



WOLKITE UNIVERSITY

SCHOOL OF GRADUATE STUDIES

**Factors Affecting The Implementation Of International Financial Reporting Standards
(IFRS) And Its Benefits In The Case Of Insurance Companies In Ethiopia.**

By

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**Thesis Submitted to Wolkite University College of Business and Economics
Department of Accounting and Finance in the Partial Fulfillment of the Requirements
for the Degree of Master of Science in Accounting and Finance**

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Wolkite Ethiopia

Declaration form

I Tewodros kassa declare that this thesis entitled Factor affecting the implementation of international financial reporting standards (IFRS) and its benefits in the case of insurance companies in Ethiopia is outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged.

To the best of my knowledge this study has not been submitted for any degree in this university or any other university. It is offered for the partial fulfillment of the degree of Master of Science in accounting and finance

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Abstract

The goals of IFRS is to develop in the public interest a single set of high quality understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. However, its implementation brings opportunities and creates challenges to the insurance companies. The main objective of this study is to assess the benefits and factors which affect the implementation of IFRS in insurance companies of Ethiopia. The study used both primary and secondary source of data. The primary data was collected through predesigned questioners and the secondary data was collected from the insurance companies profiles , journals and other related material to the study, annual financial reports, proclamation and regulation that deal with financial reporting issues by the insurance companies that deal with financial reporting issues in Ethiopia. To answer the research questions and test the hypotheses the study adopted the quantitative research approach with descriptive and explanatory research design. The questionnaire data were analyzed using descriptive statistics, and multiple linear regressions analysis. The population of the study consisted of all insurance companies of Ethiopia. In this research select a sample of 10 insurance companies were selected using purposive sampling to investigate benefits and factors that affect the implementation, and processed using both descriptive and inferential statistics like frequencies, percentages, means and regression analysis. The result show that IFRS implementation in insurance companies of Ethiopia result in a number of important benefits to a wide range of user of financial statements. The study also found that with the exception of IFRS knowledge gap the other four variables which are shortage of qualified professionals, resistance to change, management gap, and cost significantly influence the implementation of IFRS in insurance companies of Ethiopia. Based on the finding the research attempted to recommend the following: The government and other concerned body should work on resolving knowledge gap as the factors affecting the implementation of IFRS through training and development; work on resolving management gap to implementation of IFRS in Ethiopian insurance company. Through capacity building, training and development; work on to manage or handle change resistance to implementation IFRS in insurance company of Ethiopia through awareness creation and development; work .on the establishment of institute which supports the implementation of IFRS in insurance Ethiopia.

Key words: *implementation, IFRS in, insurance companies in Ethiopia*

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ACRONYMS& ABBREVIATIONS

AABE	Accounting and Audit Board of Ethiopia
EAFA	Ethiopian Accounting and Finance Association
EU	European Union
GAAP	Generally Accepted Accounting Principle
IASB	International Accounting Standard Board
IASC	International Accounting Standard Committee
IAS	International Accounting Standard
FASB	Financial Accounting Standard Board
IFRS	International Financial Reporting Standard
SIC	Standard Interaction Commit
IAS	International Accounting Standard
WTO	World Trade Organization
EIC	Ethiopian Insurance Corporation
S c	share company

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CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

The introduction of international financial reporting standards (IFRS) is strictly related to the whole issue of globalization. The companies are becoming worldwide to invest to acquire and to communicate with other companies in the entire world. Globalization forces changes. As the world keeps changing, so the way that things are done needs to keep changing as well every change brings about a form of discomfort, but it opens door to endless opportunities which can be exploited for long term benefits. If we really believe in open international market and the benefits of global finance, then it cannot make sense to have different accounting rules and practices for companies and investors operating across national borders that are why need global standards Paul, 2015.

IFRS are a set of accounting principles that is rapidly gaining acceptance on a worldwide basis. They are published by the London-based International Accounting standard Board (IASB). The objective of the IASB is to develop a single set of high quality, understandable, enforceable and globally accepted financial reporting standards that bring transparency, accountability and efficiency to financial markets around the world. Those standards serve the public interest by fostering trust, growth and long term financial stability in the global economy (IFRS Foundation 2015) IFRS are more focused on objectives and principle based. They purport to be asset of rules that ideally would apply equally to financial reporting by both private and public companies worldwide. The adoption of IFRS as issued by the International Accounting standard board(IASB) is expected to result in the application of a common set of financial reporting standards all over the world countries that require or permit application of IFRS.(HoyeleB.et al2009 and Baker E.et al,2009) Cross border investors require harmonized accounting and financial reporting practice in order to make decision based on worldwide standards having a single set of global accounting reporting and disclosure standards would possibly meet this

requirement. Many countries have taken this phenomena of global accounting standards global research IFRS 2016

Ethiopia cannot afford staying out of the global market system. It ought to take full advantage of the wealth and financial opportunities promised by globalization and to do so would require implementing and using global standards. In recognizing of the benefits of IFRS adoption has enacted financial reporting proclamation in the year 2014 which can be applicable by all reporting entities operating in Ethiopia and announced the official adoption of IFRS as established by IASB. Accordingly, the Accounting and Auditing Board of Ethiopia has established as per council of ministers regulation no.332/2014 as an autonomous governing organ to promote high quality reporting of financial and related information by reporting entities and regulate the accounting Auditing profession of Ethiopia.

Implementing IFRS will help Ethiopia to increase stability, stewardship, accountability and transparency, increase the education of accounting profession and standard setting bodies improve good governance and reduce corruption and rent seeking behavior (AABE, 2016). According to UNACTED(2008)<<sound and internationally comparable corporate financial reporting that meets the requirements of financial markets improves investors confidence, facilitates risk assessment in making investment decision, and helps reduces the cost of

capital>>(para,ll.kassa (2015) argued that IFRS leads to improved comparability and reliability of financial statements reduce cost of capital of firms of firms through lower cost of information , facilitates easier international mobility of professional staffs across national boundary , greater marketability of shares ,and reduced information asymmetry and others

As per Financial reporting proclamation 847/2014 articl5(2), the public interest entities are required to comply international financial reporting standards when preparing financial statements .among others, insurance companies are one of public interest entities which mobilizes financial resources from the public and injects it to the economy. Article26(1) of the proclamation to provide for insurance business proclamation No.746/2012 stipulated<<the national bank may direct insurance companies to prepare financial report in accordance with

international reporting standards. To address the research question the researcher used mixed method design that encompasses a combination of both qualitative and quantitative methods. Therefore, the aim of this study is to investigate the benefits, factors affecting the implementation of IFRS such as IFRS Knowledge Gap, shortage of qualified professionals, Resistance to change, Management Gap, Cost, that could affect the level of IFRS implementation in insurance companies of Ethiopia.

1.2. Statement of the Problem

In recent years, the development of international accounting standards and adoption by industrialized countries such as; Britain, Germany, United States of America, Canada and a number of the European Union countries have given major concern for accounting professionals. In spite of the numerous studies about the adoption of International Financial Reporting Standards (IFRS) by developed and industrialized countries around the world, less attention has been given to the issue in developing countries. (Tyrrall et al 2007)

Recently Ethiopia has officially adopted IFRS as a means of its corporate reporting through proclamation number 847/2014. According to the accounting and Auditing Board of Ethiopia (AABE) has designed IFRS implementation road map and announced the commencement date's of different group of reporting entities based on this road map government development organization and public interest entities including insurance should have been started to IFRS transition in July, 2016 and expected to close their book of accounts as of June 30/2018 based on IFRS requirements.(UNACTED,2008)

However IFRS adoption cannot be realized through stating that the country has adopted IFRS evidence implies that moving to a single set of accounting standards is not enough to produce the required outputs rather benefits of implementation IFRS depends on the strengths of supporting institutions, rigorous enforcement ,education and training and professional competency and integrity (Haile et al,2009 ,UNACTED.2008. There was no accounting and auditing standards set in Ethiopia and the accounting practice of vary among institution and differ from IFRS requirements. Its corporate reporting practice was dominated by varies sectarian laws and regulation such as commercial code, tax law NBE regulation and charities societies law. Beside its poor experience of implementing international accounting standards and availability of weak

financial reporting infrastructures would expect to passé many challenges during their practical application of IFRS by reporting entities.

