some scholars argue against harmonization. Opponents of harmonization argue that it is unnecessary to force all companies worldwide to follow a common set of rules. As per (Richard (1991) stated that:- “Full harmonization of international accounting standards is probably neither practical nor truly valuable... it is not clear whether significant benefits would be derived in fact. Well-developed global capital market already exists. It has evolved without uniform accounting standards.” as per Opponents of accounting harmonization also argue that because of different environmental influences, differences in accounting might be appropriate and necessary. For example, countries at different stages of economic development should have differently oriented accounting systems.

There are two approaches of implementing IFRS; totally replacing and convergence approach. The first approach ‘Big bang’ approaches while the latter is called a convergence approach. ‘Big bang’ approach is a strategic decision to implement IFRS on a single date or, perhaps, a series of dates applied. Under this approach, once IFRS are implemented, all previous standards should be replaced with IFRS; while in convergence approach, gradual movement is made towards IFRS through customizing with the existing accounting standards and IFRS are applied gradually. Converging local standards to IFRSs each year can allow local preparers and auditors to learn a few topics at a time rather than immersing themselves in the full set of IFRSs and convergence approach can also allow time for necessary changes in local legal frameworks (IFRS, 2013).

The quality of financial reporting is indispensable to the need of users who require them for investment and other decision making purposes (Fashina and Adegbit, 2014). According to (Kenneth, 2012) financial reports can only be regarded as useful if it

represents the “economic substance” of an organization in terms of relevance, reliability, and comparability, understand ability, timeliness and simplifies interpretation of accounting numbers. Before the implementation of IFRS most countries had their own standards with local bodies responsible for developing and issuance of the local standards even if some of them align largely with the IAS Findings therefore suggest that Companies voluntarily shifting to IFRS have incentives to improve transparency and the quality of financial reporting (Cuijpers and Buijink, 2005). according to (coving et al., 2007) argued that foreign mutual fund ownership is significantly higher among IFRS implementers, which suggests a voluntary switch to IFRS aimed at attracting foreign investors by providing them with both more information and information that is more familiar to them.

2.1.4 Factors affecting the implementation of IFRS

The implementation of International Financial Reporting Standards is largely driven by a number of factors which include among others professional support with IFRS experience and self-enforcement by companies (Iyoha and Faboyede, (2011), Similarly (Mir and Rahman, (2005), the result of their study revealed that institutional legitimization is found to be the main factor that influences the decision of implementation of IASs. The factors affecting the choice of accounting systems could be internal and /or external, external factors include factors such as economic growth and level of wealth, level of inflation, level of education, legal system, country’s history and geography, financial system, the size and complexity of company, the well-known of the accounting profession, development of financial market, sources of investment and financing and the predominant culture and language.

In the study the researcher try to answer the question of factors that could affect the implementation of IFRS in public enterprises, factors such as management support, enforcement capacity, institutional radines and Educational level.

2.1.5 Benefits of IFRS implementation

The IFRS implementation result in improved efficiency and effectiveness of financial reporting, more reliable, transparent and comparable and is easier external financing. Implementation of IFRS provides to the management of a company with better risk management, improved management information for decision making and it promotes cross border investment.

The results of the study are supported by the conclusion forwarded by (Larson et al., (2004). stated that IFRS financial statements are rather seen as a comprehensive information package, than only as a reporting of the financial situation of the company.

2.1.6 Challenges of IFRS implementation

Accounting professions across the world have listed various benefits of implementing IFRS. In spite of these benefits, implementation of IFRS is a difficult task and has many challenges. According to (Iyoha and Faboyede (2011) identified ethical environment and the ability to protect qualified and competent employees from being poached by other companies as main challenges facing Nigerian Companies. (Wong (2004) said that education and training are considered as major challenges to prevent against the implement of IFRS. The principal impending factors in the implementing process of IFRS in Europe, America and the rest of the world are not necessarily technical but cultural issues, mental models, legal impediments, educational needs and political influences (Obazee, 2007).

The implementation challenges include: timely interpretation of standards, continuous amendment to IFRS, accounting knowledge and expertise possessed by financial statement users, preparers, auditors and regulatory and managerial incentive(Rong-Ruey Duh (2006), according to (Ball, Robin & Wu 2000) As evidenced by the global experience, convergence with IFRS would have significant challenges common to all countries and companies. Additionally, there are also certain specific challenges that are unique to particular countries (Robyn and Graeme, 2009). EU publicly listed companies to prepare their consolidated accounts in conformity with IFRS, are facing many challenges, including fair value measurements to be considered to a greater extent (Jermakowicz, 2004; Alexander, 2003).

IFRS would also present a challenge by way of more complex financial reporting requirements and resultant increase in costs; and availability of resources with expertise in IFRS. Similarly from an overall perspective, amendments to regulatory requirements and tax laws would be required; and impact on IT systems and compensation structures would need to be evaluated (Apostolos et al., Jermakowicz, 2004; Alexader,2003). According to (Jermakowicz et al. (2007) he examine the challenges and benefits, including value relevance, of the implementation of IFRS by DAX-companies in Germany based on a questionnaire sent to company executives. They find that most companies agree that

implementing IFRS should improve the comparability of financial statements while the complex nature, high cost of implementing and lack of guidance for implementing IFRS, as well as increased volatility of earning after implementing IFRS, are listed among the most important challenges of conversion to IFRS.

2.1.7 Historical background and accounting in public enterprises.

The state has a public purpose in the exercise of its sovereign power and any modern state assumes responsibility beyond its traditional function and it engages in economic activities (Tewodros meheret,2014)any commercial, financial, industrial, agricultural or promotional under taking owned by public authority either wholly or through majority shareholding which is engaged in the sale of goods and service and whose affairs are capable of being recorded in balance sheets and profit and loss accounts.

This definition is broad enough to hold all forms of public economic enterprises established across countries and ideologies, however it does not embrace true in all legal systems because of the typical factors of a country may prompt definition that fits the setting, for instance the low governing public enterprises (public enterprises proclamation number 25/1992) through which the transition from command to market economy was realized in Ethiopia by transforming the role of public enterprise defines it has wholly state owned public enterprise established pursuant to the same proclamation to carry on for gain manufacturing, distribution, service rendering or other economic and related activities (Tewodrosmeheret, 2014) this definition have three elements that determine the features of public enterprise.

The first element relates to ownership and requires an enterprise to be wholly owned by the stat so that it can be characterized as a public enterprise. The second element requires establishment under the proclamation. The proclamation sets the legal frame work for entities established by the statefor the purpose of economic activities for gain. The third element in the definition of public enterprise under proclamation NO25/1992 is the purpose of the entity which distinguishes it from the main function of the state. Public enterprise are commercial entities as distinguished from administrative agencies which carry out regulatory activities and render public service (Tewodrosmeheret, 2014) the development of accounting internationally has generally been well documented. Studies that examine this process in developing countries appear relatively limited (Mehert, 2009) The development of accounting in Ethiopia could be better understood if examined in arrange of decades beginning from pre 1970 to date. Ethiopia has alternating political

orders from a developing market economy (pre 1974) to a communist economy(1974 to 1991) and then back to a market oriented economy (1991 onwards) (Mihert, 2009) patterns are described below in terms of stakeholders efforts to promote the development of accounting and the outcomes of such efforts.

Two significant developments in the history of accounting in Ethiopia took place in then1960. 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 in 1961 by proclamation No. 199/1961). 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, 2009). 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, Nonetheless, an important landmark in the history of accounting and auditing in this period the formation of the Audit Service Corporation (ASC) by proclamation no. 126/1977 (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. In addition to this, the EPAAA has been reactivated and three other professional associations, i.e. The Ethiopian Accounting and Finance Association (EAFA), the Institute of Internal Auditors (IIA), and the Accounting Society in Ethiopia (ASE) have been established (Mihret,2009).

There are a number of developments in accounting at present, problems related to accounting regulations and financial reporting are now being recognized and appreciated by the Government of Ethiopia, hence the government of Ethiopia issued proclamation No.847/2014. Currently, Ethiopia is in the progress of implementing it. IFRS is required for a certain type of institution to effective implementation; Ethiopia established an

institution to take responsibility for effective implementation of IFRS, called AABE. Similar to many developing countries, Ethiopia financial reporting practices were driven by its tax laws and fragmented accounting practices acquired from the country's institutions of higher learning. Implementing IFRS as a national standard will have significant benefits for countries to improve corporate transparency that is required by investors and the public.

2.1.8 Public Enterprises in Ethiopia

According to proclamation no 25/1992 the Government of Ethiopia has implemented a new economic policy and it has become necessary to take successive measures for the implementation of this policy. The Government of Ethiopia declare a proclamation to stay under the government control, it was necessary to create an organizational structure whereby they can enjoy management autonomy and thus enable them to be efficient, productive and profitable as well as to strengthen their capability to operate by competing with private enterprises. According to the law "Enterprise" means a wholly state owned public enterprise established pursuant to this proclamation to carry on for manufacturing, distribution, service rendering or other economic and related activities.

Every enterprise shall be established by regulations to be issued pursuant to the proclamation further offers another definition which considers public enterprise as an enterprise as defined under Article 2(1) of the Public Enterprises Proclamation No. 25/1992, or as a wholly state-owned share company.

2.1.9 IFRS Implementation on Ethiopian public enterprise

Implementing IFRS is like starting a family as it requires careful planning, commitment and complete understanding of its implications. There are three steps that new 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 the proclamation No. 847/2014; Public interest entity should use the full version of IFRS. A public interest entity is a reporting entity that is significant of public relevance because of the nature of its business, its size and its number of employees. According to Accounting and Auditing Board of Ethiopia (AABE) roadmap, July 8, 2008 is a transition period, from July 8, 2016 through July 7, 2017 is a comparative period, and IFRS expected to implement by all financial institutions and public enterprises and mandatory reporting on July 7, 2018. From this standpoint, this research is carried out to study benefits and challenges of IFRS implementation in Public Enterprise in Ethiopia.

2.1.9.1 Trends of IFRS application in public enterprise

According to (Teferi and J.S. Pasricha, 2016) the term IFRS for the first time in their annual report in Ethiopia was government owned entities such as commercial Bank of Ethiopia, Construction and Business Bank and Ethiopian Insurance Corporation. Other government owned entities used the term IFRS over decade is the Ethiopian Airlines.

2.1.9.2 Awareness made during IFRS implementation to public enterprises

Implementing IFRS involves policy decision to planning and making all necessary resources required available to handle all the changes that will result in changes in system, procedures, and operation. Even though there was no developed accounting standard in Ethiopia, they were saying in accordance with GAAP but it was not clear to which GAAP they were referring. Awareness creation about IFRSs is very important for efficient and effective implementation. Public enterprises and stakeholders should be aware in the implementation of IFRS. Awareness about the advantage of implementation of IFRS, the challenges they faced and how they implement. So that awareness creation on the implementation of IFRS is vital.

2.1.9.3 Motivating factors for implementing IFRS in public enterprises

In Ethiopia's context it was found that there are different factors that motivate the implementation of IFRS; which can be divided into internal and external factors. From internal factor, the most motivating factor is the absence of international accounting standards in the country. From the external factors; external pressure comes from lenders and donors, international correspondent organizations, World Bank and IMF, International Audit Firms such as (Earnest and Young) Association of Chartered and Certified Accountants (ACCA).

2.2 Empirical Literature Review

Today globalization of business have been given reason for coordinated financial statement preparation and presentations, companies compete globally for limited resources, shareholders, potential investor and creditors as well as multinational enterprise are required prepared financial statement using national standards that ultimately lead to implementation of IFRS. It is seen as a comprehensive information package where the management gets improved financial information easier for their decision making and judgment. As (w. Jonna) the influence of IFRS implementation on business management that mandatory IFRS contributed and improve business environment. (Leuz, 2003; Barth, 2008) argue that IFRS standards reduce information costs to an economy, particularly as capital flows and trade become more globalized: it is cheaper for capital market participants to become familiar with one set of global standards than with several local standards.

Since the early 1970s the need for a global set of high-quality financial reporting standards has been apparent. The existence of a global benchmark enables direct comparison of corporate financial reports between jurisdictions. Such high-quality standards enhance investor's confidence by allowing economic transactions of a similar nature to be treated and reflected in the same manner around the globe, what was only a vision four decades ago has now become a reality. Starting from the beginning of 2005, many countries, including the European Union, either require or permit use of international financial reporting standards (IFRS) for preparation of financial statements by enterprises in their respective jurisdictions. The benefits of such a global benchmark will be realized only when it is implemented around the world in a reliable manner. Many developing countries and countries with economies in transition lack the accounting infrastructure and professional institutions needed for building the technical capacity required to meet the challenges posed by the transition to a common set of global standards that are formulated with developed markets.

Many researches shows that after mandatory IFRS implementation, the quality of information in accounting and business environment increased significantly more for in the current business world. The impact of inclusion of IFRS in schools and colleges curriculum, this will enable the potential accountants to be well trained before joining the accounting and auditing profession (H.Daske et al, 2006) According to the case studies

conducted by the United Nations covering Brazil, Germany, India, Jamaica, Kenya, Pakistan, South Africa and Turkey, the factors that initially contributed to the introduction of IFRS in the countries covered vary (UNCTAD, 2008). According to these case studies, in Brazil, the Central Bank's intention of implementing IFRS was to bring financial reporting in line with international best practice to facilitate the comparability of financial reports and fostering investor confidence.

In Germany, a number of large companies began to prepare their financial statements in accordance with IAS in order to be able to access financial markets outside Germany.

The implementation of IFRS for the preparation of consolidated financial statements of listed companies in Germany became mandatory following the decision of the European Union to implement the IAS regulation of 2002. Since the case study of Germany illustrates, a European Union wide approach of implementing IFRS, the implementation challenges extend beyond its domestic factors (UNCTAD, 2008). Many country execute case studies covered shows, countries have taken a variety approaches to implementing IFRS. (UNCTAD, 2008) according to case studies of Turkey, Pakistan and South Africa show that a desire to raise their financial reporting requirements to internationally recognized benchmarks is one of their main objectives in implementing IFRS.

One of the common aspects of the countries covered in the case studies is that most of them require an audit of IFRS financial statements to be conducted in accordance with ISAs issued by the International Auditing and Assurance Standards Board of (IAASB) of the International Federation of Accountants. Professional accountancy bodies also play a role in the enforcement of IFRS as they discharge their responsibilities with respect to ensuring adherence to their membership by-laws. The case study highlights the role of IFRS in facilitating economic integration on a regional basis. The level of implementation of IFRS in the countries included in the case studies varies from one country to another.

In the case of Brazil, financial institutions and listed companies are required to follow national standards that are gradually being converged with IFRS. In Germany, listed companies are required to apply IFRS for preparing their consolidated financial statements. Non-listed companies are also allowed to use IFRS for preparation of their group financial statement. However, both listed and non-listed companies are prohibited from using IFRS for preparing their separate financial statements.

All listed and non-listed companies are required to prepare their financial statements consolidated and non-consolidated in accordance with IFRS in the case of Jamaica and Kenya. The aim was to raise national financial reporting requirements to international best practices following significant collapses in the country's financial services sector in the 1980s and 1990s.

Harmonization of domestic financial reporting requirements with international standards indicated in the case study of India. The study also showed another approach of converging Indian accounting standard with IAS by implementing the country's economic reality to IAS. In Jamaica the study also indicated the intention of harmonization corporate reporting practices across countries in the Caribbean in accordance with international requirements (UNCTAD, 2008). In Pakistan, South Africa and Turkey the study showed that the intention was to raise financial reporting requirements to internationally recognized benchmarks (UNCTAD, 2008). According to (UNCTAD, 2008) case study reports of the countries covered, a number of practical challenges were faced by countries while implementing IFRS in their respective jurisdictions.

These issues can be grouped in to three main areas: -Institutional, Enforcement and Technical

I. Institutional Issues: According to (UNCTAD, 2008) report, often, laws and regulations overlap or become inconsistent, with each other especially when the role 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.

II. Enforcement Issues: Enforcement of standards is also one of the critical elements in the implementation of IFRS. The full benefits of a global set of financial reporting standards such as IFRS will be realized only when these standards are consistently enforced. 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.

III. Technical Issues: practical implementation of IFRS requires adequate technical capacity among preparers, users and regulatory authorities. According to (UNCTAD,

2008) report, the case studies showed a number of challenges in the practical implementation of IFRS;

One of the main difficulties encountered in the practical implementation process was the shortage of accountants and auditors who are technically competent in implementing IFRS and ISAs.

Let us see the practice different countries how to implement IFRS as example

Nigeria:- the Nigerian Accounting standards Board (NASB) was responsible for developing and issuing standards and the body was renamed Financial Reporting Council of Nigeria as a regulatory body overseeing the implementation of IFRS. Studies of IFRS implementation in Nigeria shows; promote foreign direct investments inflows and economic growth due to uniformity, reliability and comparability of financial statements of companies.