Few academic researchers have been published on the area of adoption in Ethiopia since the history of adoption is a recent phenomenon. Some academic studies were conducted focusing on the benefits, challenges and progress of IFRS adoption in Ethiopia. According to these studies implementation costs complexity of standards, lack of IFRS implementation guidance increased volatility of earnings, lack of technical skills and indicate knowledge of professional resistance to change Absence of professional institution ,high level training requirement lack of proper instruction from regulatory bodies problems and problems with IFRS use of fair value accounting were identified as the major challenges IFRS adoption in Ethiopia(Simegn,2015, kassa et al,2015;Mihiret,2016; Hailemichaele, 2016;Deyuu& Pasricha,2016; Bekell,2016; Ayenew,2018). However, all of these studies were conducted before the commencement of mandatory IFRS adoption and their findings are provided in reference of the voluntary adopters and the preparation of users of financial statements Mihiret(2016) and Tesfu(2012) stated that their studies were based on theoretical justification and preparation of financial statement preparers, auditors, managers and regulators and recommended to study the practical issues during implementation on their future research suggestion part.

Worldwide growth of public concern for insurance business .It has been one of the most important developments in recent decades .Insurance has helped to connect with societies and individual more closely than ever before. Insurance service is different from other services involves substantial legal characteristics. Some insurance companies stated insurance business transaction both life and general insurance. Suman B MuhommadzI(2009). At the same time, absence of the implementation of IFRS increasingly transcends national borders and poses serious challenges to the health of the insurance business. The development of more effective insurance laws and regulation in Ethiopia throughout world has thus become critical to directing economic development and growth onto a path of insurance business sustainability .Different insurance companies of Ethiopia provides different type of insurance policy which helps to develop the industry. Individual attract foreign investment, contribution to GDP. It is also to develop the standard of living like other organization. It fulfills their duties and put their contribution in national income and makes the financial market healthy. Though, insurance

industry and industry has significant prospect in the economy but for some reasons .It has failed to achieve its goal to some extent. Besides the huge prospects of the insurance companies while should fully practices of IFRS for preparing financial statement. According to okafor and ogeidu(2011).Nigeria history of bank failure was mainly due to ineffective managerial control and strategies caused by poor quality of accounting information , management decision are driven by the information contained in the financial repartees and less transparent financial statement misleads management decision making processes. Terzi,oktem, and sen(2013) argued that the implementation of IFRS would raise the reliability of financial reporting entities.

The attraction of foreign direct investment is predicted on increased reliability of financial reports prepared by insurance companies. In this study the researcher observe to examine benefits, and factors that can affect the implementation of IFRS in insurance companies in Ethiopia. But the insurance companies were faced such problem IFRS Knowledge Gap, shortage of qualified professionals, Resistance to change, Management Gap, Cost in the implementation. If such factors were not properly investigated the insurance companies are not effective and honest to the public interest. So in this study identify benefits for investor, benefits for management benefits for companies, and the factors that affect the implementation of IFRS.

1.3. Objectives of the Study

1.3.1 General Objective

The general objective of this study is to investigate the factors that affect the implementation of International Financial Reporting Standards (IFRS) and its benefits in insurance company of Ethiopia.

1.3.2 Specific Objectives

The specific Objectives of the study :-

To identify the major benefits of implementation of IFRS in insurance companies of Ethiopia.

To assess the importance of implementing of IFRS for manager, investors stakeholders

To identify factors affecting the implementation of IFRS in insurance companies of Ethiopia. Such as IFRS Knowledge Gap, shortage of qualified professionals, Resistance to change, Management Gap, Cost

To examine the relationship between independent and dependent variable.

1.4. Research Questions

In order to achieve the above intended objectives this study was tried to answer the following specific research questions.

What are the main benefits of implementing IFRS in insurance companies of Ethiopia?

What are the underlying factors which affect the implementation of IFRS?

1.5. Research Hypotheses Development

The hypotheses for this research were used to seek answer to the research question about the relationship between the variables of IFRS implementation and the underlying factors IFRS knowledge gap, shortage of qualified professionals, resistance to change, management gap, cost,

IFRS knowledge gap was one of the most important factors for the implantation of IFRS Shortage of qualified professional's accountants and auditors in IFRS is other factor in the implementation of IFRS. Management gap was a gap in the management (both board members and executive effects of corporate organization as they have little or no understanding of accounting and financial reporting, moreover, they are not giving their attention to accounting and financial reporting related issues and there would be shortage of experienced management in accounting who were expected to play key role in implementing IFRS in their respective entities. Cost, IFRS material are available in foreign currencies and the materials are updated regularly, moreover training cost were there as trainers were from abroad who would be paid in hard currency .Research journal of financial and accounting IFRS adaption progress in Ethiopia Dr .J.S pasricha ,2015(IssN2222-1697(paper) ISSN 222-2847(online)

According to Frank (1979) a hypothesis is the tentative statement of fact that is yet to be verified by the researcher in their study in order to address the fort research questions which about ticker

that could explain IFRS implementation one dependent variable against five independent variables were investigated. According to Fieled(2009) researcher test quantitative hypotheses by using statistics that allow inferences about the population to be made from the sample. Frankfort-Nachmiasand (2008) argued that a good hypothesis should be tested and explicitly stated the problem of the study derives the research question and the hypothesis.

The hypothesis for this study are stated along with the underlying factors

Ha₁ IFRS Knowledge Gap has significant effect on implementing IFRS in insurance company

Ha₂ shortage of qualified professional has significant effect on implementation of IFRS in insurance company.

Ha₃ resistance to change has significant effect on implementing of IFRS in insurance company.

Ha₄ management gap has significant effect on implementation of IFRS in Insurance Company

Ha₅ cost has significant effect on implementation of IFRS in insurance company

1.6. Scope of the Study

This study emphasized on the implementation of IFRS in insurance companies of Ethiopia. The study covers selected insurance companies currently implementing this standards owing to the broad and the complex nature of IFRS. This study focuses on the factors that could explain the implementation of IFRS by selected insurance companies of Ethiopian in the economic benefits of the implementing of IFRS and the challenges as well. The study covers insurance companies which are located in Addis Ababa .The insurance companies were located in Addis Ababa was the head office.

IFRS Knowledge Gap, shortage of qualified professionals, Resistance to change, Management Gap, Cost, that could affect the level of IFRS implementation in insurance companies of Ethiopia

1.7. Limitation of the Study

During the study the researcher faced certain problems like unwillingness of managers, respondents and employees to provide the required information and delay to respond the required questions. But the researcher tried to solve the problems by requesting cooperation with patience and giving sufficient time to respond to the questionnaire; and by approaching the respondents while they were relatively free from busy schedule.

1.8. Significance of the Study

The study has many advantages for all practitioners and academicians by providing useful information about international financial reporting standards and issues related to its implementation in the insurance companies of Ethiopia. It will also be useful for organizations, finance departments and management by providing information about the theoretical and actual benefits and challenges of implementing IFRS. It will be also very important for academic purpose by providing information in regard to statement of the problem.

The study can also be used as an initiation for those who are interested to conduct a detailed and comprehensive study regarding the implementation of IFRS in Ethiopia insurance company and it has enabled the governing body specifically the higher responsible body and the management of companies to be aware of the perceived and actual benefits of International Financial Reporting Standards and gave insight on how to implement these international standards most efficiently.

1.9. Organization of the Study

The remaining part of the study has been organized as follows: Chapter two presents the literature review regarding the research area of International Financial Reporting Standards (IFRS) and its implementation and therefore set out the theoretical foundation for the research. While the third chapter outlines details of the research methodology adopted in the study, the fourth chapter deals about data analysis, presentation and interpretation of results. Finally, the last chapter (chapter five) presents the conclusions drawn from the findings and the recommendations forwarded

CHAPTER TWO

2. LITRATURE REVIEW

This section presents a review of related literature to international financial reporting standards and its adoption. It consists of general overview about international financial reporting standards benefits and challenges of adopting IFRS, factors affecting the adoption and development accounting in Ethiopia.

Various attempts have been made to reduce accounting differences across countries, because of the problem associated with worldwide accounting diversity. The ultimate goal of reducing accounting diversity to have all companies around the world following one set of international accounting standards (Hoyelet al., 2009, Beker et al., 2009) with growing international markets and international investment opportunities. The advantages of uniform worldwide accounting standards as a global language of financial information have become are more apparent (Apostoles, 2010). The convergences accounting standards in the global environment has got much attention in the academic and professional accounting literature (Prather Kinsey, 2006).The main objective of reducing accounting diversity through convergence is to ensure that all companies across the globe follow a single set of accounting standard with the increased globalization in the international market, international trade. Cross border financial transaction and investment opportunities.

2.1. Overview of IFRS Adoption

IFRS stands for international financial reporting standards and they are standards for reporting financial results and are applicable to general purpose financial statements and other financial reporting of all profit oriented entities. The term IFRS comprise IFRS issued by IASB, IAS issued by IASC and interpretational financial reporting of all profit oriented entities. The term IFRS comprises IFR sued by IASB, IAS issued by IASC and interpretations issued by IASC, and interpretations issued by the standing interaction committee (SIC) and the international financial reporting interaction committee of the IASB(Hoyle, 2009; Beker, 2009; and Larsen,2008). Alistair (2010) cited in Ojeka and Mukoro(2011, p.14) defined international financial reporting standards (IFRS) as:

A series of accounting pronouncements published by the international accounting standards board (IASB) to help preparers of financial statements, throughout the world produce and present high quality transparent and comparable financial information.

Since 2001 international financial reporting standards (IFRS) are being developed and approved by the international accounting standards board (IASB) the IASB is a stand-alone privately tended 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, 2009; Baker, 2009 and Larsen, 2008). One of the basic features of IFRS is that it is a principle based standard and seeks to avoid a rule based mentality (Haceket, 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. The IASB framework establishes a general requirement to account for transactions in accordance with their substance, rather than only their legal form.

This principle comes through very vividly in many IFRS. The IASB intends not to permit choices in accounting treatment as its objective is to require like transactions and events to be accounted for and reported in a like way and unlike transactions and events to be accounted for differently. According to IASB achieve 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 plus other financial reporting

IFRS set out recognition measurement, presentation and disclosure requirements dealing with transactions and other events and conditions that are important in general purpose financial statements. They may also set out such requirements for transactions, events and conditions that arise mainly in specific industries 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). In principle a first adopter should prepare financial statements as it had always applied IFRS.

Although entities routinely have to apply new accounting standards by way of prior year adjustment, adopting IFRS, a new basis of accounting is a challenging undertaking and poses a distinct set of problems. One can note and estimate the magnitude of the effort involved in adopting a large number of new accounting standards. The requirements of individual standards will often differ significantly from those under an entity's previous GAAP and information may need to be collected that was not required under the previous GAAP. First-time adoption of International Financial Reporting Standards has a rather limited objective to ensure that an entity's first IFRS financial statements and its interim financial reports for part of the period covered by those first IFRS financial statements, contain high quality financial information that is transparent for users and comparable over all periods presented. Provides a suitable starting point for accounting in accordance with IFRS and can be generated at a cost that does not exceed the benefits.

It is important for users to be mindful of this objective of it provides the principal rationale underlying many of the decisions reflected in the standard in particular. The various exceptions that require and exemption that allow a first-time adoption to deviate from the general rule. Although IFRS owes its existence to the 2005 adoption of IFRS by the EU. Companies whose securities are traded on an EU regulated market one of the IASB's aims was to find solutions that would be appropriate for any entity in any part of the world. Regardless of whether adoption occurs in 2005 or at a different time as at the time of writing there was no specific project dealing with IFRS. However the IASB is currently pursuing a number of projects, consideration will be given at the time of deliberation to how new standards or amendments may impact a first-time adopter of IFRS – and resulting consequential amendments to IFRS, will be included in the new standard or amendments. Entities contemplating conversion to IFRS should monitor the IASB's agenda in order to anticipate how the new standard or amendment may affect their conversion.

Various attempts have been made to reduce accounting differences across countries 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 standard (Hollet al., 2009; Baker et al., 2009) with growing international markets and international investment opportunities. The advantages of uniform worldwide accounting standards as global language of financial information have become more and more apparent (Apostoot, 2010).

The convergence of accounting standard in the global environment has got much attention in the academic and professional accounting literature (Prather–Kinsey,2006).The main objective of reducing accounting diversity through convergence is to ensure that all companion across the global follow a single set of accounting standards with the increased globalization in the international markers, international trade, cross border financial transaction and investments opportunities. This led to the adaption of IFRS as a basis for preparing disclosing and presenting accounting reports across national boundaries, however despite the advantage of converge of accounting standard; there are arguments for and against the adoption of IFRS by different scholars. some scholars argue for advantage of adopting the international accounting reporting standard while other argue against the adoption of the standard(Broth, root; cited in Baba 2013) argued for the adoption of IFRS by reasoning out the single set of international excepted accounting standard is expected to reduce the cost of processing, financial information and auditing to users of capital markets, increase uniformity and compare ability of financial statement across companies operating in different notional boundaries thereby east investment analyses activities and facilitate easy access to foreign investment (FDI) liberalization of capita market.

Likewise, Hail, Levz and Wysocki (2010)pointed out that the adaption of IFRS would be relevant in reducing cost of capital, allocating capital and providing greater market liquidity., they farther argued that convergence to IFRS is likely to have cost advantage in financial reporting in a way that multinational companies will not need to report by using more than one set of accounting standard for businesses operating in transnational environment on the contrary the opponents of the adaption of IFRS pointed out the inconsistency in the implementation of the standard and poor enforcement mechanisms may lower financial reporting quality and lead to greater managerial discretion.

They further argued that the adaptation of IFRS is just one of the factors among several factors such as institutional, legal and cultural that affects the quality of financial reporting across different national boundaries (Jermakowicz and Gornik-Jomaszewski, 2006). Similarly, Sundy (2007) argued that the adoption of IFRS across the globe may not adequately reflect regional variation across countries. For example, the adoption of IFRS may not adequately accommodate the political and economic differences of countries.

In spite of the various argument against global convergence to IFRS, definitely the adaptation of IFRS will reduce the cost of doing business across different national boundaries by reducing the need for supplemental information, facilitating easy access to global capital increasing the practice of transparency and public accountability enhancing the understanding and the ability to generate value strategic processer and synergies and facilitating motivation and extraction of to reign investment (Baba,2013).

Accordingly, convergence to IFRS will help in maintaining curability of financial reporting and increase in efficiency in financial reporting(Obazet, 2008). Now for adoption of IFRS is global phenomenal with a number of countries in Europe, Australia, Asia and other are adopting IFRS as a means for preparing their financial reporting. Accordingly, the adoption of IFRS across countries is considered as a means of increasing cross border comparability of financial reporting, transparency increase capital flow, increasing capital market efficiency and minimizing information asymmetry (Ball, 2006).

2.2. Harmonization and Convergences

International convergence of accounting standard is not a new idea. The concept first arose in the late 1950s in response to post World War II economic integration and related increase in cross-border capital flows (Nob, 2006). Initial actors focused on harmonization which entailed reducing differences among the accounting principles used in major capital markets around the world, by the 1990s. The notion of harmonization was replaced by the concept of convergence the development of a single set of high –quality international accounting standers that would be used in at least all major capital markets the first move towards accosting standard convergence can be traced back to 1966 when the accounting International study group (AISG) was proposed

to be formed by the professional accountancy bodies in Canada, the United Kingdom and the United States in order to develop comparative studies of accounting and auditing practices.

Subsequently, the AISG was founded in 1967 after discussion and approval by the three AISG countries and representative of professional accountancy bodies in Australia, France, Germany, Japan, Mexico and the Netherlands, the IASC was established in 1973 with the aim of issuing a single set of high quality and globally accepted International Accounting Standard (IAS) between the years 1973-2000. The IASC issued 41 International Accounting Standard (IAS) in 1997. Standing Interpretation Committee (SIC) was established to consider continuing accounting issues. In 2001 the International Accounting Standards Board (IASB) was established to replace IASC and subsequently to take responsibility of issuing International Financial Reporting Standards (IFRS).