The implementation of IFRS continues with many countries setting timetable or roadmap for expecting to achieve benefits of IFRS implementation. As part of the plans to meet international standards, the Government of Nigeria disclosed a ‘road map’ of full transition to International Financial Reporting Standards (IFRSs) over three years period beginning from January 2012 (Umoru and Ismail 2012). By this directive, all public interest entities are to mandatorily implement the IFRS by January 1, 2014. Nevertheless there are numerous challenges a country must confront and overcome. A critical assessment of countries where IFRS has been implement or their local GAAP with IFRS must be adequately prepared for effective IFRS implementation, according to (Odia,J.O et al, 2013) have the following suggestion.

I. Effective implementation of IFRS requires careful planning and extensive public education, the allocation of resources, a legal and regulatory support system and institutional support system and institutional support with strong management systems. Unless the various stakeholders are integrally involved and included in development plans and how they are affected, they will be reluctant to support the change and IFRS implementation may not be successful.

ii. The communications system for informing users of the changes in reporting requirements must be effective and responsive. Users of financial statements have to be able to interpret financial reports and raise questions about an entity’s performance. Efforts to build good corporate governance and enhance corporate transparency will be successful

only when the key stakeholders have the desired knowledge to understand the financial reports and interrogate reported information. Also, the transition plans to IFRS and its implications for preparers, users, educations and other stakeholders have to be effectively communicated.

iii. Adequate resources must be put in place to support the sustainable implementation of IFRS. This includes having consultative groups available to respond promptly to concerns by users and to provide for their on-going training. Assisting key stakeholders, including regulators with training, and possessing the required resources to interpret and apply the requirements of IFRS is a critical element underlying the successful implementation of IFRS.

v. Continual training of auditors, regulators, analysts and other users is an important factor in the transition to IFRS. In fact, capacity building of the various stakeholders in the accounting profession is a necessity.

vii. The implementation of IFRS has impact on a country's national statistics. Data on productivity, efficiency and profitability are often times collected by the government statistical authority for national reporting.

ix. On the basis of proper compliance of IFRS, the regulatory authorities can provide significant benefits for firms reporting regularly and complying with IFRS and other necessary requirements like relaxing the listing criteria or providing incentives in either monetary or non-monetary forms.

x. An independent oversight body like the Financial Reporting council Nigeria (FRCN) should be strengthened to shoulder the responsibility of setting accounting and auditing standards, monitoring compliance with accounting standards, reviewing auditors' practice and reviewing reporting practices and enforcing sanctions for violations. The government should ensure the capacity and effectiveness of this regulatory regime to provide a real sense of security to stakeholders because one of the critical elements in the implementation of IFRS is the rigorous enforcement of standards. The FRCN should forces on technically qualified personnel, practical training of inspectors/reviewers, administrative support, and necessary logistics arrangements.

The IFRS enforcement bodies (the FRC, SEC and CBN) should immediately enhance and expand their expertise. As IFRS changes due to amendments to existing standards or new standards being issued by IASB, these regulatory agencies need to have a plan in place to

keep pace with the changes. Part of the plan should include continuing education programs in charge of reviewing IFRS-based statements for regulatory purposes.

xi. A system of standards and monitoring should be developed that can work on a consensus view of all the interested parties. Therefore, exposure drafts are to be circulated for comments from various professionals and the general public at large. This often has resulted in minimizing dissensions and increasing acceptance of accounting standards (Hove, 1990).

xiv. Successful implementation of IFRS needs extensive and on-going support from professional accounting bodies. They can contribute to the effective implementation of IFRS through requirements that hold their members responsible for observing due care in implementing these standards therefore, an IFRS implementation program needs to adequately assess the state of readiness of relevant professional accountancy organizations.

xv. Integrating IFRS into university accounting education and updating the curriculum for the training of accountants. There should be hiring and training of staff/faculty knowledgeable in IFRS and massive publication of accounting textbooks. Educational institutions must alter their teachings to account for the foreseen transition to IFRS and to adequately prepare students. This is because businesses will depend on universities and the accounting professions to bridge the IFRS knowledge gap and provide leadership.

The implementation of IFRS is known to be extra special task owing to the fact that several challenges are often encountered in the cause of implementation. According to (Iyoha and Faboyede (2011) noticed that ethical environment and the ability of companies to protect their experienced employees from being taken over by their counterpart is among the main challenges faced by companies in Nigeria. Other significant challenges include the requirement of IFRS for a more broaden financial reporting which will result in added costs for companies. Similarly, the regulatory requirement to amend the existing tax laws to effect the changes in line with the new standard is also a point to consider.

Additionally Information Management and Business Review the level of education and experience, level of awareness, enforcement and compliance mechanism are also instrumental to the successful implementation IFRS (Bello Usman Baba).

1) **Implementation costs:** the implementation of IFRS framework is perceived by most entities as costly, these costs usually relate to consultants' costs, costs of training personnel and costs of adjusting the existing accounting system to effect the change (Ionascu, Olimid&Calu, 2007). According to(Oduware, 2012) This challenge has made management

of most companies to be reluctant in embracing the change which invariably resulted in mellow attitude by staff on IFRS issues and therefore, contributed immensely to retardation in IFRS conversion process in Nigeria.

2) **Amendment of Existing Laws:** according to (Ernst & Young, 2013) implementation of IFRS in Nigeria has resulted in the amendment of different tax laws as well as numerous tax considerations. These tax considerations are complex and therefore arise from the computation of deferred tax attributed to IFRS adjustments effect. With implementation of IFRS, the basis for computation of deferred tax varies from how it was previously computed during statement of accounting standards (SAS) regime.

IFRS involves the use of the balance sheet liability method will demand full deferred tax provision which is more complex when compared to the income statement method. Hence, these issues had been a source of concern for Federal Inland Revenue Service in Nigeria (Oduware, 2012).

3) **Inadequate Technical Capacity:** as per (Madawaki, 2012) the implementation of IFRS framework demands sufficient technical capacity within the various stakeholders including auditors, regulatory authorities and users of financial reports. Therefore, one of the main challenges of implementing IFRS in Nigeria is a shortage of Accountants and Auditors that are skilled in IFRS reporting.

4) **Level of Education and Experience:** according to (Adeyemo 2013) the implementation of IFRS is strategic and critical decision that requires a high level of education, expertise and competence to enable users to understand, interpret and effectively use the standards in financial reporting. Therefore, lower level of education and weak experience in IFRS reporting in Nigeria has become a barrier to successful implementation of IFRS framework.

5) **Level of Technology:** technology has a major effect on IFRS implementation. Therefore, Information Technology (IT) is definitely a key factor in IFRS transition process considering the important role played by Enterprise Resource planning (ERP) systems in companies operational, accounting and reporting processes (Uzor, 2011). Therefore, for companies to achieve a seamless conversion to IFRS; there is a need to be familiar with specific IT challenges and issues confronting their organization. In Nigeria, companies give less emphasis on technology which is invariably affecting the pace with which implementation of IFRS is going on in the country.

6) **Enforcement Mechanism:** the transition to IFRS has a serious implication for regulators; this requires extensive use of judgments and assumptions that need to be considered by relevant regulators from taking legal recourse as regards enforcing compliance with accounting and financial reporting requirements. This state of affairs is impairing on the ongoing IFRS implementation process in Nigeria. Findings showed that IFRS has been implementing in Nigeria but only fraction of companies has implemented with deadline for the others to comply. The study conducted on the Impact of IFRS on stock market movement in Nigerian capital market. Based on the findings, it was concluded that the implementation of IFRS Is a move made in appropriate direction. Although there are issues and challenges facing the implementation, the benefits we can say overcome the challenges.

Ghana: - Ghana shifted from the Ghana Accounting Standards (GAS) to implement IFRS on January1, 2007. As of 2008 beyond a legislative injunction has been imposed on the Bank of Ghana to prepare financial statements in accordance with IFRS; thereby making it mandatory for all public entities in the country. Since the introduction of IFRS, there had been several positive changes in some sectors of financial reporting.

In measurement, majority of the participants affirmed a change; under disclosure the entire participant affirmed a change, and majority of the participant confirmed the significance of reliability of the introduction of IFRS. The rationale behind the implementing of IFRS in Ghana was based on the desire to promote development, standardization of financial statements, and serve as channel of attracting international market. Ghana implement IFRS because the need for transparency. Since IFRS goes with significant disclosure, it offered transparency and upheld the fair value of the accounting system. These findings were different from the suggestionthat, the key drive of developing countries to implement IFRS was as a result of pressures from multinational corporations or the World Bank (Irvine, & Lucas, 2006).From the study; IFRS was also described as an effective mechanism to ease the consolidation of financial statements among the participants. This response was no different from what is known in literature (Larson, & Street, 2004). The study clearly indicated that information cost was reduced drastically since the introduction of IFRS.

Kenya: - The Kenya practice on move towards the fair value model has also introduced complications. It is a subjective concept and is difficult to implement particularly in developing economies like Kenya. This has particularly been problematic for those in the

financial services sector, the sector that seems to exhibit the highest levels of non-compliance is the banking sector. Fair value has been defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

However, while the concept is easy to understand, determination of fair value has been very difficult and at times impossible. In Kenya, fair valuation of financial instrument including bonds, derivatives have been very difficult due to lack of reliable market information. The Kenyan capital market is still in its infancy stage and cannot be relied on to determine fair value for the financial instruments. Auditors in Kenya lack reliable accurate reference points for some instruments. One of the reasons of non-compliance includes the growing complexity of IFRS. In General, there is need for further discussions on the use of fair values. Absence of accurate reliable data on discount rates volatility, industry or company data to support cash-flow trends, crop yields, loan default rates and lack of market or underdevelopment of the existing ones has made the situation worse.

There is need to establish what items can be measured at fair values and which items cannot. Establishing of sector benchmarks will also help in determining of fair values for some items (Erick Rading Outa, 2011).

Libya: - according to (Schachler et al., 2012; Laga, 2012; Masoud, 2014) Implementation of IFRS in Libya faces several challenges and obstacles including, lack of technical skills and inadequate knowledge of Libyan professional accountants, the difficulty to develop its existing accounting systems, and a regulatory framework to cope with economic and social development, recent evolution in accounting profession including (IFRS) application, and inadequate education and training of accountants.

Many necessary steps should be taken to overcome such obstacles which include strengthen professional accountancy body Libya Accountants and Auditors Association (LAAA) to improve the status of profession, revisions of curriculum for educating and training of professional accounts to enable accountants to gain exposure to international developments in the profession including IFRS application. (Lega (2012) suggested several steps that may serve as useful inputs for implementing of IFRS and for accounting profession evolution in Libya. These including:-adequate professional education and training, Strengthen Professional accountancy body Libyan Accountants and

Auditors Association (LAAA), and Review consistency of existing laws and regulations framework of accounting

Canada: - implementation of IFRS became a requirement for Canadian publicly accountable profit-oriented enterprises for financial periods beginning on or after 1 January 2011. This includes public companies and other “profit-oriented enterprises that are responsible to large or diverse groups of shareholders.

European Union: - in 2002 the European Union agreed that from 1 January 2005 (IAS/IFRS) would apply for the consolidated accounts of the EU listed companies. In order to approve for use in the EU, standards must be endorsed by the Accounting Regulatory Committee (ARC), which includes representatives of member state governments and is advised by a group of accounting experts known as the European Financial Reporting Advisory Group. As a result, IFRS as applied in the EU may differ from that used elsewhere.

Japan: in Japan the minister for Financial Services announced in late June 2011 that mandatory application of the IFRS should not take place from fiscal year-ending March 2015; five to seven years should be required for preparation if mandatory application is decided; and to permit the use of U.S. GAAP beyond the fiscal year ending 31 March 2016. As per (Jimi, 2011) the mandatory implementation of IFRS in Japan is likely to be deferred beyond 2015 because at least five to seven years are expected to be needed to prepare the country for this change. According to (Nippon Steel et al, 2011) The reasons for the delay are the consideration of social, historical, political and economic factors are important for Japanese policymakers because the accounting system in Japan is quite different from those in Anglo-American countries.

These differences have forced the Accounting Standards Board of Japan (ASBJ) to develop a complete set of accounting standards and a conceptual framework and to reconcile these accounting standards with related laws. According to the study Organizational environment refers to elements bearing on rationalization in the choice and design of accounting systems, such as organizational size, technology, complexity and human and capital resource. Japan’s Conservatives are more likely than Liberalists to insist on traditional concepts such as the superiority of Japanese GAAP and institutional complementarity among related infrastructures.

Russia: - since 1998 the government of Russia has been implementing a program to harmonize its national accounting standards with IFRS. Then twenty new accounting

standards were issued by the ministry of Finance of the Russian Federation aiming to align accounting practices with IFRS. In spite of these efforts essential differences between Russian accounting standards and IFRS remain. Full transition to IFRS is delayed but starting (2012) new modifications making Russian GAAP converging to IFRS have been made.

Greece: - **according to** (IoannisTsalavoutas and Lisa Evans, 2010) investigated the transition to IFRS in Greece, though the Greek environment was not appropriate for IFRS application, participants in the survey believes that their implementation improved the quality of financial reporting. The introduction of IFRS increased the reliability, transparency and comparability of the financial statements.

Bangladesh: - according to (Monir Z. Mir and Abu S. Rahaman, 2005) conducted a research on the implementation of IFRS in Bangladesh. Aspire of the paper was to evaluate the decision of the Bangladesh Government and accounting profession to implement international accounting standards (IASs). Findings of the paper shows that institutional legitimization is a major factor that drives the decision to implement IASs because of the pressure exerted by key international donor/lending institutions on the Bangladeshi Government and professional accounting bodies.

Counter Measure for Effective implementation of IFRS: the change from the existing local GAAP to IFRS represent a major transform in organizations' processes, these transformation are not limited to organizations' financial results, but it also involves changes in their business processes, internal systems, external communication and performance management. Therefore, the implementation process will impact on all facets of an organization as well as the people involved. As such, it requires intensive planning and coordination across functional lines such as accounting, treasury, tax, information technology and Human resources (Aladenusi, 2012).

Lessons learned in the implementation process the key to increase the compliance level is to ensure that there are trained persons who understand the use of IFRS and ISA. This requires that the qualification process should emphasize proficiency in the use of the various standards. The training of accountants is also very important. Due to this reason, ICPAK requires its members to acquire a certain number of hours of learning per year. The education process needs to be addressed, as this equips preparers and auditors with the tools they need to understand and participate in the financial reporting process using IFRS and ISAs.

In this case, the education process should comprise both the pre-and post-accountancy qualification phases. In this regard, professional bodies must be strengthened so as to ensure that their members remain relevant and committed to the implementation and compliance with international reporting standards. Based on studies undertaken on IFRS implementation in developing and less developed countries according to ATU, Adeghe,OghoghoGina, Omimi-EjooOsaretinKingsley(2016) Igbinsa and Raphael, the following recommendations are hereby advanced for countries who still want implement IFRS.

- ✓ Strengthen professional education and training. The professional accountancy bodies should align their continuing professional education requirements with IFAC guidelines.
- ✓ Strengthen capacity of the regulatory bodies and review adequacy of statutory enforcement provisions. Take necessary steps to strengthen capacity of regulators and improve the statutory framework of accounting and auditing to protect the public interest.
- ✓ Raise awareness of professionals, regulators and preparers to improve the knowledge gap. Issues to be addressed include the importance of financial statements prepared under IFRS framework and importance of compliance with accounting and auditing requirements.
- ✓ Establish an independent body to set monitor and enforce accounting and auditing standards and codes.
- ✓ Adequate resources should be put in place to support the sustainable implementation of IFRS.

2.3 Identified literature gap

Due to the problems associated with worldwide accounting diversity, attempts to reduce accounting differences across countries have been in progress for attempts to reduce accounting differences across countries and multinational companies, many countries implement International Financial Reporting Standards. Implementation of IFRS has a number of important benefits for a wide range of stakeholders such as, increased comparability of consolidated accounts, increased levels of transparency, better access to the global capital markets and other stakeholders would benefit from overall better reporting and information (Iyoha and Faboyede, 2011; Apostolos et al., 2010; Jermakowicz et al. 2007; Alicja et al., 2007; Susana et al., 2007; Jermakowicz, 2004).

In spite of the quite many benefits of IFRS implementation, it is also difficult task and has many challenges. As evidenced by the global experience, convergence with IFRS has significant challenges common to all countries and companies and certain specific challenges are unique to particular countries and companies. Growing bodies of literature revealed that more complex financial reporting requirements; ethical environment, the ability to protect qualified and competent employees from being poached by other companies and from an overall perspective, amendments to regulatory requirements and tax laws; and impact on IT systems and compensation structures are the main challenges of IFRS (Iyoha and Faboyede,2011; Apostolos et al.,2010; Jermakowicz et al., 2007; Jermakowicz, 2004; Wong, 2004; Alexander, 2003).