The need to develop a united set of accounting standards arose from international differences that curtailed investment opportunities (IFAC 2008), since accounting is effected by its environment, the culture of that environment contains the most basic value that an individual may hold it also determines the value system of accounting. In using cultural difference to explain international difference in behavior of accounting and in the nature of accounting practices Gray (1988) suggest that a country with high uncertainty avoidance and individualism will be more likely to exhibit conservative measure of income and preference to limit disclosure of those closely involved in a business.

Other factors that have contributed to international difference in accounting standards include inflation tax method, and the legal system of country. Jaggi and Low (2000), for example, found that companies in common law countries have higher level of disclosure.

To bridge international difference the International Accounting standard committee (IASC) was formed in 1973 by ten national professional accountancy bodies in Australia, Canada, France, Germany, Japan, Mexico, Netherlands, United Kingdom and Ireland and the United States of America. Its mission was formulate and publish in the public interest basic standard to be observed in the presentation of audited accounts and financial statement and to promote their worldwide acceptance. The meeting of IASC and Financial Accounting Standard Board (FASB) on April 2001 gave the convergence a new impetus since then, the move towards

international standard has progressed rapidly and by 2009 the European Union and over 130 other countries either require or permit the use of IFRS issued by IASB or a local variant of them. The uniformity of the difference in accounting standards and the evolutionary change that led to the development of IFRS has been a topical issue in the accounting world since the early 1970s various attempts have been made and are still being made to eliminate or reduce many of the major differences in accounting standards through a process known as harmonization (Herbert, 2010).

Indeed, because of the inherent difficulties at the time internationalization of accounting standard was deemed as an ended over of conflicts (Cchol and Mueller 1984:470). This conflict is rooted in the process of standard setting which in politically motivated in some countries and in other through the private professional accounting bodies. These national variations or non – uniformity in the process of standard setting investable gave rise to the prevalence of different standards in different countries. International financial reporting standards are the key element of economic reporting infrastructure that provide standardized format for reporting economic gains and losses. Since January 1,2005 the European Union has mandated all listed companies in the European Union to produce their financial statement in accordance with International Financial Reporting Standards (IFRS). Subsequent to European Union regulation of the adaption of IFRS in the listed companies of the EU member countries the global financial reporting system has been transformed significantly with unprecedented number of countries and enterprises around the world adapting international financial reporting standards as a basis for the preparation of financial statement (UNCTAD 2008). The vision of global accounting standards has been publicly supported by many international organizations including the G-20, World Bank, IMF, Basel Committee, IOSCO, and IFAC, (www.IFRS-org). In order to evaluate the progress forward the goal of global accounting standard the IFRS foundation has been developing profiles of application of IFRS around the world in individual Jurisdiction, As per the IFRS foundation Jurisdiction profile up date of November 9, 2015, currently profiles are completed for about 140 Jurisdiction including G-20 Jurisdictions regarding the application of IFRS around the world

The concerns of harmonization of accounting straddles and convergent with IFRS are due to the globalization of capital markets. In fact it is believed that accounting harmonization is necessary for the globalization of capital markets (Quigley, 2007).Investors now seek investment

opportunity all over the world. Many business entities continue to expand their operations across national borders companies are seeking capital at the lowest cost only where securities markets are crossing national boundaries (and incising cross-border capital flow). There is need for transparency in company reports so that investors, lenders and other users of financial information of company could compare their performance from one country to another, AUO there is the need to provide information that is relevant, reliable and understandable to meet the needs of investors, for easy comparability of companies performance and the decision of buy hold or sell mode easy through reduction or elimination of difference in accounting policies and principles between countries.

The term harmonization means “reconciliation of different accounting and financial reporting systems by fitting them in to common broad classification so that form become standard while content retains significant differences” (Mathews and Perere 1996:332) convergence means, the process of converging or bringing together international standard issues by IASB and existing standards issued by national standard setters with the aim of illuminating alternative economic transaction and events. The ultimate objective of convergence is to achieve a single set of internationally consistent high quality global accounting standards issued by IASB and adapted by all the national standard setters (IASB, 2003).

Convergence is the process by which stored stems across the globe discuss accounting issues drawing on their combined experience in order to arrive at the most appropriate solution. (Obazee, 2007)suggests that convergence could be either by adaption (a complete replacement of national accounting standard with IASB’s standards).

2.3. The need for IFRS Adoption

The rapidly growing adoption of IFRS by numerous developing and emerging economies has attracted significant research attention over the past few decades considerable literatures explain this process or a response to existing demand for enhanced financial reporting quality, comparability and uniformity (Ali, 2005). This functional explanation of IFRS adaption by courtiers has been predominately associated with the effect of globalization and the resulting interest to enhance the adapting countries access to international capital markets. This rational of IFRS adaption of IFRS has a notion that harmonization of international accounting standard

would substantively contribute towards facilitating the process of global economic integrating by removing the barrier to the cross border movement of goods, service and capital. This perspective of IFRS adaption agenda related to multi-national corporations with cross borders stock exchange listing and companies operating with transnational boundaries', this notion of IFRS adaption agenda could be challenging as International financial reporting standards are also adapted by countries dominated by firms or listed companies with no oversees or stock exchange listing. While the adaption of IFRS is a manifestation of globalization associated with ensuring the financial health of global capital markets through transparent, comparably and consistent financial information. The developing nations have no choice but no embrace the realities of globalization to participate in the globalized economic wealth predominantly enjoyed by developed nations (Irvin and Lucas 2006). Even though this premise could be forfeited with a notion that the adaption of the globalized set of accounting standards could face challenge in realizing the expected benefit in the context of the developing countries culture and socio-economic realities.

Irvin and Lucas (2006) argued with national that the accounting profession in developing country is not developed to the point where it can regulate the profession and financial reporting practices effectively in a way that it supports the implementation of IFRS in those jurisdiction even though the level of accounting professionalism and its contribution to the effective implementation of IFRS could vary in developing nations depending on their level of development. Similarly, it is argued that the regulatory investment of developing countries may not provide the necessary financial reporting bases, which are implicit in the IFRS and implementation formwork (Irvin and Lucas, 2006). This argument could illustrate the low level of accountancy professionalism and financial regulatory system existing in Ethiopia economic environment referring to the requirements of the globalized financial reporting (IFRS) as it was indicated by the world bank reports (ROSC, 2007).

Development of the global economic order over the last three decades under the leadership of super national institutions normally, the IMF, the world bank and the world trade organization (Manfred, 2003) and the set of global regulatory technologies could be taken as driving force behind the increasing adoption of IFRS both in market centric and non-market centric economies. This trend of external push for IFRS adoption in developing countries often

interacts with the countries need for IFRS adoption as a mechanism of access to the global forces IFRS standardize all accounting practices, rules and regulation concerned practice across the world are able to analyze financial statement because now, they are prepared using standards and guideline and procedure (www.quor.com).

2.4. Benefits of IFRS Adoption

It is advocated that adoption of IFRS will lead to greater transparency and understandability ,lower cost of capital to companies and higher share prices (due to greater confidence of investor and transparent information) reduce national standard setting costs of regulation of security markets, easier comparability of financial data across borders and investment opportunities increased credibility domestic markets to foreign capital provides and potential to foreign merger pertness will also facilitate easier international mobility of professional states across national boundaries (Odia,J,O and ogiedu,K,O,2013)

Armstrong et al. (2007) found that investors expected net benefits to IFRS adoption in Europe associated with increase information quality deceases in information asymmetry more rigorous enforcement of the standards and convergence Garden(2008) listed the benefits from adoption of IFRS in the world as better financial information for shareholder and regulators, enhanced comparability improved transparency of results increased ability to secure cross border listing better management of global operating and decreasing cost of capital in the world. According to Ball (2006) IFRS has direct and indirect benefits to investors.

2.5. The Direct Benefits to Investors

IFRS provides more accurate comprehensive and timely financial statement information relative to the national standard they replace for public financial reporting in most of countries adopting them to the extent that financial statement information is derived from IFRS sources, this should lead to more informed valuation in the equity markets and hence lower risk to investors.

Small investors are less likely them investment professionals to anticipate financial statement information from other source. Improving financial reporting quality through uniform standards allows them to compete better with professional and hence reduce the risk of adverse selection

through better informed professional (known as “adverse selection” (Diamond and Verrecchia 1991; Leuz and Uerrecchia, 2000).

By eliminating many international difference in accounting standards and standardizing reporting formats, IFRS eliminate many of the adjustment analyses historically make in order to make companies financials more comparable internationally .IFRS adoption has the potential to reduce the cost of processing financial information. The gain would be greatest for institutions that create large standardize format financial data base

Reducing the cost of processing financial information will most likely increase market efficiency that is the efficiency with which the stock market incorporate it in prices investors are expected to gain from increased market efficiency

Reducing international difference in accounting standard assists to some degree in removing barriers to cross border acquisition and divestiture which in theory will reward investors with increased takeover premiums (see Bradley, et al., 1988).

2.6. The Indirect Benefits of IFRS Adoption

According to Ball(2006), IFRS offers several indirect advantage to investor since higher information quality should reduce both the risk to less informed investors due to adverse selection in theory if should lead to reduction in firms costs of equity capital .This would increase share prices and in turn makes new investment attractive to increase other factors reaming constant In IFRS advantages to investors arise from improve in the usefulness of financial statement information in contacting between firms and variety of stakeholders notably lenders and managers (Watts,1977; Watts and Zimmerman,1986).

According to UNCTAD several developing countries and countries with economics in transition strive to mobilize financial resources from demotic and international sources to achieve their social and development goals hence the availability of relevant information on potential investment target has an impact on efforts to mobilize investment for financing economic and social developing ,such information plays an important role to make investment decisions and conduct risk assessment (UNCTAD 2008) companies which provide potential

investor with reliable and comparable financial statements are more likely to attract domestic and international investment.

2.7. Challenges of IFRS implantation

The adoption of IFRS is not an easy task due to the fact that several challenges could be faced in the

Way of its implementation. The challenges of IFRS adoption are common to countries across the world even though the same unique challenges that are specific to a particular country depending on its context (Robyn and Grame, 2009 cited in Baba, 2013). The main inhibiting factors in the adoption process of IFRS in Europe, America, and the rest of the world are not necessarily technical but cultural issues mental models legal impediments educational needs and political influences (Obazee, 2007; cited in Odle and Orgiedu, 2013). According to Baba (2013) among other challenges of IFRS adoption include the regulatory requirement to amend the existing tax laws to countries in line with the requirements of new standard level of education and experiences level of awareness in adequate technical capacity, implementation costs weak enforcement and compliance mechanisms.

According to Rang Duh (2006) cited in Odle and Orgiedu, 2013) the challenges affecting the IFRS implementation include the timely interpretation of standards continues amendment to IFRS accounting knowledge and expertise possessed by financial statement users prepare audit and regulates and managerial incentive. Although IFRS has the potential to facilitate cross border comparability increase reporting transparent because information costs reduce information asymmetry and thereby increase the liquidity, competition and efficiency of markets (Ball 2006, Chi and Meek 2005) found that cultural, political and business difference may also continue to impose significant obstacles in the progress toward single global financial communication system because single set of accounting.

2.8. Accounting Practice in Ethiopia

Ethiopian society had a feudal economic base up to the mid twentieth century. This system was gradually transformed into early stage capitalism until the year 1970s, mainly as a result of the country's interaction with western powers and the resulting inflow of foreign capital despite significant infractions of major European powers in the early twentieth century. Ethiopia's relations with Britain and the USA were particularly notable from the perspective of the present study.

British investment played a significant role in the transfer of western accounting practices to the craft of modern accounting standards in Ethiopia in 1905 with the establishment of the Bank of Abyssinia as a branch of the Bank of Egypt, which was in turn administered under the British financial system. As a result, British accounting terminology and financial reporting requirements were used and personal training reinforced the adoption of British-oriented accounting practice. In subsequent decades, advice of foreign consultants to the government led to issues of proclamation and regulation relevant to accounting (Kinfu, 1990).

Early proclamation includes one that established a commission of trade inspectors in the Ethiopian public sector by government regulation in 1927 to conduct performance-audit type activity. The inspection responsibility included providing "suggestion for improving departments whose expenditure were too high relative to the income they generated." (Kinfu, 1990:193). In 1944 the Audit Commission was established by proclamation (Empirical government of Ethiopia 1944) to examine and control the accounts of the ministry of finance. In response to the growth of private sector business in subsequent decades the commercial code of Ethiopia was proclaimed in 1960 (Government of Ethiopia 1960) which served as another landmark in Ethiopia's accountancy development. The code contains accounting and external auditing provisions, although it does not specify required qualifications of an auditor. This provision has continued to the present time to serve as the legal bases for financial reporting and external audit of companies (Mihret and Admassu, 2011). Article 63(1) states "any person or business organization carrying on trade shall keep such book and accounts as are required in accordance with business practice and regulation having regard to the nature and importance of the trade carried on".

Following Ethiopia's return to a market-oriented economic system in 1991, the country embarked on policy reforms to liberalize its economy along the lines of neo-liberal economic

principles to facilitate economic development (Peterson, 2001; Tesema, 2003). Ethiopia is one of those countries that receive foreign aid and loans from international organization in an effort to reduce poverty (Collier and Dollar, 2002). The country has been undertaking the reform as a prerequisite for WTO membership (WTO, 2011). It championed the reform by providing technical and financial assistance (World Bank, 2007) for the number of projects claimed to foster competition in the private sector and enhance the global competitiveness of the country's economy (World Bank, 2010).

While importation of western accounting education and professional certification continued, the globalization era produced new dynamics that called for Ethiopia's adoption of IFRS.

2.9. IFRS Development in Ethiopia

According to IFRS foundation (2013, p.5) in its adoption guide, adopting IFRS is like starting a family as it requires careful planning, commitment and complete understanding of its implications. There are three steps that new adopters of IFRS should pass through before adopting it. 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 targets and deadlines, and making them public and help 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 standards (such as availability of local professionals at company and national level, finance for capacity building and sources of finance materials and technical support).

According to the analyses of the annual reports of corporations in Ethiopia, a corporation in Ethiopia has started to use IFRS in their financial reporting for the first time in 2002/03, the first organization that used the term IFRS for the first time in their annual report in Ethiopia are government-owned entities such as commercial bank of Ethiopia, construction and business bank of Ethiopia, Insurance corporation and Ethiopian Airline. The analysis of the proclamation, regulation and directive, however, indicated that there was no national regional law that required companies to adopt and implement IFRS in Ethiopia. Even in 2008 Article 23(1) of the proclamation provides for banking business (proclamation No. 592/2008) stipulates that "National bank may direct banks to prepare financial statements in accordance with international statements standards whether their designation changes or they are replaced from time to time". This shows that

Ethiopian government was not interested to adopt IFRS officially in 2008 when the proclamation was enacted and postponed the adoption for another time, similarly after four years Article 26(1) of the proclamation to provide for insurance business proclamation No746/2012/ stipulated “ the national bank may direct insurance to prepare financial reports in accordance with international reporting standards regardless of the change” Even though IFRS is not officially adopted at national level, auditors indirectly enforce the same upon management of the organization who have little or no accounting knowhow about accounting standards.

This fact was succinctly explained by one of the higher CEO of audit firm in Ethiopia as follows “IFRS is not officially adopted or customized at national level but auditors are using IFRS by referring IFRS material from website and enforcing organization to prepare the financial statement as per the requirements of IFRS, no standards exists in the country and each organization prepares based on its own interest and to minimize this, some auditors are using IFRS, prepare draft balance sheet and income statement only and the remaining parts (statement of cash flows, statement of owners’ Equity and the notes to the financial statement) are prepared by auditors as companies lack professionals that prepare the whole parts of financial statements ,using this as an opportunity, auditors prepare the financial statement in accordance with IFRS. Let the management of the company to make necessary adjustment to company with IFRS and sign the financial statements prepared after the adjustment, if any.

The analyses of 10 years annual reports of 40 companies has showmen that four organization have started preparing their financial statements in accordance with IFRS in2002/03/ and increased gradually from time to time by 2013/14 the number of corporate using IFRS has reached 18(16are using the fully IFRS while the reming2 are using IFRS for SME).Latter in 2009 Ethiopian commodity exchange Authority through its directive. No 2/2009/2/2001/or amended/ on its commodity exchanges independent auditors procedures under Article 13/2/ stated that” auditing reports of ECX members should state the financial statement are prepared in accordance with internal financial reporting standards are further Art 13/3 of ECX directive No2/2009 required independent auditors to express their opinion on the audited report whether the financial statements of the audit are prepared in accordance with IFRS for SME or not. This directive issued by commodity exchange authority in 2009 is the only legal framework that officially requires usage of IFRS for SME in Ethiopia. Adopting IFRS involves policy

decision to adopt, planning and making all necessary resource required available to handle all the changes result in change in system procedure and operating.