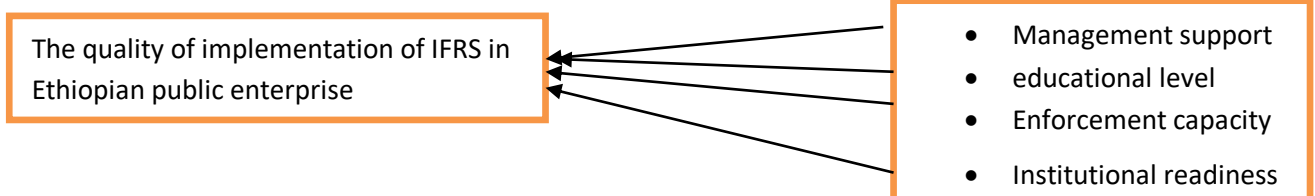
Although various survey studies have been conducted to assess the implementation of IFRS in different countries of the world, most of the studies have been carried out on IFRS analyzing the data from member countries of EU (Apostolos et al., 2010; William et al., 2010; Alessandro et al., 2009; Robyn and Gaeme, 2009; Alicja et al., 2007; Jermakowicz et al., 2007; Susana et al., 2007; Jermakowicz, 2004). Even though IFRS seems to be equally important for all countries, there is a no enough empirical study that examines the data from developing countries and in particular in public Enterprises in Ethiopia. Therefore, this study makes an attempt to bridge this gap and elaborated the benefits and challenges of the implementation of IFRS in Public Enterprises, Ethiopia

2.4 Conceptual Frameworkof the study

Theoretical framework explores, describes, explains, analyses and presents fact, principle and provisions of phenomena for better and background understanding of such phenomena (Frank, 1979). To achieve part of the research objective and to test the research hypotheses, this study used the theoretical framework developed by (Sharif, (2010) with some minor modifications. In this study the dependent variable is the quality of implementation of IFRS, while the independent variables are management support, educational level, Professional Bodies, Enforcement capacity and institutional readiness. The study is interested in testing the variability of these variables. Do these variables truly in any way affect the implementation of IFRS by Ethiopia public enterprise or not.

Dependent variable

Independent variab



CHAPTER THREE:

3. RESEARCH METHODOLOGY

This chapter describes the methodology used to conduct the study. It describes the types of methods selected for data collection and analysis and the reasons for why these methods were chosen in comparison to the other alternative methods. The chapter consists of six sections. The first two sections present the research approach and the survey design of the study. The third and fourth sections outline the hypotheses and the regression model and measurement of the variables respectively. The final section outlines the validity of the study

3.1 Research design

According to Creswell (2003), there are three approaches that are used in conducting a given research. These are quantitative, qualitative and mixed research approach. Quantitative research approach focuses primarily on the construction of quantitative data, and quantitative data is a systematic record that consists of numbers constructed by researcher utilizing the process of measurement and imposing structure (Kent, 2007). As per (Bryman and bell, 2007) the quantitative research approach employ measurement that can be quantifiable while qualitative cannot be measured. In mixed research approach inquirers draw liberally from both qualitative and quantitative assumptions (Creswell, 2009).

This study has intended to assess the implementation of International Financial Reporting Standards in Ethiopian public enterprise. To do this, the methods employed are survey design. Survey research according to (Fowler (1993) is a means of gathering information, usually through self-report using questionnaires or interviews. Its purpose is to generalize from a sample to a population so that inferences can be made and it is also economical and rapid turnaround in data collection (Creswell, 2003). This survey was conducted by means of self-administered questionnaire which was distributed to finance officers, supervisors, management and accountants of companies which implements IFRS. Questionnaire is a common place instrument for observing data beyond the physical reach of the observer (Leedy, 1989).

3.2 Population, Sample size and Sampling Techniques

3.2.1 Target population

According to Sekaran (2003), Target population is the population to which a researcher wants to generalize the results of the study. Population is the aggregate of all the elements that share some common set of characteristics and that comprise the universe for the purpose of the research problem. Currently in Ethiopia there are 22 public enterprise companies such as (Pulp and Paper Axis Association, National Alcohol & Liquor Factory, Berhane and selam Company, Ethiopian Construction Design and Supervision Works Corporation, Agricultural Works Corporation, Ethiopian Landbank Corporation, Ethiopian Construction Works Corporation, Ethiopian telecommunication, Ethiopian fuel importer and supplier, Ghion Hotale, fellwohaagelglot, Government Housing Corporation, Ethiopian Tourism Business Enterprise, Building Providers, Light and Peace Publishing Company, Ethiopian sugar factory, Baherdar textile, Adamatulu antivirus company, Awashmelkasa aluminium sulphate and sulphuric acid company, shebela transport, Bulding supplier, Ethiopian camical industry corporation.) which implement IFRS. (from the public enterprise agency document)

3.2.2 Sampling Techniques

Survey sampling is the process of choosing, from a much large population, a group about which the researcher wishes to make statements so that the selected part represents the total group (Leedy, 1989). The population considered in this study is the number of public enterprise companies in Ethiopia which implement IFRS. The total numbers of public enterprise companies which implement IFRS in the country are 22, of which 10 sample companies were selected for this; the researcher uses Non-probability sampling method of judgemental technique. Thereasons for choosing those companies are relatively well nearness of the organization and time of the establishment. This selected public enterprise are:- Pulp and Paper Publishing Company, National Alcohol & Liquor Factory, Ethiopian Construction Design and Supervision Works Corporation, Agricultural Works Corporation, Ethiopian Land bank Corporation, Ethiopian Construction Works Corporation, Ethiotelecom, Ethiopian Fuel Importer and supplier, Ghion Hotale, fillwohaagelglot.

Therefore, the researcher decided to draw 45% of the whole population for investigation. For the financial reporting systems of all population that the researcher conduct the

research are the same and directly accountable to the public enterprise agency then this much sample size is believed to be representative as of (Cohen et al., 2005) up to 20% sample is enough to represents the population. Since the aim of the study is to make theoretical inferences from the results of the study that are suitable for further empirical investigation in any other context, this non-random sampling is the most appropriate method. The number of finance officers, accountants, management and supervisors in the head quarters of the respective companies were collected from human resource of each organization and all of them were included in the sample and the researcher distributed **125** questionnaires. Out of which **96%** were returned to the researcher.

3.3 Data Collection Instruments

This study used primary sources of data in the form of questionnaire; Questionnaires distributed to finance officers, supervisors, management and accountants of the selected companies. The respondents were select as representative because they are deemed to be knowledgeable about IFRS and could provide important perspective on its implementation. The response was expected to help understand the factors that could explain the implementation of IFRS by Ethiopian public enterprise company's actual benefits and challenges of International Financial Reporting Standards both for companies and for the country at large. The research evidence was 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 were structured according to Iyoha and Faboyede (2011), and Sharif (2010) with some modification with regard to the close-ended questions; the respondents were ask to indicate their level of agreement on a five point Likert scale with the following ratings.

Strongly agree (SA; or 5), agree (A; or 4), neutral (N; or 3), disagree (D; or 2), and strongly disagree (SD; or 1). On this scale a score of 5 or 4 indicates that the item is 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 (Courtis (1992) and Iyoha and Faboyede (2011) and were found suitable. With respect to the open ended questionnaires the respondents were asked to provide open ended responses to the questions that require opinion and if they have opinions they feel the researcher find useful.

As per Frank (1979) a hypothesis is the tentative statement of fact that is yet to be verified by the researcher. In this study in order to address the research question which is about factors that could explain IFRS implementation one dependent variable against four independent variables were investigated. Variables examined and their measurements are formulated from the existing literature (e.g. Sharif (2010), Jermakawicz (2007), and Chamisa (2000)) with some adjustments to suit this study. The dependent variable is the quality of implementation IFRS, while the independent variables are management support, Enforcement capacity, institutional readiness, Educational Level. The description of both dependent and independent variables with related hypothesis is discussed below;

3.3.1 Dependent Variable

The dependent variable is the variable that is the effect, the result or outcome of other independent variables (Neumann, 2007). In this study the dependent variable is the quality of IFRS implementation as explained below.

3.3.1.1 The quality of IFRS implementation

International Financial Reporting Standards (IFRS) are standards for reporting financial results and are applicable to general purpose financial statements and other financial reporting of all profit oriented entities. Those entities need to prepare financial report organization in terms of relevance, reliability, and comparability, understand ability, timeliness and simplifies are used as the measurement of quality of financial report for interpretation of accounting report. According to (Hoyle B., et al., 2009, Baker E. et al, 2009 and Larsen E. 2008) the term IFRS comprises IFRS issued by IASB; IAS issued by IASC; and interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

Globalization of accounting standards under the lead of International Financial Reporting Standards (IFRS) is becoming trend among countries because of the advantages it provides for countries and multinational companies. According to the proponents of accounting harmonization, worldwide comparability of financial statement is necessary for the globalization of capital markets. It would be easy for investors to evaluate potential investments in foreign securities and it would also simplify multinational company's evaluation of possible foreign takeover targets. International Financial Reporting Standards would reduce the cost of preparing worldwide consolidated financial statements.

Multinational companies would also find it easier to transfer accounting staff to other countries (Apostolos et al., 2010; Iyoha and Faboyede, 2011; Jermakowicz, 2004; Alicja et al., 2007; Susana et al., 2007; William et al., 2010). Therefore by definition, IFRS implementation this referred to as harmonization of international accounting standards in to the practice of the local accounting standard and in this case in Ethiopian public enterprise The implementation has been argued the aforementioned and plenty of other benefits.Independent Variables

According to (Neumann, 2007) The independent variables are the cause variables or the one that identifies forces or conditions that acts on something else In this study, the four independent variables are management support, Enforcement capacity, institutional readiness and Educational Level as explained below.

3.3.1.2 Management support

Management of the organization plays an important role in IFRS implementation in many developing countries (Jermakowicz, 2007, Chamisa, 2000). There is evidence that after establishing communistic economies, the government of these countries reviewed and redefined the role of accounting under the political and economic system (Chamisa, 2000) Managements understanding of accounting and financial reporting standard, Experience of managers andCorporate with IFRS implementation project teams are some of the measurement of management support.

3.3.1.3 Educational Level

According to (Chandler and Holzer (1984) indicated that one of the factors affecting the accounting system of developing countries is the educational level of accountants.

A positive relationship between education level and the competence of professionals has been established by the growing bodies' literature (Chandler and Holzer, 1984). As per (ZeghalandMhedhbi(2006) the implementation of IFRS requires a high level of education, competence, and expertise to be able to understand, interpret and then make use of these standards are used as how to masher the educational level with the quality of financial report.

3.3.1.4 Enforcement capacity

One of the critical elements in the implementation of IFRS is the rigorous enforcement of standards focus on the fulfilment of infrastructure. 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)

According to Zhou et al 2009 the responsibility of enforcing IFRS rests with a number of party's institutions such as Ministry of Finance and Economic Development, National Bank of Ethiopia and AABE ETC play important roles in enforcing financial reporting requirements like IFRS. In one such study of Chinese firms' data concluded that the firms implementing 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 implementation events for firms with high quality pre implementation information, consistent with investors expecting net convergence benefits from IFRS implementation. IFRS implementation 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 implementation of IFRS easier and more enforceable; lack of adequate financial resource to implement IFRS and capacity by the independent oversight body are important to Enforcement.

3.3.1.5 Institutional readiness

When 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 for clearly defined roles and responsibilities of the organization. Ethiopia also has no single and formal accounting and reporting structure until the IFRS proclamation in some financial entities.

The tradition of financial reporting was not consistent and was not coordinated. 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 (UNCTAD 2008) clear rules and regulation, clear job description and Finance department organized well are criteria for institutional readiness.

3.4 Data analysis

As mention in the preceding part the research is designed to follow explanatory research method to this ends both qualitative and quantitative analyses can be used based on **ordered logit/logistic model**. To collect the data for this study, survey questionnaires were prepared and distributed to respondents based on reviewed literature. The benefits and challenges of IFRS implementation in the enterprises was presented by using software statistical package for social science (SPSS) used to analyse and present data by chart, table, frequency distribution and percentage to give a condensed picture of the data. According to (Malhotra (2007) using survey method helps the researcher in picturing the existing situation and allows relevant information using appropriate data collecting instrument.

Following the completion of the data collection, the data were edited, structured, coded and entered in to SPSS, for analysis and interpretation purposes. These includes Frequencies, percentages, means, Medians, Modes and standard deviations, inferential statistics (correlation and regression analysis) were used to summarize and give condensed picture of the collected data. The parameters employed to describe the variables being studied were measured by five point likert scale.

The scale consists of the level of the agreements or disagreements of the respondents ranging from strongly disagree to strongly agree. The levels are Comprising ordinal values as follows: 1=Strongly Disagree on the statement (SD), 2=Disagree on the statement (D), 3=Neutral on the statement (N), 4= agreed on the statement (A), 5=Strongly Agreed on the statement (SA).

The dependent variable

- The quality of IFRS implementation in Ethiopian public enterprise

Independent variables

- ✓ Management support
- ✓ Institutional readiness
- ✓ Educational le
- ✓ Enforcement capacity

3.4.1 Ordered Logistic Regression Model

The ordered logit/logistic model is a regression model for an ordinal response variable it is based on the cumulative probabilities of the response variable. A number of logistic regression models have been developed for analysing ordinal response variables. These are the proportional odds model (POM), two versions of the partial proportional odds model restrictions (PPOM-R) and with UN restrictions (PPOM-UR),stereotype model (SM) and continuous ratio model (CRM).according to (McCullagh, 1980) The most frequently used ordinal logistic regression model in practice is the constrained cumulative logit model called the proportional odds model. As for (Peterson, 1990) If the data fail to satisfy the proportional odds assumption, a valid solution is fitting a partial proportional odds model according to (Bender, 1998) another simple and valid approach to analyse the data is to dichotomize the ordinal response variable by means of several cut-off points and use separate binary logistic regression models for each dichotomous response variable. Because of the loss in statistical power and the reduced generality of the analytical solutionGameroff (2005) suggested that the second procedure should be avoided if possible. below reveals that there is a relationship between one dependent variable (the quality of IFRS implementation) against four independent variables (management support, Institutional readiness, Educational Level, and Enforcement ability) therefore, ordered logit regression analysis have been used for the study.

3.4.1.1 Proportional Odds Model (POM)

When originally continuous response variable is later grouped, the proportional odds model (POM), also known as the cumulative logit model, is appropriate. The most popular model in ordinal logistic is the Proportional Odds model.Instead of considering the probability of an individual event Proportional Odds Model is used as a tool to model the ordinal nature of a dependent variable by defining the cumulative probabilities differently.Proportional odds model considers the probability of that event and all events that are ordered before it.Logits can directly incorporate the ordering, when response categories are ordered. The cumulative probabilities are the probability that the response Y falls in category I or below, for each possible i, $i = 1, 2, \dots, c$ where C is the number of categories.The i^{th} cumulative probability

$$p(y \leq i) = p_1 + p_2 + \dots + p_i \dots \dots \dots (1)$$

The assumption of proportional odds model is cumulative logits can be represented as parallel linear functions of independent variables. Except for the intercept each cumulative logit, the parameters of the models are the same. Consequently, as of the proportional odds assumption, odds ratio is the same for all categories of the response variable.

The character of PO model first, when the Y codes are inverted (i.e., Y_1 is coded as Y_k , Y_2 as Y_{k-1} and so on) it is invariant under several categories as only the signs of the regression coefficients change. Secondly, when response categories are collapsed or the category definitions are changed it is invariant under collapsibility of the ordered categories as the regression coefficients do not change. Thirdly, it produces the most easily interpretable regression coefficients as $\exp(-\beta)$ is the homogenous odds ratio over all cut-off points summarizing the effects of the explanatory factor X on the response Y in one single frequently used measure. Due to these reasons, the PO model is by far the most used regression model for ordinal data.

Let Y be the categorical variable with C ordered categories. Cumulative probability reflects the ordering with:

$$\Pr(Y \leq 1) \leq \Pr(Y \leq 2) \leq \dots \leq \Pr(Y \leq c) = 1 \dots \dots \dots (2)$$

$$\text{Let } \pi_i = \Pr(Y \leq i) \quad i = 1 \dots c - 1 \dots \dots \dots (3)$$

Then the odds of the first i cumulative probability are:

$$\text{odds}(Y \leq i) = \frac{\Pr(Y \leq i)}{1 - \Pr(Y \leq i)} = \left[\frac{\pi_i}{1 - \pi_i} \right], i = 1, 2, \dots, c - 1 \dots \dots \dots (4)$$

The POM models the log -odds (logits) of the first i cumulative probabilities as:

$$\text{logit}[Y \leq i] = \log \left[\frac{\pi_i}{1 - \pi_i} \right] = \log \left[\frac{\pi_i}{\pi_{i+1} + \dots + \pi_c} \right], i = 1, 2, \dots, c - 1 \dots \dots \dots (5)$$

Consider a collection of P explanatory variables for the l^{th} subject denoted by the vector $X'_l = (x_{1l}, x_{2l}, \dots, x_{pl})$, $l = 1, 2, \dots, n$. The relationship between the predictor and response variables is not linear in logistic regression. Instead, the logistic regression function, which is the logit transformation of $\pi_i(X_l)$ is used:

$$\pi_i(X_l) = \Pr(Y_l \leq i | X_l) = \frac{e^{(\alpha_i - \beta_1 x_{1l} - \dots - \beta_p x_{pl})}}{1 + e^{(\alpha_i - \beta_1 x_{1l} - \dots - \beta_p x_{pl})}} = \frac{e^{(\alpha_i - X'_l \beta)}}{1 + e^{(\alpha_i - X'_l \beta)}} \dots \dots \dots (6)$$

$$i = 1, 2, \dots, c - 1; l = 1, 2, \dots, n$$

Where β is a column vector of P regression coefficients and α_i is i^{th} intercept coefficient.

Then the logit or log-odds of the first i cumulative probabilities is modeled as a linear function of the explanatory variables

$$\text{logit}[Y_l \leq i | x_l] = \log \left[\frac{\pi_i(x_l)}{1 - \pi_i(x_l)} \right] = \alpha_i - \beta_1 x_{1l} - \dots - \beta_p x_{pl} = \alpha_i - \mathbf{X}'_l \boldsymbol{\beta} \dots \quad (7)$$

for $i = 1, 2, \dots, c - 1; l = 1, 2, \dots, n$

The model assumes parallel regression lines and a linear relationship for each logit is called the proportional odds model and it estimates simultaneously multiple equations of cumulative probability. An equation is solved for each category of the dependent variable except the last one. In this model each logit has its own α_i term, called the threshold value, and its value does not depend on the values of the independent variable for a particular case.

Logistic regression coefficients indicate the direction and strength of the relationship between the independent variables and the log-odds of the dependent variable. However, these logistic regression coefficients are a little bit more complicated to intuitively gauge, as they present the influence of a unit change in the continuous independent variable and the influence of a label of a categorical variable as compared to its reference label on the log-odds of the dependent variable. The influence determines the rate of increase or decrease in the log-odds of the dependent variable. The effect of an independent variable is the same for different logit functions, and this is the reason why the model is called the proportional odds model. If the lines or planes are not parallel, then it is possible that the link function selected is incorrect or that the relationships between the independent variables and logits are not the same for all logits.

3.4.1.2 Assumptions in POM

Other assumptions for POM to that of general logistic regression model are:

Parallel Lines: When using ordinal logistic regression model one of the assumptions is the relationship between each pair of outcome groups is the same. In other words, ordered logistic regression assumes that the coefficients that describe the relationship between, say, the lowest versus all higher categories of the response variable are the same as those that describe the relationship between the next lowest category and all higher categories, etc. This is called the proportional odds assumption or the parallel regression assumption.

Thus, in order to assess the appropriateness of the model proportional odds assumption is normally evaluated (O'Connell, 2000). If this was not the case, we would need different models to describe the relationship between each pair of outcome groups. If the proportional odds assumption is not met, then we may want to go with several options: the first is to collapse two or more levels, particularly if some of the levels have small sample

size. The second is bivariate logistic analyses, to see if there is one particular IV that is operating differently at different levels of the DV. This can be done in various ways, including adjacent and global methods, (Agresti, 2010). The third is to use the partial proportional odds model. The last option is to use multinomial logistic regression.

Adequate Cell Count: As per the rule of thumb, 80% of cells must have more than 5 counts. No cell should have zero count as it is considered as a missing value and excluded from the study. A large percentage of cells with missing data could lead to a decrease of actual sample size from the model construction or an inaccurate Chi-square test for model fitting. The chi-square test normally depends on the sample size (Agresti, 2002).

3.4.2 Parameter Estimation in Ordinal Logistic Regression Model

For logistic regression, the model coefficients are estimated by the maximum likelihood method. The likelihood equations are non-linear functions of the unknown parameters. The ordinal logistic regression model is fitted to the observed responses using the maximum likelihood approach. In general, the method of maximum likelihood produces values of the unknown parameters that best match the predicted and observed probability values.

Let Y denote an ordinal response variable with C levels $(1, 2, \dots, C)$, and let $\mathbf{X}'_l = (x_{1l}, x_{2l}, \dots, x_{pl})$, $l = 1, 2, \dots, n$ be a vector of p explanatory variables (covariates) for the l^{th} subject. Let $\pi_i(x_l) = pr(Y_l \leq i | x_l)$ denote the conditional probability of a response equal to i given \mathbf{X}'_l , where $i = 1, 2, \dots, c - 1$. Suppose that we have a sample of n independent observations denoted by (x_l, y_l) , $l = 1, \dots, n$. For notational simplicity, let Y_{il} denote binary indicator variables of the response for subject l , such that $y_{il} = 1$ if $y_l \leq i$ and $y_{il} = 0$ otherwise ($i = 1, \dots, c; l = 1, \dots, n$). Then:

$$\pi_i(x_l) = pr(Y_l \leq i | x_l) = pr(Y_{il} = 1 | x_l) = \frac{e^{(\alpha_i - \beta_1 x_{1l} - \dots - \beta_p x_{pl})}}{1 + e^{(\alpha_i - \beta_1 x_{1l} - \dots - \beta_p x_{pl})}} = \frac{e^{(\alpha_i - x'_l \beta)}}{1 + e^{(\alpha_i - x'_l \beta)}} \dots \dots (13)$$

$$i = 1, 2, \dots, c - 1; l = 1, 2, \dots, n$$

Where β is a vector of regression coefficients and α_i is the i^{th} intercept coefficient

The estimates of β and α_i may be obtained by standard maximum likelihood methods. To apply this method, each observation can be considered as Bernoulli trial and by the assumption that each y_{il} is independent, the joint distribution of the observed values can be written as:

$$\begin{aligned}
& Pr(Y_{11} = y_{11}, Y_{12} = y_{12}, \dots, Y_{1n} = y_{1n}, \dots, Y_{21} = y_{21}, \dots, Y_{(c-1)1} = y_{(c-1)n} | x_l) \\
&= \prod_{l=1}^n \prod_{i=1}^{c-1} Pr(Y_{il} = y_{il} | x_l) \\
&= \prod_{l=1}^n \prod_{i=1}^{c-1} [\pi_i(x_l)]^{y_{il}} [1 - \pi_i(x_l)]^{1-y_{il}} \dots \dots \dots (14)
\end{aligned}$$

The likelihood function $L(\beta^*)$ given n observation can be expressed as:

$$\begin{aligned}
L(\beta^*) = \prod_{l=1}^n \prod_{i=1}^{c-1} \left[\frac{e^{(\alpha_i - x'_l \beta)}}{1 + e^{(\alpha_i - x'_l \beta)}} \right]^{y_{il}} \left[1 - \frac{e^{(\alpha_i - x'_l \beta)}}{1 + e^{(\alpha_i - x'_l \beta)}} \right]^{1-y_{il}} \dots \dots \dots (15)
\end{aligned}$$

Here β^* is used somewhat imprecisely to denote both the slope coefficients and intercept coefficients. It follows that the log-likelihood function is:

$$\begin{aligned}
l(\beta^*) &= \sum_{l=1}^n \sum_{i=1}^{c-1} \{y_{il} \ln \pi_i(x_l) + (1 - y_{il}) \ln(1 - \pi_i(x_l))\} \\
&= \sum_{l=1}^n \sum_{i=1}^{c-1} \left\{ y_{il} \ln \frac{e^{(\alpha_i - x'_l \beta)}}{1 + e^{(\alpha_i - x'_l \beta)}} + (1 - y_{il}) \ln \left(\frac{1}{1 + e^{(\alpha_i - x'_l \beta)}} \right) \right\} \dots \dots \dots (16)
\end{aligned}$$

The estimates of the unknown parameters are obtained by differentiating $l(\beta^*)$ with respect to each parameters and setting each result to zero. However, the equation does not have an analytical solution (the normal equations are highly non-linear in the parameters). The estimates can be found by maximizing the equation using iterative techniques such as Newton-Raphson method.

3.4 Model Selection

In logistic regression methods such as forward, backward and stepwise selection in logistic regression are not to be recommended. According to (Harrell, 2001) they give incorrect estimates of the standard errors & p-values and can delete variables that are critical to include. It is much better to compare models based on their results, reasonableness, and fit

(as measured, e.g. by the Akaike Information Criterion (AIC) and Bay's Information Criterion (BIC) (Burnham and Anderson, 2002).

For the suitability of competing models, The AIC and BIC criteria can be used and there by desirability of retaining a variable in the model. AIC and BIC are defined as:

$$AIC = -2(\log - \text{likelihood of the fitted model}) + 2p \dots \dots \dots (1.17)$$

$$BIC = -2(\log - \text{likelihood of the fitted model}) + p \log n \dots \dots \dots (1.18)$$

Where p and n denote the number of parameters and the number of observations in the model, respectively from a set of competing models, the best model is the one with lowest value of AIC and BIC.

The difference in the log-likelihood functions for two models is a measure of how much one model improves the fit over the other. The deviance measure is defined as minus twice the log of the ratio of the maximized values of the likelihood function for the full model to simpler model. Deviance for model comparison is:

$$D = -2 [\ln(L_o) \ln(L_c)] \sim \chi^2(k), \dots \dots \dots (1.19)$$

Where L_o - the log likelihood of the simpler model,

L_c - The log likelihood of the full model and k - The degree of freedom which is difference in number of parameters between *full model* and *simpler models*.

If $D > \chi^2(k)$, then the full model improves significantly over the simpler

Model Building Strategies for Ordinal Logistic Regression Models

For ordinal models, a sensible approach to model building involves the following steps:

- I. Perform the usual purposeful or stepwise selection of main effects.
- II. Check for the scale of continuous covariates using dummy variables in the ordinal model. In addition, one could check for nonlinearity using fractional polynomial analyses with $C - 1$ separate binary regressions of $y \leq i$ versus $y > i$ where $i = 1, \dots, C - 1$. any nonlinear transformation found should make financial sense, be reasonably similar across the separate logistic regressions and make a significant improvement over treating the covariate as linear in the ordinal model.
- III. Check to make sure all omitted covariates are neither significant nor confounders of main effects in the model.
- IV. Check the need to include interactions using the usual selection methods.

- V. Check any model assumptions of constant coefficients by comparing the constrained model to its unconstrained version. This can be done via a likelihood ratio comparison of the fitted model versus the baseline model

3.5 Validity of the study

Validity refers to the degree to which a study accurately reflects the specific concept that the researcher is attempting to measure or describe. In order to keep the validity of study, researchers should be concerned with both external and internal validity. Internal validity refers to the extent to which the researcher can demonstrate that he has reliable and adequate evidence for the statement (Grix, 2004). External validity on the other hand stands for the extent to which the conclusion is generalized to the population (Yin, 1994). Yin (1994) suggested using multiple sources of evidence as the way to ensure construct validity. This study used questionnaire that helps to cross validate the data.

Since questions are tested up on their clarity and understand ability and significant conclusions are drawn using those questions, it adds both to the internal and external validity of the study. In order to keep the validity the researcher chose representative respondents which are familiar with the issue and are experts in the field.

3.6 Reliability of the Instrument

According to Kothari (2004), a measuring instrument is reliable if it provides consistent results. Cronbach's alpha is a coefficient of reliability. It is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees. For testing the reliability of the data instrument, Cronbach's Alpha was calculated to test the reliability of the research instrument.

According to Zikmund, Babin and Griffin (2010) scales with coefficient alpha between 0.8 and 0.95 are considered having very good quality, scales with coefficient alpha between 0.7 and 0.8 are considered to have good reliability, and coefficient alpha between 0.6 and 0.7 indicates fair Reliability. The reliability of the construct items were evaluated using Cronbach's coefficient alpha. The result of the reliability test was 0.963 which exceeds the minimum acceptable cut-off point. One of the most commonly used indicators of internal consistency is Cronbach's alpha coefficient. Ideally, the Cronbach alpha coefficient of a scale should be above 0.7 (Pallant, 2005). All 53 items measured to test reliability showed that there was internal consistency reliability as indicated in Table below.

This suggested that the internal reliability in this study was acceptable and signified to be very good quality.

Reliability Statistics

Cronbach's Alpha	N of Items
.963	53

3.7 Ethical Consideration

According to Creswell (2012) “as the researchers’ anticipate data collectors, they need to respect the participants and sites for the research”. In the study the researcher maintained objectivity, courtesy and high professional standards through scientific process and no falsification, alteration or misrepresentation of data for biased or other purposes. The study was conducted by considering ethical responsibility. This includes providing information to the respondents the purpose of the study and the use of the information as well. Information obtained was held in strict confidentiality by the researcher. Respondents’ anonymity was kept so that participants would feel free and safe to express their ideas.

CHAPTER FOUR:

4. RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data analysis, the research findings or results, and based on the results the researcher gives discussion on the findings and also gives interpretation of the results. In order to present findings and discussions about the perception of international financial reporting standards (IFRS) in different companies; the researcher uses different form of tables and figures and qualitative analysis done in prose. The results of the study are discussed by triangulating the different questionnaire results. The data analysis intends to accomplish the objectives of the study and answer the research questions.

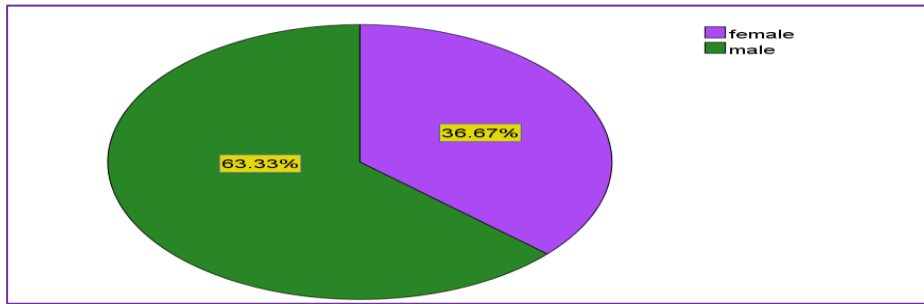
The total number of questionnaires distributed to the purposively selected employees of public enterprises operating in head quarter (in Addis Ababa (manager, accountants, auditors, officers and supervisor) of each company in order to collect data 125 questionnaires were appropriately filled and 96% returned. The data collected from 10 selected companies using questionnaires are presented and analyzed in this chapter. This section of the study deals with the statistical testing of hypothesis and interpretation of the result using SPSS.

4.2 Demographic Characteristics of Respondents

The first part of the questionnaire consists of four items about the demographic information of the respondents. It covers the personal data of respondents, such as gender, academic level, year of service and current position in the organization. The following tables, graphs and figures depicted each demographic characteristic of the respondents.

4.2.1 Gender of Respondents

The demographic data for gender shows that out of the 120 respondents there were 76 males and 44 female. Figure 4-1 shows that the male respondents formed majority of the target population with percentage of 63.33%, while female respondents were representing 36.67%. This implies the higher number of the respondents were males.

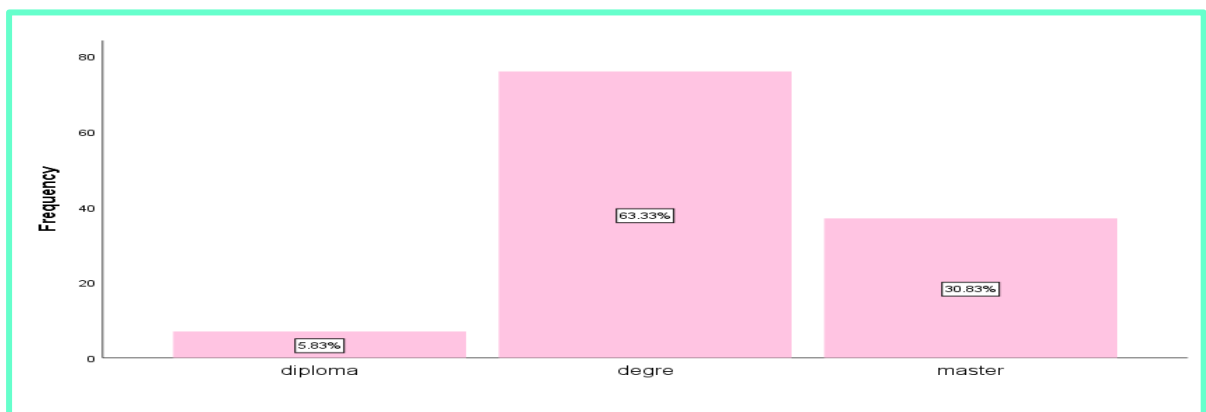


Source: Analysis of Survey data 2020, using SPSS

Figure 4-1 Gender of respondents

4.2.2 Academic level of respondents

It can be seen from figure 4-2 that respondents hold a range of educational qualification from diploma to master’s degree. The majority of the sample group holds a first degree which accounted 76 (63.33 Percent), 37 (30.83 Percent) out of 120 respondents were masters holders and 7 (5.83 Percent) of the respondents hold a diploma. And since all the respondents were educated, it can be concluded that all employees are capable of using new technology, by considering the level of education of all respondents they are knowledgeable and experienced enough to give reliable information on the benefits and challenges of IFRS implementation realizing and doing the objective.