2.10. Motivating Factors for Adopting IFRS in Ethiopia

Previous literature for example Romania and Slitter (2009) documented that countries can decide to adopt IFRS inter alia, because of IFRS network effects i.e. the country is more likely to implement IFRS if other countries in its geographical region are IFRS adopters and they found that the country is more likely to adopt IFRS if its trade partners are IFRS adopter while Zehri and Abdlbaki (2013:4) argued that Jemakowice and Gomik(2006)had shown that countries in the financial markets that are open to foreign investors more likely to adopt the IFRS.

However, in Ethiopia's cannery it was founded that there are different factors that motivate the adoption of IFRS in Ethiopia which can be divided into internal and external factors .from internal factors the most motivating factor is the absence of national accounting standard in the country and the external factor come from lenders and donor, international correspondent organization, world bank and IMF, international audit firms, ACCA through its affiliate officials and Ethiopia graduates who are working as professional auditor in Ethiopia and pushing companies to use IFRS. Regarding the pressure from the World Bank in promoting IFRS in Ethiopia, the private consultant, who is currently working with the Accounting and Auditing Board of Ethiopia (AABE) representing the World Bank in Ethiopia.

2.11. IFRS Adoption and Implementation at National Level

According to the proclamation No847/2014 Article5/1/ Ethiopia has adopting international financial reporting standard(both full-IFRS and IFRS and IFRS for SME) for the purpose of preparing financial statement in December 2014 Article 5 of chapter thereof the proclamation which is entitled as" Applicable Financial Reporting Standards" stipulate the following

The financial reporting standard to be used when preparing financial statement shall be International financial reporting standards or International financial reporting standards for small and medium enterprise issued by international accounting standards board International public sector accounting standards board or its successor as adopted or amended by the board.

The enhancement of the proclamation to provide for financial reporting (proclamation No. 847/2014 is the current development in the accounting in the accounting, auditing and financial reporting history in Ethiopia. Before promulgation of this proclamation there is no single organized body responsible for regulating the accounting and auditing profession and financial reporting practices in Ethiopia and very minor provisions have been issued in various separate laws that are not found in single place and issued by various regulatory body. The government of Ethiopia issued this proclamation No. 847/2014 to achieve the following objectives as stated in Article 1 of the proclamation to establish a sound, transparent and understandable financial reporting system applicable to entities in both private and public sectors to have a uniform financial reporting law that enhance transparency and accountability by centralizing the hitherto decentralized financial reporting structure of Ethiopia to support various building blocks of the economy and to reduce the risk of financial crisis corporate failure and associated negative economic impacts and to ensure that the provision of financial information meets internationally recognized reporting standards. The board shall be accountable to the ministry of finance and economic development Article 3/2 of regulation 332/2014. According to Article 5 of the 332/2014/ the board shall have the following objectives promoting high quality reporting of financial and related information by reporting entities promoting the higher professional standard among auditors and accountants promoting the quality of accounting and auditing services Ensuring that the accounting profession is used in the public interest and Perfect the professional independency of accounting and auditing. The board is also empowered to monitor the financial statement and reports according the board may review the financial statement and reports filed with it to determine whether the financial statement and reports are in compliance with the requirements of the proclamation. Public interest entities are required under article 5/2/ of the proclamation/2014/ to comply with international financial reporting standards, however, article 5/3/ of the proclamation No. 847/2014/ give the mandate for AABE to specify in the financial reporting standards the minimum requirement for recognition, measurements, presentation and disclosure in annual financial statements group annual financial statements or other financial reports which every public interest entity or small or medium enterprise shall comply with in the preparation of financial statements and reports.

2.12. Opportunities to Implement IFRS

Ethiopia is among the fastest growing countries in sub-Saharan African and it has managed to sustain that growing over decades. This growth needs to be supported by high quality financial reporting and IFRS offers that. There is also the advantage arising from the high level of supports to financial reporting reforms by the government. In summary, if Ethiopia lags behind in implementation of IFRS if any lose out in terms of attracting international investments capital which is necessary for investment successfully implementing the adopted IFRS will make Ethiopian part of the global world in terms of high quality financial reporting which is one of the key contributor to sound business environment necessary to attract investment.

2.13. Insurance companies Ethiopia

The emergence of modern insurance in Ethiopia is traced to the bank of Abyssinia which was established in 1905 as the first Ethiopian bank. The bank had been acting as agent for a foreign insurance company to under write fire and marine policies beside. During this period no local insurance or domestic insurance company in Ethiopia was the Imperial insurance company of Ethiopia Limited and it was established in 1951. Over all prior to the nationalization of insurance companies in 1975. The Ethiopian insurance industry had been managed by a mix of expatriates and Ethiopian nationals.

The Dreg regime nationalized all the then existing 13 insurance companies and all banking and insurance business came directly under the exclusive and monopolistic ownership of the government. In December 1975 PMAC, issued proclamation No68/1975 to establish the Ethiopian insurance corporation (EIC) and the assets, liabilities and the operating capital of all the nationalized 13 insurance were transferred to the new entity. According t the aforementioned source. The nationalized insurance companies were brought under a centralized management at the need office which comprised of four divisions, namely administrative division, business division, finance division and operating division.

The eleven non- life insurance companies were reorganized to form six regional main non-life branch namely Northern main branch, North eastern main branch Western main branch ,Eastern main branch North western main branch and Southern main branch. The office of

Northern main branch was located in Asmara. The insurance companies which had been operating in Asmara before nationalization were reorganized to form this main branch which was intended to give insurance service to Eritrea and Tigray administrative regions. The North Eastern main branch was created by merging Blue Nile insurance, pan- African insurance company and National Ethiopia insurance companies. This branch was supposed to give insurance service to wollo administrative and assab

African solidarity insurance company, international insurance company and Rasai Ethiopia insurance company were combined to form Western main branch. It was supposed to provide insurance services to Illubabor, Keffa and Wellega administrative regions. The imperial insurance company and its agents constituted the Eastern main branch. It was giving insurance service part of shoa and Harergh administrative regions, General insurance company, union insurance company and Afro continental insurance companies with their agents constituted North western main branch. This main branch was to serve Gojjam and Gonde administrative regions

After the military government ousted in 1991. Ethiopia insurance corporation was restructured and re- established as public enterprise. In 1994 Ethiopia Insurance Corporation ceased to be the only monopoly in the insurance industry in Ethiopia because other domestic private insurance entered the market. The insurance proclamation number 86/1994 opened the opportunity for establishing domestic private insurance and mandated the national bank of Ethiopia to oversee the activities of both the state-owned and private insurance companies currently there are 17 insurance companies in Ethiopia with about 200 branches across the country.

List of insurance companies Ethiopia

1. African insurance company sc
2. Awash insurance company sc
3. Global insurance company sc
4. Lion insurance company sc
5. Nib insurance company sc

6. Nile insurance company sc
7. Nyala insurance company sc
8. The united insurance company sc
9. Ethiopian insurance corporation
10. Abay insurance company
11. Berhan insurance company sc
12. National insurance company of Ethiopia sc
13. Oromia insurance company sc
14. Ethio- life and General insurance sc
15. Tsehay insurance sc
16. Lucy insurance sc

17. Bunna insurance sc .Source www.ethioinsurance.com .Article26(1)of the proclamation of Ethiopia provide for insurance business proclamation No 746/2012 stipulated the national bank may direct insurance to prepare financial report in accordance with international financial reporting standards(IFRS).

2.14 Theoretical Framework

Theoretical formwork explain, describe, analyzer and present 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, their study were use the theoretical framework developed by Short (2001) with some minor modifications in this study the dependent variable is the implementation of IFRS while the independent variable are IFRS knowledge gap, shortage of qualified professional, resistance to change, management gap, and cost. The study is interested in testing the variability of these variables do these variables truly in any way affect the implementation of IFRS by insurance companies of Ethiopia.