Source: Analysis of Survey data 2020, using SPSS

Figure 4-2 Academic levels of respondents

4.2.3 Work Experience of the respondents

Table 4-1 shows that the respondents have served in organization, 31 (25.8%) of them have worked for 6 to 10 years and the other 31 (25.8%) of the respondents work for 11 to 15 years, 24(20%) of the respondents had worked for 16 to 20 years and also 24(20%) work for less than 5 years, the remaining 10(8.3%) of the respondents had served for more than 20 years. Therefore the majority of the respondents have served for 6 to 15 years.

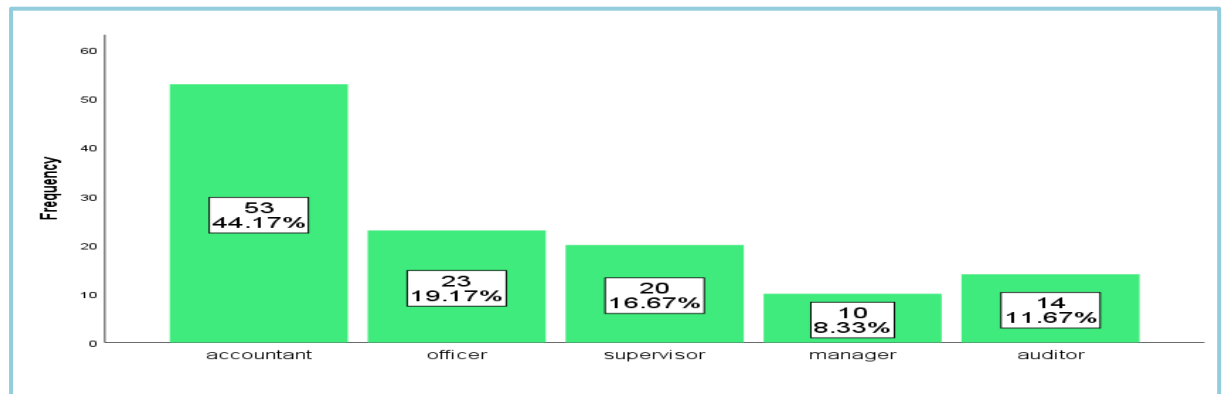
Table 4-1: working experience of the respondents

Respondents experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 5years	24	20.0	20.0	20.0
	6 to 10years	31	25.8	25.8	45.8
	11 to 15 years	31	25.8	25.8	71.7
	16 to 20 years	24	20.0	20.0	91.7
	over 20 year	10	8.3	8.3	100.0
	Total	120	100.0	100.0	

Source: Analysis of Survey data 2020, using SPSS

4.2.4 Current Job Position of Respondents

Figure 4-3 illustrates that the majority of the respondents 53 (44.17%) of the respondents were accountants. The next higher number of respondents were officers which counts 23(19.17%), 20(16.67%) of the respondents were supervisors, 14(11.67%) of the respondents were auditors, the remaining 10(8.33%) of the respondents were managers. This indicates the majority of the respondents were accountants



Source: Analysis of Survey data 2020, using SPSS

Figure 4-3 : Current job positions of the respondents

4.3 Descriptive Statistics

In this section, various statistical data analysis tools such as mean, standard deviation, frequency and minimum and maximum were used to analyze the collected data. The summary of descriptive statistics of all variables that are evaluated based on a 5-point Likert scale (“1” being “strongly disagree” to “5” being “strongly agree”). According to Zaidaton & Bagheri (2009) the overall mean (M) score between 4.21-5.00 is considered as the respondents strongly agreed (SA), if the respondents score between 3.41-4.20 means they agreed (A), the score between 2.61-3.40 is considered as the respondents are

neutral(N), the respondents score between 1.81-2.60 shows that they disagreed and if the respondents score between 1-1.80 shows that they strongly disagreed. Thus, detail of the analysis is presented as follows:

4.3.1 Factors affecting IFRS implementation

4.3.1.1 Contribution of IFRS on improving quality of financial reporting

Table 4-2: Descriptive statistics for Contribution of IFRS on improving quality of financial reporting

Item	SD		D		N		A		SA		Min	Max	Mean	Std. Devi
	Count	%	Count	%	Count	%	Count	%	Count	%				
Q1	5	4.2%	8	6.7%	12	10.0%	40	33.3%	55	45.8%	1	5	4.10	1.095
Q2	3	2.5%	3	2.5%	20	16.7%	48	40.0%	46	38.3%	1	5	4.09	0.935
Q3	6	5.0%	11	9.2%	14	11.7%	44	36.7%	45	37.5%	1	5	3.93	1.146
Q4	5	4.2%	8	6.7%	21	17.5%	38	31.7%	48	40.0%	1	5	3.97	1.107
Average		3.3		7.11		14.7		35.7		40.1			4.02	
Overall average =4.02, Strongly disagree = 3.3 % ,Disagree= 7.11%,Neutral= 14.7%,Agree=35.7%,Strongly Agree=40.1%														

Source: Analysis of Survey data 2020, using SPSS

According to the above table majority of the respondents believe that IFRS contributes to improve quality of financial reporting,40.1% were strongly agreed and 35.7% were agreed14.7% were neutral , the remaining 7.11% and 3.3 % were disagreed and strongly disagreed respectively. The overall mean 4.02 indicates the respondents were agreed using the comparison of five point Likertscale. When Individual questions are considered the majority of the respondents 55(45.8 %) were strongly agreed with IFRS implementation ensures the increment of quality of financial reporting, (q1) 40(33.3 %) of the respondents were agreed, 12(10%) were neutral, the remaining 8(6.7%) and 5(4.2%) were disagreed and strongly disagreed respectively. This result is supported by AlemgenaBekele (2016) .In her study 63% of respondents strongly agreed that IFRS improves efficiency of financial reporting, 26% of respondents has also agreed on efficiency of financial reporting and 3%of the respondents strongly disagreed on efficiency of financial reporting, 3% of respondent were disagree on efficiency of financial reporting and 5% of respondent were neutral. The result show that IFRS result in improved efficiency of financial reporting.

This is due to the greater level of integration that IFRS offers in aggregating data at corporate level.

48(40%) of the respondents were agreed with Implementation of IFRS achieve the objective of financial reporting, (q2) 46(38.3%) of the respondents were strongly agreed, 20(16.7%) are neutral, the remaining 6(5%) were strongly disagreed and disagreed. This Indicates the majority of the respondents believe Implementation of IFRS can contribute to achieve the objective of financial reporting.

45(37.5%) of the respondents were strongly agreed with IFRS can provides greater reporting transparency, (q3) 44(36.7%) were agreed, 14(11.7%) were neutral and the remaining 17(14.2%) were disagreed. Therefore the majority of the respondents have believes IFRS as it can provides greater reporting transparency.

48(40%) of the respondents were strongly agreed that Implementation of IFRS improves effectiveness of financial reporting, (q4) 38(31.7%) were agreed, 21(17.5) were neutral and the remaining 13 were disagreed. This implies the majority of the respondents accept that Implementation of IFRS improves effectiveness of financial reporting.

This result is consistent with Fikeru (2012) which asserts that IFRS result in improved efficiency and effectiveness of financial reporting, many respondents (with mean response of 4.71) believe that implementation of IFRS improves the efficiency of financial reporting and the mean response of 4.41 to the question related to effectiveness of financial reporting under IFRS indicates that implementation of IFRS improves the effectiveness of financial reporting. The survey respondents agreed with the proposition that financial statements prepared based on IFRS are more reliable and comparable. According to his survey almost all of the respondents believe that the financial statements would become more transparent as a result of the implementation of IFRS while most believed that the implementation of IFRS would make external financing easier. 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.

4.3.1.2 Education and training

Table 4-3: Descriptive statistic for respondent’s response to Effects of education and trainings on IFRS implementation

	SD		D		N		A		SA		Min	Ma x	Mean	Std. Dev
	Count	%	Count	%	Count	%	Count	%	Count	%				
Q5	6	5.0%	10	8.3%	23	19.2%	38	31.7%	43	35.8%	1	5	3.85	1.150
Q6	10	8.3%	11	9.2%	23	19.2%	40	33.3%	36	30.0%	1	5	3.68	1.231
Q7	8	6.7%	11	9.2%	29	24.2%	38	31.7%	34	28.3%	1	5	3.66	1.177
Q8	9	7.5%	13	10.8%	25	20.8%	43	35.8%	30	25.0%	1	5	3.60	1.191
Q9	9	7.5%	8	6.7%	19	15.8%	56	46.7%	28	23.3%	1	5	3.72	1.124
Ave.		7		9		20		36		29			3.7	

Over all mean= 3.7,Strongly disagree= 7%,Disagree=9%,Neutral 20%,Agree=36%,Strongly agree=29%

Source: Analysis of Survey data 2020, using SPSS

Table 4-3 shows 29% of the respondents were strongly agreed and 36% of the respondents were agreed as education and training has effect on IFRS implementation, 20% were neutral, 9% disagree and 7% were strongly disagree ,has overall mean of 3.7 which implies the respondents were agree.This Indicates most of the respondents had think Education and training affect the level of IFRS implementation.43(35.8 %) of the respondents were strongly agreed and 38(31.7%) were agreed with lack of adequate technical capacity building schemes is a challenge for IFRS implementation (q5), 23(19.2%) were neutral, 8.3% were strongly disagreed.36(30%) of the respondents were strongly agree and 40(33.33%) were agree with IFRS implementation require a high level of education and highly skilled and competent accounting professionals (q6),23(19.2%) were neutral, 11(9.2%) and 10(8.3%) were disagreed and strongly disagreed respectively. 34(28.3%) of the respondents were strongly agreed and 38(31.7%) were agreed by gap between accounting education thought in Ethiopia higher education and IFRS requirements a challenge to get competentaccountants (q7),29(24.2%) were neutral, 11(9.2%) were disagreed and 8(6.7%) were strongly disagreed.30(25%) of the respondents were strongly agreed and 43(35.8%) were agreed Inadequacy of training institutions and facilities with an affordable cost is a challenge to fill skill gaps of IFRS implementing teams (q8),25(20.8%) were neutral, 13(10.8%) were disagree and 9 (7.5%) were strongly disagree.56(46.7%) of the respondents were agree and 28(23.3%) were agree an IFRS implementation program needs to adequately assess the state of readiness of relevant professional accountancy organizations (q9),19(15.8%) were neutral, 8(6.7%) were disagree and 9(7.5%) were strongly disagreed.

This result is supported by Alexander Hache(2019) which shows inadequate or insufficient knowledge of practical implementation of IFRS and the implantation team responded as follows, 48.6% says agree and 51.4% strongly agree. All respondents 100% of them agree that there is inadequate or insufficient knowledge of IFRS implementation as a road block to the implementation of the standard. Further evidenced from research made by Garuba (2011) that most users and even the preparers and assessors of IFRS based accounts such as accountants and auditors have very low IFRS awareness and would find difficulty in understanding, appreciating and to correctly implement what they are not current about or sufficiently aware of Having a technological challenge in implementing IFRS study shows that, 31.2% says agree and 68.8% says strongly agree. His research shows 100% of respondents agree that there is a challenge for not having IFRS compatible software.

This result is supported in previous research by Kishore, Priyabrata and Sovan (2015) that companies making significant investments in technology however facing a challenge due to absence of updated accounting software, information technology operation, lack of trained technicians and obsolescence. Yitagesu Terfa(2019) in his research shows lack of training institution that 36% of the respondents strongly agree on lack of training institution, 36% of respondents agreed on lack of training institution and 14% of respondent strongly disagreed on the idea of lack of training institution, 14% were neutral from this respondent result that training program for staff across the company is also another costly investment and of course one of the most important factors.

Arefaine Ayalew (2018) also has similar result which has the overall mean of respondents for this issue is 3.97 that indicate that the respondents agreed as training and education required for successful IFRS implementation is a challenge. Respondents have agreed that, implementation of IFRS were challenging because of inadequacy of training materials and academic courses related to IFRS implementation. Respondents also perceived that to be able to understand, interpret and that make use of the standards, IFRS requires high level of education, competency and expertise which will be challenge for a sector. And the respondents also agreed that institutions and professional bodies should facilitate and provide trainings to successfully implement and practice international standards. Similarly, Ayitenew Agumas (2018) revealed IFRS implementation requires a high level of education & highly skilled and competent accounting professionals, in his study almost all of the

respondents (94%) agreed that there was limitation of training prior to starting the implementations.

4.3.1.3 Management support

Table 4-4: Descriptive statistics for Management support

	SD		D		N		A		SA		Min	Max	Mean	Std. Deviation
	Count	%	Count	%	Count	%	Count	%	Count	%				
Q10	8	6.7%	13	10.8%	19	15.8%	43	35.8%	37	30.8%	1	5	3.73	1.200
Q11	10	8.3%	10	8.3%	21	17.5%	51	42.5%	28	23.3%	1	5	3.64	1.172
Q12	3	2.5%	11	9.2%	23	19.2%	45	37.5%	38	31.7%	1	5	3.87	1.045
Q13	5	4.2%	8	6.7%	19	15.8%	58	48.3%	30	25.0%	1	5	3.83	1.015
Q14	5	4.2%	9	7.5%	34	28.3%	49	40.8%	23	19.2%	1	5	3.63	1.012
Q15	7	5.8%	12	10.0%	36	30.0%	47	39.2%	18	15.0%	1	5	3.48	1.053
Q16	6	5.0%	17	14.2%	28	23.3%	48	40.0%	21	17.5%	1	5	3.51	1.092
Ave.		5		10		22		40		24			3.67	

Overall mean=3.67,Strongly agree=24%,Agree=40%,Neutral =22%,Disagree=10%,Strongly disagree=5%

Source: Analysis of Survey data 2020, using SPS

Table 4-4 shows 40% of the respondents were agreed and 24% are strongly agreed with management support is very essential for IFRS implementation,22% were neutral ,10% were disagreed and 5% strongly disagreed, overall mean is 3.67 which indicates the respondents are agreed. This implies the majority of the respondents understand as management support is invaluable.

37(30.8%) of the respondents were strongly agreed and 43(35.8%) of the respondents were agreed with Managements understanding of accounting and financial reporting standard (q10) is basic to proper implementation of IFRS, 19(15.8%) were neutral, 13(10.8%) were disagreed and 8(6.7%) strongly disagreed. Therefore, Most of the respondents realize that Managements understanding of accounting and financial reporting standard is basic to proper implementation of IFRS.

28(23.3%) of the respondents were strongly agreed and 51(42.5%) were agreed management give attention to accounting and financial reporting related issues (q11), 21(17.5%) were neutral, 10(8.3%) were disagree and strongly disagree each. As a result the majority of the respondents see Management give attention to accounting and financial reporting related issues.

45(37.5%) of the respondents agreed and 38(31.7) strongly agreed with Experience of managers implementing IFRS is very important (q12), 23(19.2%) were neutral, 11(9.2%) disagree and 3(2.5%) were strongly disagree. This implies most of the respondents be aware with that Experience of managers implementing IFRS is very important.

58(48.3%) of the respondents were agree and 30(25%) were strongly agreed that Corporate with IFRS implementation project teams is necessary (q13), 19(15.8%) were neutral, 8(6.7%) were agreed and 5(4.2%) were strongly disagreed. Therefore the majority of the respondents understand Corporate with IFRS implementation project teams is necessary.

49(40.8%) of the respondents were agreed and 23(19.2%) were strongly agreed with lack of commitment and understanding of the executive on timely and successfully implementation of IFRS (q14), 34(28.3%) were neutral, 9(7.5%) were disagreed and 5(4.2%) were strongly disagreed. This implies the majority of the respondents believe that lack of commitment and understanding of the executive on timely and successfully implementation of IFRS. 47(39.2%) of the respondents were agreed and 18(15%) were strongly agreed with Management views IFRS as a priority than as regulatory compliance (q15), 36(30%) were neutral, 12(10%) were disagreed and 7(5.8%) were strongly disagreed. As a result the majority of the respondents realize that Management views IFRS as a priority than as regulatory compliance.

48(40%) of the respondents were agreed and 21(17.5%) were strongly agreed with Acknowledgement of management on the important on the importance of the IFRS transaction process (q16), 28(23.3%) were neutral, 17(14.2%) were disagreed and 6(5%) were strongly disagreed. Therefore, the majority of the respondent believes Acknowledgement of management on the important on the importance of the IFRS transaction process.

4.3.1.4 Enforcement capacity

Table 4-5: Descriptive statistics for Enforcement capacity

	SD		D		N		A		SA		Min	Max	Mean	Std. Dev
	Count	%	Count	%	Count	%	Count	%	Count	%				
Q17	11	9.2%	16	13.3%	32	26.7%	48	40.0%	13	10.8%	1	5	3.30	1.120
Q18	10	8.3%	14	11.7%	30	25.0%	50	41.7%	16	13.3%	1	5	3.40	1.118
Q19	6	5.0%	11	9.2%	39	32.5%	44	36.7%	20	16.7%	1	5	3.51	1.037
Average		7.3		11		28		39		14			3.4	

Source: Analysis of Survey data 2020, using SPSS

Table 4-5 shows that 39% of the respondents were agreed and 14% were strongly agreed with enforcement capacity to IFRS implementation of the company has significant effect, 28% were neutral, 11% disagreed and 7.3% were strongly disagreed. The overall mean is 3.4 which indicate the respondents agree with enforcement capacity to IFRS implementation of the company has significant effect.

48(40%) of the respondents were agreed and 13(10.8%) were strongly agreed with lack of adequate financial resource influence IFRS implementation (q17), 32(26.7%) were neutral, 16(13.3%) were disagreed and 11(9.2%) strongly disagreed. This implies about half of the respondents believe IFRS implementation requires sufficient financial resource, the remaining did not yet decided and some were disagreed.

50(41.7%) of the respondents were agree and 16(13.3%) were strongly agree with lack of change management process may inhibit IFRS implementation (q18), 30(25%) were neutral, 14(11.7%) were disagree and 10(8.3%) were strongly disagree .Therefore, the majority contemplate that lack of change management process may inhibit IFRS implementation.

44(36.7%) of the respondents were agree and 20(16.7%) were strongly agree with lack of capacity by the independent over sight body to enforcement challenge for IFRS implementation (q19), 39(32.5%) were neutral, 11(9.2%) were disagree and 6(5%) were strongly disagree. Therefore, the majority contemplate that lack of capacity by the independent over sight body to enforcement may challenge for IFRS implementation.

4.3.1.5 Institutional readiness to implemente IFRS

Table 4-6: descriptive statistics for Institutional readiness to implement IFRS

	SD		D		N		A		SA		Min	Max	Mea n	Std. Dev
	Count	%	Count	%	Count	%	Count	%	Count	%				
Q20	11	9.2%	16	13.3%	31	25.8%	36	30.0%	26	21.7%	1	5	3.42	1.227
Q21	12	10.0%	13	10.8%	26	21.7%	44	36.7%	25	20.8%	1	5	3.48	1.223
Q22	13	10.8%	13	10.8%	21	17.5%	44	36.7%	29	24.2%	1	5	3.53	1.270
Ave		10		11.8		22		34.7		22.3			3.47	

Source: Analysis of Survey data 2020, using SPSS

According to Table 4-6 respondent show their response to institution readiness. 34.7 % of the respondents were agreed and 22.3% were strongly agreed that their institution is ready well, 22% were neutral, 11.8% were disagreed and 10% were strongly disagreed. Therefore, the majority declares that their institution is ready.

36(30%) of the respondents were agreed and 26 (21.7%) were strongly agree with The organization has clear rules and regulation (q20),25.8% were neutral,13.3% were disagreed and 9.2% were strongly disagreed. 44(36.7%) were agreed and 25(20.8%) were strongly agreed that the organization has clear job description (q21),26(21.7%) were neutral,10.8 % and 10% were disagreed and strongly disagreed respectively.44(36.7%) were agreed and 29(24.2%) strongly agreed with Finance department organized well (q22),17.5% were neutral,10.8% were each disagreed and strongly disagreed.

4.3.2 Benefits of implementation of IFRS

4.3.2.1 Benefits of implementing IFRS to companies

Table 4-7: Descriptive statistics for Benefits of implementing IFRS to companies

	SD		D		N		A		SA		Min	Max	Mean	Std. Devi
	Count	%	Count	%	Count	%	Count	%	Count	%				
Q23	7	5.8%	7	5.8%	14	11.7%	44	36.7%	48	40.0%	1	5	3.99	1.134
Q24	5	4.2%	8	6.7%	10	8.3%	42	35.0%	55	45.8%	1	5	4.12	1.086
Q25	4	3.3%	8	6.7%	16	13.3%	43	35.8%	49	40.8%	1	5	4.04	1.056
Q26	2	1.7%	8	6.7%	20	16.7%	42	35.0%	48	40.0%	1	5	4.05	0.995
Q27	4	3.3%	6	5.0%	21	17.5%	42	35.0%	47	39.2%	1	5	4.02	1.037
Q28	1	0.8%	11	9.2%	23	19.2%	40	33.3%	45	37.5%	1	5	3.98	1.008
Q29	7	5.8%	17	14.2%	34	28.3%	32	26.7%	30	25.0%	1	5	3.51	1.181
Overall mean= 3.96														

Source: Analysis of Survey data 2020, using SPSS

According to Table 4-7 the overall mean 3.96 indicates all the respondents were agreed with that Implementation of IFRS has various benefit to companies. 48(40%) of the respondents were strongly agreed and 44(36.7%) were agreed with Implementation of IFRS improves the efficiency of financial reporting (q23), 14(11.7%) were neutral, 7(5.8%) were each disagreed and strongly disagreed. This implies the majority 76.7% were believe that Implementation of IFRS improves the efficiency of financial reporting.

55(45.8%) of the respondents were strongly agreed and 42(35%) were agreed financial statements based on IFRS are reliable and comparable (q24), 10(8.3%) were neutral,

8(6.7%) were disagreed and 5(4.2%) strongly disagreed. Therefore, most of the respondents are aware that financial statements based on IFRS are reliable and comparable. Similarly, Alemgena Bekele (2016) in his study revealed IFRS provides greater credibility and provides better financial reporting. It shows that 45% of respondent strongly agree, 34% agree and 11% of respondent strongly disagree and 11% disagree. Further, 53% of the respondents strongly agreed on the proposition that IFRS provides better financial reporting, 29% of the respondents agreed on the proposition and 5% were disagree and 13% of respondents strongly disagreed on the proposition. This implies that IFRS provides better financial reporting and credibility. This result is also supported by Arefaine Ayalew (2018) with the overall mean of 3.73 which fall in the scale 3.41-4.20 and this indicates that the respondents agreed that implementation IFRS in this sector bridge the communication gap with stakeholders so agreed that implementation of IFRS help in reducing the agency problems and avoid the communication barriers with stakeholders. (ATU, Oghogho Gina et. al, 2016). Okpala, (2012), (Armstrong et al 2007, Covrig, Defond & Hung 2007) Also revealed the same finding that, if the language of financial information preparation is internationally understandable, no need of conversation with existing and potential investors. Many users need accounting and financial information for their different purposes, to that end, and the IFRS based financial information provides full information in a language that communicates effectively for those various users including Stakeholders. Additional conversion is not required as the language of preparation is internationally understood by current and potential investors. The implementation of IFRS increases the level of confidence of global investors and investment analysts in the financial statements of companies' in Ethiopia. For the multinational companies, it will help them to fulfil the disclosure requirement for stock exchanges around the world and can use a single set of standard in preparing financial statements for all companies in different jurisdictions.

49(40.8%) of the respondents were strongly agreed and 43(35.8%) were agreed with implementation of IFRS improves effectiveness of financial reporting (q25), 16(13.3%) were neutral, 8(6.7%) were disagreed and 4(3.3%) were strongly disagreed. This indicates the majority of the respondents understand that Implementation of IFRS improves effectiveness of financial reporting. 48(40%) of the respondents strongly agreed and 42(35%) were agreed IFRS makes external financing easier (q26), 20(16.7%) were neutral, 8(6.7%) were disagreed and 2 were strongly disagreed. This implies the majority of

the respondent's believe IFRS makes external financing easier. Abebaw Dagnaw (2018) revealed that IFRS result in improving efficiency and effectiveness of financial reporting, respondents believe that implementation of IFRS improves the efficiency of financial reporting to the question. Related to effectiveness of financial reporting under IFRS indicates that implementation of IFRS improves the effectiveness of financial reporting. The respondents were agreed with the proposition that financial statements prepared based on IFRS are more reliable and comparable.

47(39.2%) of the respondents were strongly agreed and 42(35%) were agreed that IFRS provides greater reporting transparency (q27), 21(17.5%) were neutral, 6(5, 5%) were disagreed and 4(3.3%) were strongly disagree. Therefore, Most of the respondents understand IFRS provides greater reporting transparency. Similarly, Abebaw Dagnaw revealed IFRS increased transparency of financial statements would improve the agency problem between management and the government through implementation of IFRS as increased transparency causes managers to act more in the interest of the governments. It would also similar increase in the efficiency of contracting between firms and lenders. This finding was consistent with (Jermakowicz, 2004; and Apostolos et al., 2010).

45(37.5%) of the respondents were strongly agreed and 40(33.3%) were agreed IFRS enables greater effectiveness of the internal audit (q28), 23(19.2%) were neutral, 11(9.2%) were disagreed and only 1(0.8%) were strongly disagreed .This indicates the majority of the respondents IFRS enables grater effectiveness of the internal audit .Similarly, Alemgena Bekele (2016) revealed implementation of IFRS enables greater effectiveness of the internal audit. It shows that 42% of respondents strongly agreed and 45% of respondents agreed and 5% of respondents strongly disagreed, 5% disagree and 3% of respondent were neutral. IFRS is also associated with reducing audit costs as the different segments and subsidiaries of the company uses same standard across the globe.

30(25%) of the respondents strongly agree and 32(26.7%) of the respondents were agreed implementation of IFRS reduce cost of capital (q29), 34(28.3%) were neutral, 17(14.2%) were disagree and 7(5.8%) of the respondents strongly disagree. This implies about only half of the respondents believe that Implementation of IFRS reduce cost of capital. Alemgena Bekele(2016) revealed IFRS enables that reduces cost of capital .In his study 42% of the respondents strongly agreed on the proposition that IFRS reduces cost of

capital, 39% of the respondents agreed on the proposition and 11% of respondent strongly disagreed, 5% of respondents disagree and 3% were neutral on the proposition.

4.3.2.2 Benefits of IFRS for investors

Table 4-8: Descriptive statistics for Benefits of IFRS for investors

	SD		D		N		A		SA		Min	Max	Mean	Std. Deviat
	Count	%	Count	%	Count	%	Count	%	Count	%				
Q30	6	5.0%	5	4.2%	19	15.8%	40	33.3%	50	41.7%	1	5	4.03	1.096
Q31	5	4.2%	8	6.7%	18	15.0%	37	30.8%	52	43.3%	1	5	4.03	1.111
Overall mean=4.03														

Source: Analysis of Survey data 2020, using SPSS

According to Table 4-8 the overall mean 4.03 which shows the respondents agreed with Implementing IFRS will benefit the Investors 50(41.7%) of the respondents were strongly agreed and 40(33.33%) of the respondents agreed with IFRS provides better information for decision making by investors (q30), 19(15, 8%) were neutral 6(5%) were strongly disagree and 5(4.2%) were disagree .Therefore, the majority of the respondents believe that IFRS provides better information for decision making by investors.

43.3% of the respondents were strongly agreed and 37(30.8%) were agreed that Investors will have more confidence in the information presented using IFRS (q31), 18(15%) were neutral, 8(6.7%) were disagree and 5(4.2%) were strongly disagreed .This indicates, the majority of the respondents are sure that Investors have more confidence in the information presented using IFRS. AbebawDagnew (2018) got similar result which revealed that implementation of IFRS would make it easier for investors/Government to evaluate the financial performances of organizations with which they do business or invest in, enhance transparency through better reporting, and they would have more confidence in the information presented. Similarly, Meyad (2019) revealed that IFRS implementation in Ethiopia is useful in attracting foreign direct investment for the country. Gebre (2009) noted that since business today has turned global, it is highly desirable for Ethiopia to create conducive atmosphere for investors, who wants to invest in the country for a mutual benefit; otherwise, the investor prefers to go somewhere else, where IFRS is practiced. AABE (2015) also stated that enterprises that provide potential investors with reliable and comparable financial statements are more likely to attract domestic and international investment. IFRS is the sound and internationally comparable corporate financial reporting

that meets the requirements of financial markets, improves investor confidence, facilitates risk assessment in making investment decisions and attract international investors (Hegarty et al 2004; Petrovets 2005; UNCTAD2008; Hossain et al. 2015; Gina et al. 2016; Amanamah 2017). Okpala (2012) in coherence with this view noted that there is a significant relationship between IFRS implementation by companies and foreign direct investment in Nigeria.

4.3.2.3 Benefits of IFRS for management

Table 4-9: Descriptive statistics for benefits of IFRS for management

Item	SD		D		N		A		SA		Min	Ma x	Mea n	Std. Dev
	Count	%	Count	%	Count	%	Count	%	Count	%				
Q32	4	3.3%	7	5.8%	27	22.5%	39	32.5%	43	35.8%	1	5	3.92	1.058
Q33	4	3.3%	8	6.7%	16	13.3%	39	32.5%	53	44.2%	1	5	4.08	1.070
Q34	3	2.5%	12	10.0%	13	10.8%	36	30.0%	56	46.7%	1	5	4.08	1.097
Overall mean=4.02														

Source: Analysis of Survey data 2020, using SPSS

Table 9 indicates the respondents agreed with Implementing IFRS were benefits the management with the overall mean of 4.02. 43(35.8%) of the respondents were strongly agreed and 39(32.5%) were agreed that Implementation of IFRS enables better risk management (q32), 27(22.5%) were neutral, 7(5.8%) were disagreed. Therefore the majority of the respondents understand that Implementation of IFRS enables better risk management. 53(44.2%) of the respondents were strongly agree and 39(32.5%) were agree with IFRS improves management information for decision making (q33), 16(13.3%) were neutral, 8(6.7%) were disagree and 4(3.3%) were strongly disagree. This indicates the majority of the respondents realize IFRS improves management information for decision making. 56 (46.7%) of the respondents strongly agree and 36(30%) were agree that IFRS promotes cross border investment (Q34), 13(10.8%) were neutral, 10% and 2.5% were disagree and strongly disagree respectively. This implies the majority of the respondents believe that IFRS promotes cross border investment.

Similarly, Fikeru(2012), AbebawDagne(2018) detailed in his study implementation of IFRS provides management of the enterprise with better risk management, improved management information for decision making and it promotes cross border investment. His

result reveals that management would benefit, amongst others, improved management information presented in the financial statements which they can use for decision making. Managers also be at ease to manage risk and value firms which follow identical accounting measures; the risk assessment can be done more accurately on account of decreasing disparities in the flow of information. The results of this study were also supported by the conclusion forwarded by Larson et al., (2004). They stated that IFRS financial statements are rather seen as a comprehensive information package, than only as a reporting of the financial situation of the enterprises.

4.3.2.4 Benefits of IFRS for other stake holders

Table 4-10 Descriptive statistics for Benefits of IFRS for other stake holders

	SD		D		N		A		SA					
	Count	%	Count	%	Count	%	Count	%	Count	%	Min	Max	Mean	Std. Dev
Q35	3	2.5%	8	6.7%	22	18.3%	54	45.0%	33	27.5%	1	5	3.88	0.97
Q36	3	2.5%	11	9.2%	21	17.5%	50	41.7%	35	29.2%	1	5	3.86	1.02
Q37	7	5.8%	5	4.2%	19	15.8%	53	44.2%	36	30.0%	1	5	3.88	1.07
Overall mean= 3.87														

Source: Analysis of Survey data 2020, using SPSS

Table 4-10 shows 54(45%) of the respondents were agreed and 33(27.5%) of the respondents strongly agreed with IFRS implementation improves regulation over sight and enforcement (q35), 18.3% were neutral, 6.7% were disagreed and 2.5% were strongly disagreed. 50(41.7%) of the respondents were agreed and 35(29.2%) were strongly agreed with IFRS provides greater creditability, and improved economic prospects for the accounting profession (q36), 21(17.5%) were neutral, 11(9.2%) were disagreed and 3(2.5%) of the respondents were strongly disagreed. Therefore, the majority of the respondents comprehend that IFRS provides greater creditability and improved economic prospects for the accounting profession.

53(44.2%) of the respondents were agreed and 36(30%) were strongly agreed with IFRS provides better reporting and information on new and different aspects of the business (q37), 19(15.8%) were neutral, 5(4.2%) were disagree and 7(5.8%) were strongly disagree. This indicates the majority of the respondents believe IFRS provides better reporting and information on new and different aspects of the business.

Arefaine Ayalew (2018) got similar result with the overall mean of 3.79; the respondents agreed that the implementation of IFRS will attract foreign direct investment &

financial support. To that end the respondents agreed that, the implementation of IFRS will improve their access to international market, comparability and credibility of their financial statements. In addition to that according to their response implementation of IFRS in this sector will provide better information for their decision in result it promotes cross border investments. Again this result comply with the results of the study conducted by Okpala (2012), (Abel,2011), Harteneck (1997), Demaki(2013) &Irvane& Lucas(2006), as they also concluded that, implementation of IFRS provides comparable and credible financial statements and it improves the country's access to international market and eases decision making for investors. They also concluded that adoption of IFRS reduces cost of capital and it promotes cross border investments. Based on this it can be generalized that, the above mentioned prospects of implementation of IFRS will help them in retaining the existing shareholders and attracting foreign direct investment. In result this reliable and credible financial statements which is the main factor to attract foreign direct investment, will make the country's risk profile known and predictable, because foreign direct investment is more attracted in a situation where there is high probability of gain than risks. This implementation of IFRS directly increases the Ethiopian foreign direct investment and in effect it improves the economic development of the country. Because of this, it will be easy to make well-informed, useful and meaningful comparison of investment portfolio in Ethiopia by international investor.