Factor affecting the adoption of IFRS



Source: Developed by the researcher from literature

2.2. Review of Empirical Literature

The economic ability, credibility and positive capital market effects of adoption to capital market participants not disputed consequently. There is growing appreciation of the usefulness of IFRS by countries in different regions of the world irrespective of the size of their economies or financial reporting traditions. It is not possible, however, to draw indisputable conclusions on the overall effects of mandatory IFRS adoption based on the available research (ICAEW 2015). This is because different researchers arrive at different conclusions and it is applicable only to some companies or some countries.

The impact, benefits and costs of the transition to IFRS vary from country to country depending on its starting point, characteristics and culture (Dunne et al, 2008).

ICAEW (2015) in its summaries of 200 empirical research papers conducted on the effects of mandatory IFRS adoption concludes that <<IFRS adoption benefits were unevenly distributed among different firms and different countries due to differences in institutions and incentives

There may have been either negligible benefit or even negative effects rather than benefit for particular firms or countries >> the comparability of financial reports depends on a constant interpretation and application of IFRS across countries. A social, political, economic and culture

factor in countries influence accountants professional's judgments and difference across countries may lead to on inconsistent interpretation and application of IFRS (poudel et al, 2014). On their study of IFRS adoption the case of Nepal found that the adoption of IFRS is likely to be problematic due to the country's contextual environment.

On the some way Hail et al /2009/ studies conclude that firms repenting incentives are shaped by money factor including a country's legal institution (e.g. the rule of law) the strength of the enforcement regime (e.g auditing) the capital market forces (e.g. the need to raise outside capital) product market competition a firms compensation ownership and governess stricture and its operating characteristics.

Overall resource argued that IFRS improver transparency comparability credibility and positive capitals market effect reduce cost of capital corporate investment efficiencies and international capital flows (Dunne et al 2008 Mira et al 2006Epstein and Jermakowic ,2010 Zeghal and ,2006 daske and Gebhardt 2006 Dodiya, 2013 Horton Et al 2010 lovrenco and bronco 2015.)

The IFRS adoption benefits not with standing there are however, a number of challenges to be faced in the process adoption of the new standard Iyohe and owolabi,2012) some of the challenges includes lack of knowledge and expertise in IFRS quality of education and training high cost of implementation resistance to change poor incentives of managers and auditors complexities of standards the absence of general guidelines, inconsistency of laws and regulations week statutory enforcement lack of technical expertise high cost of implementation poor proponents (ball 2003 Dwommor 2017, Abedana and John Gayamey 2006 We over and Woods 2015 madowak 2012) Obazeo (2007) stated the principal factor affecting the implementation of IFRS in Europe, America and the rest of the world are cultural issues mental models legal impediments, educational needs and political influences in those countries rather than the most widely perceive the technical issue as cited in Amonoh , 2017).

The study entitled the challenges faced by reporting entities on their transition to international financial reporting standards in Europe reveled that lack of adequate education, training, knowledge of IFRs and securing executive level support and resources are the a major challenges faced by reporting entities on their transition to IFRS (weaver and woods 2015) week

regulatory from work and enforcement mechanism are challenges from work of IFRS adoption in GCC countries which affected the quality of their financial reports (Avltri, 2013).

Dwommor (2017) indicated that a better understanding of the challenge of adoption may help countries to prepare and take precautionary measures before adopting IFRS. The findings on the challenges of IFRS adoption. However, are heterogenic over and inconclusive. The challenge of IFRS adoption vary with respect to the context of the study.

Siaga (2012) categorized challenges of IFRS adoption that were experienced by different African countries under five specific categorizer namely financial educational, technical, institutional and enforcement challenge. he mentioned that there are financial constraints to adopt IFRS which seems also play a negative role in education and technical capacity. Lack of coherence between the educational and professional programs are the source of for skill shortage in the accounting professional in Africa. This problem also result the shortage of technical knowledge to implement the standard. The coherence between accountings authorities and government regulatory bodies appears to be challenge in Africa

Beside iyoha and owolobi (2012) found that ethical environment and the ability to protect qualified and competent employer are the most important challenges in Africa. They stressed that corporate transparency is a particularly important component of good governance as it ensures the protection of parties (both individual and institutional) who have operational interest in financial repotting in terms of accurate and reliable information which are needed in order to take well- considered economic decisions

The study conducted on IFRS adoption in Nigeria show the inadequate preparation time, lack of coherence of laws, shortage of technically accountants and auditor and lack of IFRS training material were obstacles (Wadaweki 2012) where as in Libay lack of technical skills nod inadequate knowledge professional accountants inconsistency of regularly frame work in adequate education and training of accountant, weakness of professional accountancies body and lack of on independent oversight body were a challenger faced during IFRS adoption(Zekars :2014)

Dwommor (2017) conducted a study entitled IFRS adoption in Ghana. The Dimensions of challenges Firms Encounter found that firms in Ghana did encounter some challenges such as IFRS complexity lack of knowledge and experts regulation problems system and processer and weak institutional support. According to Amonomah (2017), Though the cost of implementation of the standards due to its complexity in Ghana. The case study of Kenya and south Africa shows that there had been facing a problem of conflicting of existing laws and IFRS requirements the gap between according education and IFRS in ability of accountant and professional bodies to apply IFRS cost of implementing IFRS complexity of standards were the major problems (UNACTED, 2008)

Though A couple of studies have been carried out on the challenges of IFRS adoption in developing counties including Africa (Amonomoh, 2017 Dwommor. 2017 modewok: 2012. zighol and mheahibs 2006. zakori 2014) there is a dearth it empirical study in the areas of IFRS adoption in Ethiopia only few research were conducted their study on the benefits challenge and progress of IFFRS edition in Ethiopia (mihiret 2016, kassa et as 2015 hailemichac . 2016 simegh 2015 and deyuu and posricha2016 .Bekolle 2016 According to these studies implementation cost complexity of standards lack of IFRS guidance increased volatility of earnings lack of technical skills and inadequate knowledge of professionals resistance to change Absence of professional Institutional high level training requirement lack of proper instruction from regulatory bodies problem and problem with IFRS use of fair value accounting were identified as the major challenges IFRS adoption in Ethiopia however, all of these researcher were conducted their study based on the perceptions of the respondents and the theoretical justification of IFRS adoption. As result they failed to communicate the practical challenger of IFRS as the implementation was commenced recently and still ongoing.

The practical challenger of IFRS implementation in Ethiopia in privet to Bonks were week corporate governance poor quality of education and truing lack of supports from accountancy professional bodies weak enforcements of regulatory body inadequacy of transition period in proper planning non availability of transport market of information high cost of implementation and weak management support are the major challenge of adopting IFRS by privet bonks in

Ethiopia (Aytenu Agumas 2018) Therefore the focus of this study is practical benefits and factors that affect the implementation of IFRS in insurance companies in Ethiopia.

2.3. Conclusion and Research Gap

Following the rapidly growing adoption of IFRS by various jurisdiction around the world this globally rising financial reporting architectures has attracted significant research attention for the last three or two decades. The review of the literature shows various deliberation and perspectives about the IFRS adoption practices based on other countries experience. It reflects some of the issues relating to the debater, benefits and challenges of IFRS adoption by countries with varying legal, cultural and socio-economic contexts. It highlights the precondition of IFRS adoption to be fulfilled by adopting jurisdiction in terms of technical institutional and enforcement issues

Regarding the Ethiopian IFRS adoption Ethiopia only few research were conducted their study on the benefits challenge and progress of IFRS adoption in Ethiopia (Mihiret 2016, kassa et al 2015 hailemichac. 2016 simegh 2015 and Deyu and posricha201. Bekolle 2016 According to these studies implementation cost complexity of standards lack of IFRS guidance increased volatility of earnings lack of technical skills and inadequate knowledge of professionals resistance to change Absence of professional Institutional high level training requirement lack of proper instruction from regulatory bodies problem and problem with IFRS use of fair value accounting were identified as the major challenges of IFRS adoption in Ethiopia however, all of these researcher were conducted their study based on the perceptions of the respondents and the theoretical justification of IFRS adoption. As result they failed to communicate the practical challenger of IFRS as the implementation was commenced recently and still ongoing.