4.3.3 Challenges of IFRS implementation

Table 4-11: Descriptive statistics for Challenges of IFRS implementation

	SD		D		N		A		SA		Mi n	Ma x	Mea n	Std. De
	Count	%	Count	%	Count	%	Count	%	Count	%				
Q38	8	6.7%	10	8.3%	23	19.2%	41	34.2%	38	31.7%	1	5	3.76	1.181
Q39	15	12.5%	24	20.0%	20	16.7%	38	31.7%	23	19.2%	1	5	3.4	1.317
Q40	5	4.2%	14	11.7%	22	18.3%	54	45.0%	25	20.8%	1	5	3.67	1.064
Q41	6	5.0%	11	9.2%	32	26.7%	54	45.0%	17	14.2%	1	5	3.54	1.012
Q42	4	3.3%	15	12.5%	29	24.2%	48	40.0%	24	20.0%	1	5	3.61	1.048
Q43	4	3.3%	11	9.2%	22	18.3%	54	45.0%	29	24.2%	1	5	3.78	1.025
Q44	5	4.2%	12	10.0%	25	20.8%	56	46.7%	22	18.3%	1	5	3.65	1.026
Q45	5	4.2%	13	10.8%	30	25.0%	54	45.0%	18	15.0%	1	5	3.56	1.011
Q46	9	7.5%	11	9.2%	29	24.2%	48	40.0%	23	19.2%	1	5	3.54	1.129

Overall mean=3.6

Source: Analysis of Survey data 2020, using SPSS

According to Table 4-11 the overall mean 3.6 which fall in the scale 3.41-4.20 and indicates that the respondents agreed on Implementation of IFRS has several challenges. 41(34.2%) of the respondents were agree and 38(31.7%) of the respondents were strongly agree by Implementation of IFRS costly (q38), 23(19.2%) of the respondents were neutral, 10(8.3%) were disagree and 8(6.7%) were strongly disagree. The mean is 3.76 which fall in the scale 3.41-4.20 and indicates that the respondents agreed Implementation of IFRS costly. This result is supported by YitagesuTerfa (2019) 82% of the respondents strongly agreed that implementation of IFRS is costly and 18% of the respondents also agreed on the proposition that IFRS is costly. This indicates that one of the significant challenges that could explain poor implementation is its implementation cost. Similarly, AlemgenaBekele (2016) in here study shows 23% of the respondents strongly agreed that implementation of IFRS is costly, 37% of the respondents also agreed on the proposition that IFRS is costly and 16% of respondents strongly disagree, 16% of the respondents disagree on the matter and 8% of the respondents were neutral. This indicates that one of the significant challenges that could explain poor implementation is its implementation cost. Meyad (2019) also revealed costs of IFRS implementation was also identified as the other practical implementation challenge of IFRS in Ethiopia. According to respondents, due to the costly procedure of IFRS implementation followed in the country the cost incurred was much higher than it would be. Respondents noted that the costs paid for IFRS conversion consultants were the major cost incurred in the implementation project. Those conversion consultants were mainly from abroad and they were paid in foreign currency. Hegarty et al. (2004) in coherence with this view stated that the lack of financial resources and cost of IFRS implementation is a significant impediment to the implementation of IFRS by companies. Bendovschi (2016) similarly suggested that significant costs IFRS in general and cost of consultancy services in particular is the major practical implementation challenges of IFRS in Romania.

38(31.7%) of the respondents were agreed and 23(19.2%) of the respondents were strongly agreed with IFRS increases the complexity of financial reporting (q39), 20(16.7%) were neutral, 24(20%) were disagreed and 15(12.5%) were strongly disagreed. Alemgena (2016), AyitenewAgumas (2018) also revealed 93% of the respondents strongly agreed that implementation of IFRS is a complex process that requires extensive preparations time whereas the rest 7% responded neutral and none of the respondent disagreed with this statement. YitagesuTerfa(2019) Also shows 50% of the respondents strongly agreed on the

proposition that complexity of IFRS based financial reporting 18% of the respondents agreed on complexity of financial reporting and 9% of respondent strongly disagreed on such proposition that IFRS complicate financial reporting and 14% of the respondents were neutral. From this we can say that respondent's perception was far away from one another but 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 consultation and support from experts from the field. According to Jermakowicz, (2004), one of the reasons is the complex nature of some of the IFRS, including standards related to impairment tests (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 enterprises which implement IFRS lately can learn lessons from early implementer's mistakes. This means enterprises have a latecomer advantage and can learn from previous implementer. The other reason is higher learning institutions of the country and other training institutions are producing trained accounting professionals with IFRS orientation through training. In the survey of Caramanis and Papadakis (2008), the respondents indicated a number of difficulties that relate with the application of IFRS. In particular, they have the opinion that a major source of the difficulties regarding the technical aspects of the application of IFRS is the lack of comprehensive training and lack of adequate IFRS implementation guidance. Their findings are also supported by the results of this study. 54 (45%) of the respondents were agree and 25(20.8%) were strongly agree that lack of IFRS implementation guidance is affect the implementation of IFRS (q40), 22(18.3%) were neutral, 14(11.7%) were disagree and 5(4.2%) were strongly disagree. This implies the majority of the respondents come to sympathetic with Lack of IFRS implementation guidance is affect the implementation of IFRS. Again YitegesuTerfa have got comparable result, 27% of the respondents strongly agreed on the proposition that lack of IFRS implementation guidance, 36% of the respondents agree on lack of IFRS implementation and 9% of respondents strongly disagree, 14% disagree on lack of IFRS implementation and 14% of the respondents were neutral and this show that lack of IFRS implementation guidance.

54(45%) of the respondents were agreed and 17(14.2%) were strongly agreed by IFRS brings about increased volatility of earnings (q41), 32(26.7%) were neutral, 11(9.2%) were disagreed and 6(5%) were strongly disagreed. 48(40%) of the respondents were agreed and

24(20%) were strongly agreed with Tax driven nature of previous standards is a challenge for IFRS implementation(q42),29(24.2%) were neutral,15(12.5%) were disagreed and 4(3.3%) were strongly disagreed. This indicates the majority of the respondents believe Tax driven nature of previous standards is a challenge for IFRS implementation. There is lack of IFRS implementation guidance and IFRS brings about increased volatility of earnings, Tax driven nature of previous standards is a challenge for IFRS implementation. In the survey of Caramanis and Papadakis (2008), the respondents indicated a number of difficulties that relate with the application of IFRS. In particular, they have the opinion that a major source of the difficulties regarding the technical aspects of the application of IFRS is the lack of comprehensive training and lack of adequate IFRS implementation guidance this lack of guidance creates risks for different local or national interpretations of IFRS and increases the risk for manipulation in interpretation of financial statements.

54(45%) of the respondents were agreed and 29(24.2%) were strongly agreed lack of availability of competent specialists is affect the quality of implementation of IFRS (q43), 22(18.3%) of the respondents were neutral, 11(9.2%) were disagree and 4(3.3%) were strongly disagree. Therefore, the majority of the respondents realize Lack of availability of competent specialists is affecting the quality of implementation of IFRS. YitagesuTerfa (2019) got 42% of respondents strongly agree on proposition that lack of availability of competent specialists, 39% of respondents also agree on proposition, 3% were neutral and 5% of respondents strongly disagree on the proposition while 11% of the respondents disagree on the issue. The respondents also believe that lack of availability of competent specialists the most significant challenges.

56(46.7%) of the respondents were agreed and 22(18.3%) were strongly agreed by lack of proper instructions from regulatory bodies is affect the implementation of IFRS (q44), 25(20.8%) were neutral, 12(10%) were disagree and 5(4.2%) were strongly disagreed. This indicates the majority of the respondents understand lack of proper instructions from regulatory bodies is affecting the implementation of IFRS Q45). 54(45%) of the respondents were agreed and 18 (15%) of the respondents strongly agreed with there is a Problem with the IT system in handling the transition to IFRS (q46), 30(25%) were neutral, 13(10.8%) were disagreed and 5(4.2%) were strongly disagreed. This implies the majority of the respondent had a Problem with the IT system in handling the transition to IFRS. AbebawDagne (2018), YitagesuTerfa (2019) in their study shows the Respondents stated there were challenges in their IT system in handling the transition to IFRS. In this

regard, 34% of the respondents strongly agree, and 23% of the respondents agree that their IT system cannot handle the transition to IFRS and 23% of the respondents strongly disagree, 11% of the respondents disagree and 8% of the respondents were neutral from this we understand that problem with IT system is challenge to implementation of IFRS.

48(40%) of the respondents were agree and 23(19.2%) were strongly agree by there is a Problem with IFRS use of fair value accounting, 29(24.2%) of the respondents were neutral, 11(9.2%) were disagree and 9(7.5%) of the respondents strongly disagree. This implies the majority the respondents had believe there is Problem with IFRS use of fair value accounting. similarly, It can also be seen yitagsu's study 59% of the respondents strongly agree and 32% of the respondents agree on problem with IFRS use of fair value accounting and 5% were neutral, 16% of respondents strongly disagree and 11% of respondent were disagree on the problem with the fair value accounting in handling the transition to IFRS, increased volatility of earnings as a result of IFRS and Tax driven nature of previous standards as challenges of implementing IFRS. Most of the respondents 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 IFRS brings about increased volatility of earnings.

Fair value accounting is supposed to ensure a higher degree of transparency in financial statements, which should lead to a higher value-relevance of accounting data and a better capability of financial markets to reflect the actual value of a firm. However, critics argue that fair value accounting based on models is not reliable, therefore raising some doubts regarding its usefulness to investors (penman,2007,Benston,2008 koleve,2009,Gohetal,2009 and paleaandmaino).

4.4 Correlation Analysis

The hypotheses discussed before aimed to investigate the relationship between independent variables (management support, Professional Bodies, Enforcement capacity, institutional readiness and Educational Level) and dependent variable (quality of IFRS implementation).

Correlation analysis is done to examine this relationship. The Pearson Product-Moment Correlation Coefficient is a statistic that indicates the degree to which two variables are related to one another. The sign of a correlation coefficient (+ or -) indicates the direction of the relationship between -1.00 and +1.00. Variables may be positively or negatively correlated. A positive correlation indicates a direct positive relationship between two variables. A negative correlation, on the other hand, indicates an inverse, negative relationship between two variables (Ruud et. al. 2012). Table below clearly shows that, the relationship between two variables will be negligible, low, moderate, substantial or very strong.

Table 4-12: Correlation Coefficient

Correlation coefficient(r)	Strength of correlation
From 0.01 up to 0.09	Negligible association
From 0.10 up to 0.29	Low association
From 0.30 up to 0.49	Moderate association
From 0.50 up to 0.69	Substantial association
From 0.70 and above	Very strong association

Source: Joe W. Kotrlik, J. C. Atherton, A. Williams and M. Khatajabor.(2011)

Table 4-13: Correlation Analysis between Independent variables and Dependent Variable

Correlations							
		Enforcement capacity	Institutional readiness	Management support	Professional bodies	Education level	Quality of IFRS Implementation
Enforcement capacity	Pearson Correlation	1	.083	.474**	.158	.113	.480**
	Sig. (2-tailed)		.367	.000	.084	.218	.000
	N	120	120	120	120	120	120
Institutional readiness	Pearson Correlation	.083	1	.122	.014	.155	.481**
	Sig. (2-tailed)	.367		.185	.877	.092	.002
	N	120	120	120	120	120	120
Management support	Pearson Correlation	.474**	.122	1	.109	.215*	.564**
	Sig. (2-tailed)	.000	.185		.236	.018	.000
	N	120	120	120	120	120	120

Education level	Pearson Correlation	.113	.155	.215*	.247**	1	.457**
	Sig. (2-tailed)	.218	.092	.018	.006		.000
	N	120	120	120	120	120	120
Quality of IFRS implementation	Pearson Correlation	.480**	.481**	.564**	.377	.457	1
	Sig. (2-tailed)	.000	.002	.000	0.001	0.000	
	N	120	120	120	120	120	120
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

4.4.1 Correlation analysis between management support and quality of IFRS Implementation

Hypothesis: 1

H0: There is no relationship between management support and the quality of IFRS implementation.

H1: There is a relationship between management support and the quality of IFRS implementation.

From the above table 12 it can be inferred that **the management support (r= .564, p<0.01) is Substantial positive relation and statistical significantly. Therefore the null hypothesis (H0) is rejected.**

4.4.2 Correlation analysis between Education level and quality of IFRS Implementation

Hypothesis: 2

H0: There is no positive relationship between education level and the quality of IFRS implementation.

H2: There is a positive relationship between education level and the quality of IFRS implementation.

From the above table 12 it can be inferred that **education level (r= .457, p<0.01) is moderate positive relation and statistical significantly. Therefore the null hypothesis (H0) is rejected.**

4.4.3 Correlation analysis between enforcement mechanism and quality of IFRS Implementation

Hypothesis: 3

H0: There no relationship between Enforcement mechanism and the quality of IFRS implementation.

H3: There is a relationship between Enforcement mechanism and the quality of IFRS implementation.

The result on the above table shows that Enforcement mechanism ($r = .48$, $p < 0.01$) is moderate positive relation and statistical significantly. Therefore the null hypothesis (H0) is rejected.

4.4.4 Correlation analysis between Institutional readiness and quality of IFRS Implementation

Hypothesis: 4

H0: There no relationship between Institutional readiness and quality of IFRS implementation.

H4- There is a relationship between Institutional readiness and quality of IFRS implementation.

The result on the above table shows that Institutional readiness ($r = .481$, $p < 0.01$) is moderate positive relation and statistical significantly. Therefore the null hypothesis (H0) is rejected

4.5 Ordered Logistic Regression Analysis

4.5.1 Model fitting information

Table 4-14: Ordinal Logistic Regression Analysis Model Fitting Information

Model Fitting Information				
Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	286.971			
Final	235.017	51.955	5	.000

Link function: Logit.

The Model Fitting Information table, which gives the -2 log likelihood for the intercept only and final models, can be used in comparisons of nested models. The statistically significant chi-square statistic ($p < 0.05$) indicates that the Final model gives a significant

improvement over the baseline intercept only model. This tells us that the model gives better predictions than if we just guessed based on the marginal probabilities for the outcome categories. Therefore, the Full model (with factors that affect quality of IFRS Implementation as a predictor) is significantly better.

4.5.2 Goodness-of-Fit Statistics

Table 4-15: Ordinal Logistic Regression Analysis **Goodness-of-Fit**

Goodness-of-Fit			
	Chi-Square	Df	Sig.
Pearson	273.713	391	1.000
Deviance	222.304	391	1.000

From the above table the results for our analysis suggest the model does fit very well ($p > 0.05$) (i.e. fail to reject the null hypothesis depending on the observed data). Also the model fits adequately.

4.5.3 Pseudo R-Square

For logistic and ordinal regression models, it is not possible to compute the same R² statistic as in linear regression so three approximations are computed instead

Table 4-16: Ordinal Logistic Regression Analysis Pseudo R-Square

Pseudo R-Square	
Cox and Snell	.351
Nagelkerke	.382
McFadden	.171
Link function: Logit.	

What constitutes a “good” R² value depends upon the nature of the outcome and the explanatory variables the model summary table gives cox and snell R Square and nagelkerke R square values, which indicates the variability of prediction of dependent variable quality of implementation of IFRS in the lower case and upper case respectively. This is just as we would expect because there are numerous factors that affect quality of implementation of IFRS. Therefore, considering only such used factors as a predictor is not enough for quality of IFRS Implementation.

4.5.4 Parameters of Estimates

Table 0-1: Ordinal Logistic Regression Parameter Estimates

Parameter Estimates									
		Estimate	EXP(B)	Std. Error	Wald	df	Sig.	95% Confidence Interval	
								Lower Bound	Upper Bound
Threshold	[qualityofifrs1 = 1]	1.856	6.39	.913	4.132	1	.042	.067	3.646
	[qualityofifrs1 = 2]	3.209	24.7	.897	12.809	1	.000	1.452	4.967
	[qualityofifrs1 = 3]	4.294	73.2	.937	21.006	1	.000	2.458	6.130
	[qualityofifrs1 = 4]	6.363	579.	1.041	37.362	1	.000	4.323	8.403
Location	Education level	-.243	0.784	.343	.499	1	.480	-.915	.430
	Mangementseport	.819	2.27	.183	20.121	1	.000	.461	1.176
	Enforcementcapacity	.551	1.73	.201	7.485	1	.006	.156	.946
	Institutionalredines	.379	1.46	.154	6.042	1	.014	.077	.682

Link function: Logit.

In the Parameter Estimates table we see the coefficients, their standard errors, the Wald test and associated p-values (Sig.), the 95% confidence interval of the coefficients and odds ratios. Since p values less than alpha level they are statistically significant; otherwise not. The estimates labelled location are the coefficients for the predictor variables. There appears to be relationship between quality of implementation of IFRS and the factors that affect this. The positive value indicates it has positive effect on quality of IFRS Implementation.

The Wald statistic is the square of the ratio of the coefficient to its standard error. The significance of the Wald statistic in the column indicates the importance of the predictor variables in the model (we reject the Null hypothesis $H_0: = 0$) and high values of the Wald statistic shows that the corresponding predictor variable is significant.

By taking the exponent of the pooled estimate relative to a given predictor, i.e. taking e^{B_j} we obtain an estimate of the common odds ratio that describes there lative odds for X_j differing by one unit. EXP (B) column contains odds ratio reflecting the multiplicative change in the odds of being in higher category on the independent variable for every one unit increase on the independent variable, holding the remaining independent variable constant. An odds ratio >1 suggests an increasing probability of being in a higher level on the dependent variable as values on an independent variable increases, whereas, a ratio < 1 suggests a decreasing probability with increasing values on the independent variable. An

odd ratio=1 suggests no predicted change in the likelihood of being in a higher category as values on the independent variable increase. Exp (B) for institutional readiness is 1.46, Exp (B) for enforcement capacity is 1.73, and Exp (B) for Management support is 2.27. Therefore in such cases as management support, institutional readiness and enforcement capacity increase enhanced quality of IFRS Implementation is also improved.

4.6 Test of parallel lines

Table 0-2: Ordinal Logistic Regression Test of parallel lines

Test of Parallel Lines ^a				
Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Null Hypothesis	235.017			
General	222.054 ^b	12.963 ^c	15	.605

The null hypothesis states that the location parameters (slope coefficients) are the same across response categories.

a. Link function: Logit.

b. The log-likelihood value cannot be further increased after maximum number of step-halving.

c. The Chi-Square statistic is computed based on the log likelihood value of the last iteration of the general model.

Validity of the test is uncertain.

One of the assumptions underlying ordinal logistic regression is that the relationship between each pair of outcome groups is the same. This is commonly referred to as the test of parallel lines because the null hypothesis states that the slope coefficients in the model are the same across response categories (and lines of the same slope are parallel). If we fail to reject the null hypothesis we conclude that assumption holds. From the above table shows parallel line test for general model with chi square value 12.963 and p value = 0.605 which is greater than the 5% level of significance, fail to reject the null hypothesis. Therefore, there is no enough evidence to reject the null hypothesis for general model. Thus, the proportional odds assumption appears to have held for general model. In conclusion, management support, institutional readiness and enforcement capacity found to be more significantly associated with Quality of IFRS Implementation.

CHAPTER FIVE:

5. Summary, Conclusions and Recommendations

5.1 INTRODUCTION

This research had an aim of examining the benefits and challenge of implementation of IFRS in Ethiopian public enterprise. The study has assessed the benefits of implementing IFRS in Ethiopian Public Enterprise, examined challenges faced by Public Enterprise of Ethiopia in implementation of IFRS and the factors that facilitates implementation of IFRS in Ethiopian public enterprise has been identified. The study also investigates the relationship between selected factors (Management support, Institutional readiness, Enforcement capacity and Educational level) and quality of IFRS implementation in Ethiopian public enterprise.

In this section, summary of major findings, conclusions inferred from the data analysis in chapter four, and suggested recommendations are illustrated in detail.

5.2 SUMMARY OF FINDINGS

This study examined the implementation of International Financial Reporting Standards (IFRS), its implementation, benefits, the challenges, and the factors that could affects its implementation in Ethiopian Public Enterprises with particular reference to Public Enterprises which have been implementing this standard. The data analyzed using descriptive statistics, correlation and Ordinal Logistic Regression major findings were presented below in a summarized as follows:

From the arithmetic mean values generated by the descriptive statistics, It shows that Contribution of IFRS on improving quality of Financial reporting (**mean=4.02**), Effects of education and training on IFRS implementation (**mean 3.7**) management support (**mean=3.67**), enforcement capacity (**mean=3.4**), Institutional readiness to implement IFRS (**mean=3.47**). All factors mean are between 3.41-4.20 means the respondents are agreed Implementing IFRS has benefits to companies (**mean=3.96**), for investors (**mean=4.03**), for management (mean=4.02), for other stake holders (**mean=3.87**), all have mean above 3.4 that mean the respondents were agreed IFRS have such benefits. Challenges of IFRS implementation include Implementation of IFRS is costly (**mean=3.76**), IFRS increases the complexity of financial reporting (**mean=3.4**), Lack of IFRS implementation guidance is affect the implementation of IFRS (**mean=3.67**), IFRS brings about increased volatility of earnings (**mean=3.54**), Tax driven nature of previous

standards is a challenge for IFRS implementation (**mean=3.61**), Lack of availability of competent specialists is affect the quality of implementation of IFRS (**mean=3.78**), Lack of proper instructions from regulatory bodies is affect the implementation of IFRS (**mean=3.65**), Problem with the IT system in handling the transition to IFRS (**mean=3.56**), Problem with IFRS use of fair value accounting (**mean=3.54**). This Indicate the respondents were agreed by those challenges. In all cases the standard deviation is slightly greater than one which indicates since IFRS is new concept there is a variation in respondent's attitude about it.

The values generated in the Pearson correlation for management support ($r= .564$, $p<0.01$), which is significantly andpositively correlated with quality of IFRS Implementation. Therefore, Null hypothesis is rejected. Pearson correlation for the education level ($r= .457$, $p<0.01$) which is significantly andpositively correlated with quality of IFRS Implementation. Therefore, Null hypothesis is rejected. Pearson correlation for Enforcement mechanism ($r= .48$, $p<0.01$), which is significantly andpositively correlated with quality of IFRS Implementation. Therefore, Null hypothesis is rejected. Pearson correlation for Institutional readiness($r=.481$, $p<0.01$), which is significantly andpositively correlated with quality of IFRS Implementation. Therefore, Null hypothesis is rejected.

From Ordinal Logistic Regression Analysis, Model Fitting Information tablesignificant chi-square statistic (**$p<0.05$**) indicates that the Final model gives a significant improvement over the baseline intercept only model. The Full model (with factors that affectquality of IFRS Implementation as a predictor) is significantly better. The model does fit very well (**$p>0.05$**). From the Parameter Estimates table, management support (odd ratio=2.27), institutional readiness (odd ratio=1.46) and enforcement capacity (odd ratio=1.46), which has positive effect on quality of IFRS Implementation.

5.3 CONCLUSIONS

✓ After doing different analyses that the research objectives need, arrived and based on the major findings, the following conclusions were made. In analysis of the result shows that Education and training, Management support, Enforcement mechanism and Institutional readiness are the necessary and perquisites for the implementation of IFRS in public enterprises and significantly affect the quality of IFRS implementation

- ❖ Implementing IFRS in public enterprises has several benefits for various stakeholders

- ✓ For companies it improves the efficiency of financial reporting, Financial statements based on IFRS are reliable and comparable ,It improves effectiveness of financial reporting, It makes external financing easier, provides greater reporting transparency, enables greater effectiveness of the internal audit and it reduce cost of capital.
- ✓ For Investors, IFRS provides better information for decision making, provide more reliable information, significantly reduce cost of capital, make confidence for lender, reduction in bad earning management, greater marketability of shares, and reduced information asymmetry.
- ✓ For Management, Implementation of IFRS enables better risk management, improves management information for decision making and promotes cross border investment
- ✓ For other stakeholders IFRS provides; greater creditability and improved economic prospects for the accounting profession, improves regulation over sight and enforcement, also it provides greater creditability and improved economic prospects for the accounting profession.
- ✓ Also it has the following challenges; it is costly, increases the complexity of financial reporting, Lack of implementation guidance, it brings about increased volatility of earnings and Tax driven nature of previous standards, Problem with IT system and IFRS use of fair value accounting instead of historical cost is a challenge for IFRS implementation
- ✓ As the conclusions reveal since the benefits are longer lasting than the costs of implementing IFRS, there is an urgent need to implement and prepare financial statements based on this international standard.
- ✓ This implies that the government of Ethiopia specifically agency of public enterprises continue their follow up for the proper and timely execution of IFRS in public enterprises.
- ✓ Public Enterprises themselves put their effort and should present IFRS based financial statements and announce earliest possible time. Al so there is serious problem in relation to the detailed application of the implementing standards in public Enterprise.

5.4 RECOMMENDATION

- Now a day's IFRS implementation in public enterprises is an indispensable task for the owner/G Based on the results the researcher recommends that Raise awareness of professionals, regulators and preparers to improve the knowledge gap.

- Before implementation adequate resources should be put in place to support the sustainable implementation of IFRS and before proceeding to implement the standards stakeholders should make a cost-benefit analysis.
- Other countries experience tells that IT is one of the important factors which contribute to the proper implementation of IFRS. So that it is recommended that implementation of IT suited to public enterprise must be done and applied.
- There is also an urgent need to revise and implement accounting and finance curriculum in university and college, there for it is advisable to revise and implement the curriculum.

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Appendix1 : Questionnaire

Wolkite University
Collage of Business and Economics
Department of Accounting and Finance

Dear sir/madam

This questionnaire aims to seek information regarding the benefits and challenges on implementation of International Financial Reporting Standards (IFRS) in Ethiopian public enterprise. The questionnaire will be distributed to all Accountants and finance officers of purposive selected companies. The information you provide in response to the items in the questionnaire will be used as part of the data needed for a study on the benefits and challenges on *implementation of International Financial Reporting Standards in Ethiopia*.

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.

You're honest and thought full response is invaluable

Thank you for your participation

Kind regards

BekeleJarsa

Section 1: Demographic Background

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

1. Gender:

Female Male

2. Academic level:

Technical / vocational certificate (Diploma)

Bachelor's degree

Master's degree

Other (specify) _____

3. Working Experience:

Less than 5 years

6 to 10 years

11 to 15 years

16 to 20 years

Over 20 years

4. Current position in your organization _____

Section 2: benefit and challenges on *implementation of International Financial Reporting Standards (IFRS) in your company.*

5. When did your company start using IFRS?

Please state the year _____

6. Before the implementation of IFRS, What reporting standards did your company use?

Please mention the previous standard _____

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

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

8. What are the two main reasons for your preference?

Please state your reasons:

(I) _____

(II) _____

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

In this section the researcher is seeking your specific perceptions toward the implementation of IFRS by Ethiopian public enterprise. 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 Agree (SA), Agree (A), Neutral (N), Disagree (DA) to strongly Disagree (SDA)’.

Factors affecting IFRS implementation

SD=1 D=2 N=3 A=4 SA=5

no	Question item	SD	D	N	A	SA
	Quality of IFRS					
1.	IFRS implementation insures the increment of quality of financial reporting					
2.	Implementation of IFRS achieve the objective of financial reporting					
3.	IFRS provides greater reporting transparency					
4.	Implementation of IFRS improves effectiveness of financial reporting					
	Education and training					
5.	Lack of adequate technical capacity building schemes is a challenge for IFRS implementation					
6.	IFRS implementation require a high level of education and highly skilled and competent accounting professionals					
7.	Gap between accounting education thought in Ethiopia higher education and IFRS requirements a challenge to get competent accountants					
8.	Inadequacy of training institutions and facilities with an affordable cost is a challenge to fill skill gaps of IFRS implementing teams					
9.	An IFRS implementation programme needs to adequately assess the state of readiness of relevant professional accountancy organizations					
	Management support					
10.	Managements understanding of accounting and financial reporting standard is basic to proper implementation of IFRS					

11.	Management give attention to accounting and financial reporting related issues					
12.	Experience of managers implementing IFRS is very important					
13.	Corporate with IFRS implementation project teams is necessary					
14.	Lack of commitment and understanding of the executive on timely and successfully implementation of IFRS					
15.	Management views IFRS as a priority than as regulatory compliance					
16.	Acknowledgement of management on the important on the importance of the IFRS transaction process					
	Enforcement capacity					
17.	Lack of adequate financial resource to implement IFRS					
18..	Lack of change management process					
19.	Lack of capacity by the independent over sight body to enforcement					
	Institutional readiness					
20	The organization has clear rules and regulation					
21.	The organization has clear job description					
22	Finance department organized well					
	Benefits of implementation of IFRS					
	Benefits of implementing IFRS to companies					
23.	Implementation of IFRS improves the efficiency of financial reporting					
24.	Financial statements based on IFRS are reliable and comparable					
25.	Implementation of IFRS improves effectiveness of financial reporting					
26.	IFRS makes external financing easier					
27.	IFRS provides greater reporting transparency					
28.	IFRS enables greater effectiveness of the internal audit					
29.	Implementation of IFRS reduce cost of capital					
	Benefits for investors					
30.	IFRS provides better information for decision making by investors					
31.	Investors will have more confidence in the information presented using IFRS					

	Benefits of IFRS for management					
32.	Implementation of IFRS enables better risk management					
33.	IFRS improves management information for decision making					
34.	IFRS promotes cross border investment					
	Benefits of IFRS for other stake holders					
35.	IFRS implementation improves regulation over sight and enforcement					
36.	IFRS provides greater creditability and improved economic prospects for the accounting profession					
37.	IFRS provides better reporting and information on new and different aspects of the business					
	Challenges of IFRS implementation					
38.	Implementation of IFRS costly					
39.	IFRS increases the complexity of financial reporting					
40.	Lack of IFRS implementation guidance is affect the implementation of IFRS					
41.	IFRS brings about increased volatility of earnings					
42.	Tax driven nature of previous standards is a challenge for IFRS implementation					
43.	Lack of availability of competent specialists is affect the quality of implementation of IFRS					
44.	Lack of proper instructions from regulatory bodies is affect the implementation of IFRS					
45.	Problem with the IT system in handling the transition to IFRS					
46.	Problem with IFRS use of fair value accounting					

Appendix2: Correlation Coefficient

Correlation coefficient(r)	Strength of correlation
From 0.01 up to 0.09	Negligible association
From 0.10 up to 0.29	Low association
From 0.30 up to 0.49	Moderate association
From 0.50 upto 0.69	Substantial association
From 0.70 and above	Very strong association

Source: Joe W. Kotrlik, J. C. Atherton, A. Williams and M. KhataJabor.(2011

Correlation Analysis between Independent variables and Dependent Variable

Correlations							
		Enforce ment capacity	Institutio nal readiness	Managem ent support	Profession al bodies	Education level	Quality of IFRS Implementation
Enforcement capacity	Pearson Correlation	1	.083	.474**	.158	.113	.480**
	Sig. (2-tailed)		.367	.000	.084	.218	.000
	N	120	120	120	120	120	120
Institutional readiness	Pearson Correlation	.083	1	.122	.014	.155	.481**
	Sig. (2-tailed)	.367		.185	.877	.092	.002
	N	120	120	120	120	120	120
Management support	Pearson Correlation	.474**	.122	1	.109	.215*	.564**
	Sig. (2-tailed)	.000	.185		.236	.018	.000
	N	120	120	120	120	120	120
Education level	Pearson Correlation	.113	.155	.215*	.247**	1	.457**
	Sig. (2-tailed)	.218	.092	.018	.006		.000
	N	120	120	120	120	120	120
Quality of IFRS implementation	Pearson Correlation	.480**	.481**	.564**	.377	.457	1
	Sig. (2-tailed)	.000	.002	.000	0.001	0.000	
	N	120	120	120	120	120	120
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

Appendix3: Ordinal Logistic Regression Analysis Model Fitting Information

Model Fitting Information				
Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	286.971			
Final	235.017	51.955	5	.000

Link function: Logit.

Appendix4: Ordinal Logistic Regression Analysis Goodness-of-Fit

Goodness-of-Fit

	Chi-Square	Df	Sig.
Pearson	273.713	391	1.000
Deviance	222.304	391	1.000

Appendix5: Ordinal Logistic Regression Analysis Pseudo R-Square

Pseudo R-Square	
Cox and Snell	.351
Nagelkerke	.382
McFadden	.171
Link function: Logit.	

Appendix6: Ordinal Logistic Regression Parameter Estimates

Parameter Estimates									
		Estimate	EXP(B)	Std. Error	Wald	df	Sig.	95% Confidence Interval	
								Lower Bound	Upper Bound
Threshold	[qualityofifrs1 = 1]	1.856	6.39	.913	4.132	1	.042	.067	3.646
	[qualityofifrs1 = 2]	3.209	24.7	.897	12.809	1	.000	1.452	4.967
	[qualityofifrs1 = 3]	4.294	73.2	.937	21.006	1	.000	2.458	6.130
	[qualityofifrs1 = 4]	6.363	579.	1.041	37.362	1	.000	4.323	8.403
Location	Education level	-.243	0.784	.343	.499	1	.480	-.915	.430
	Mangementseport	.819	2.27	.183	20.121	1	.000	.461	1.176
	enforcementcapacity	.551	1.73	.201	7.485	1	.006	.156	.946
	Institutionalredines	.379	1.46	.154	6.042	1	.014	.077	.682

Link function: Logit.

Appendix7: Ordinal Logistic Regression Test of parallel lines

Test of Parallel Lines ^a				
Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Null Hypothesis	235.017			
General	222.054 ^b	12.963 ^c	15	.605