The practical challenger of IFRS implementation in Ethiopia in privet to Banks were weak corporate governance poor quality of education and truing lack of supports from accountancy professional bodies weak enforcements of regulatory body inadequacy of transition period in proper planning non availability of transport market of information high cost of implementation and weak management support are the major challenge of adopting IFRS by privet banks of Ethiopia (Aytenu Agumas 2018) .Therefore the focus to this study the above mention factors were seen in insurance companies level. Therefore, practical benefits and factors that affect

implementation in insurance companies of Ethiopia. This is the research covering the benefits and factors affect the implementation of IFRS the insurance companies.

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Research Design

Conducting an Empirical study on the implementation of IFRS which is new to Ethiopia in general and the insurance company in particular requires the researcher to discover various kinds of data to enable him to draw conclusion based on the findings. Therefore, to achieve this objective and to address the research question the researcher used mixed method design that encompasses a combination of both qualitative and quantitative methods. The qualitative data were used to substantiate and support the quantitative data that were collected using different data collection methods and tools. Hence, employing the mix of qualitative and quantitative research methods enabled the researcher to consolidate, triangulate and cross-check the data collected, which in turn allowed formulating a holistic interpretive framework of the study. Bryman (2006) stated that mixed method provides a wealth of data and help the researcher to discover findings that they had not anticipated (as cited Saunders et al, 2009).

3.2 Research Approach

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

In this study the researcher were employing the mix of qualitative and quantitative research methods enabled the researcher to consolidate, triangulate and cross-check the data collected, which in turn allowed formulating a holistic interpretive framework of the study. Bryman (2006) stated that mixed method provides a wealth of data and help the researcher to discover findings

that they had not anticipated (as cited Saunders et al,2009). To see the implementation of IFRS in Ethiopia insurance company used mixed research approach to confirm finding.

3.3. Survey Design

This study has attempted to assess the factors affecting the implementation and perceived benefits of the implementation of international financial reporting standards in insurance companies in Ethiopia. To do this the method employed was survey design. According to Fowler(1993) survey research is a means of gathering information usually through self –report using questionnaires. Its purpose is to gather data from a sample of the study 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 IFRS implementation team and top managers of insurance companies which implement IFRS. Questionnaire is a common place instrument for observing data beyond the physical reach of the observer (Leedy, 1989).

3.4. Target Population, Sampling Techniques and sample size

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 will represent the total group (Leedy, 1989).All 17 insurance companies operating in Ethiopia as a population of this study. This is due to all insurance companies in Ethiopia are facilitating the IFRS implementation process together through Ethiopian insurance corporation (EIC). This helps the researcher to access the required data easily in an organized manner. Among 17 insurance companies 10 insurance companies were selected. The reason to select the 10 insurance companies where based on the age of insurance companies. The researcher select the oldest insurance companies because the oldest insurance companies were well organized in finance and human resource.(profiles of the respective insurance companies) Purposive non – probability sampling was employed to select the participants of this study. The selection of the sampling methods is based on the finding of Tongco (2007) revealed a purposive non- probability sampling technique is the most effective when one needs to study a certain cultural domain with knowledgeable experts within. Cresswell and plano(2011) added that purposive sampling techniques employed when identifying and selecting individuals or group of individual that are especially

knowledgeable about or experienced with a phenomena of interest(as cited palinkas et al,2015) As IFRS is new terminology to Ethiopia in general and insurance company in particular the participants of this study need to have specialized expertise and knowledge in the area of IFRS to enable the researcher to answer the research question and to meet the research objective. Zeghal and Mhedhbi (2006) argued that the implementation of IFRS is very strategic and critical decision requires a high level of education, competence and expertise to be able to understand interpret and then make use of these standards.

Therefore, based on their role and close involvement in the process of IFRS implementation the target population of this study were IFRS implementation team, and top managers of those selected insurance company .The researcher believed that those who have close involvement in the implementation has better knowledge than others. The researcher selects 10 insurance companies among 17 insurance companies in Ethiopia. Among selected insurance companies 9 from each implementation team and 1 top manager from each insurance company were participants of this research which are about 100 in number which were the target population to this study. The researcher distributed questionnaires to implementation team and top managers of selected insurance companies.

3.5. Data Collection Instrument

To answer the research question and come up with pertinent findings, both primary and secondary data had been used. The primary data were collected by questioner insurance company IFRS implementation team, accountants and managers of insurance company. Questionnaires were distributed to selected 10 insurance companies IFRS team, and top managers of which 100 participants are completed the questioner and respond accordingly.

On the other hand, secondary data were collected by referring published and unpublished source of data such as books, proclamation and directives issued by federal government. International journal were referred and used as a support of the resale of this study .moreover, local studies conducted in the area of IFRS were reviewed and compared against with this study. Similarly proclamation and regulation which specify the financial reporting requirements of Ethiopia as well as well as measurements and regulations of financial reports were referred. Using the above

different types of procedures for collecting data and boiling the information through different sources helped to boost the validity and reliability of the data interpretation (Zohrabi, 2013).

3.5.1. Questionnaire

Questionnaires were distributed to selected insurance companies IFRS implementation team, and top managers were selected as respondents since they are deemed to have knowledge about IFRS and can provide important perspective on its implementation. The responses obtained from the respondents enable the investigator to understand the factors that could explain the implementation of IFRS by insurance companies about the perceived benefits and the challenges of implementation intentional financial reporting standards both for the companies and for the country at large. The research evidence was gathered through preparing both open-ended and close-ended questionnaires. Mixed questionnaires have many merits the most improving of this adage is its considerable flexibility (MCNABB, 2005).

The questionnaires were structured based on those used by Iyoha and Fobbed (2011) and short (2010). With regard to the close-ended questions the respondents were asked to indicate their level of agreement on a five-point Likert scale with the following ratings: 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 indicated that the item is perceived to be essential while a score of 3 or 2 indicated that the item is perceived to be truly important but not essential while a score of 1 indicated that the item can be disagreed for being unimportant. Similar scores have been used by Courts (1992) and Iyoha and Fobbed (2011) and were found suitable, with respect to the open-ended questionnaire the respondents were asked to provide open-ended responses to the questions that require opinion and if they have an opinion they feel the researcher will find it useful.

3.6. Measurement of Variables and the Regression Model

As it is already mentioned above the dependent variable in this study was the implementation of IFRS by Ethiopia insurance companies.

The dependent variable is **IFRS implementation**

Table 3.1 Description of variables

Independent variable	Factors
IFRS knowledge gap	Prevalence of knowledge gap in IFRS among varies stake holders such as preparers, users, academics and professionals were the most important factors.
Shortage of qualified professional	Shortage of competent and qualified professional accountant and auditors in IFRS is a factor for implementation.
Resistance to change	Resistance from organizations who are benefiting from or comfortable with the existing not enforced and non regulated accounting and auditing system in the country
Management gap	There is a gap in the management (both board members and executive officers) of corporate organization as they have little or no understanding of accounting and financial reporting
Cost	IFRS materials are available foreign currencies and the materials are updated regularly.

Implementation of IFRS is measured with 5 item from the scales developed using the five point likert scale of 1-strongly- disagree “2” disagree ,3 neutral, 4 agree, 5 strangely agree, as per the hitherto existing literature it is possible to measure theses variable by primary data questionnaire. This measure is expected to bring reliable results from the collection of data and its analysis. The full regression model for empirical investigation in estimating factors that might explain the implementation of international financial reporting standards (IFRS) in Ethiopia is given as:

$$\text{IFRS}_i = \beta_0 + \beta_1 \text{IFRS}_{ki} + \beta_3 \text{RC}_i + \beta_4 \text{mg}_i$$

Where:

IFRS_i - IFRS implementation in Ethiop insurance companies

IFRS_{Ki}- IFRS knowledge gap

RCH_i- Résistance to change

MGMTG_i- Management gap

3.7. Methods of data Analysis

Following the completion of the data collection the data were edited, structured, coded and entered in SPSS version 20, for analysis and interpretation purposes. Specific objective one (benefits) and specific objective analyzed using questioner were analyzed qualitative method and specific objective two has analyzed through inferential statistical methods. The factors affecting and benefits were analyzed includes Frequencies , percentage , mean and standard deviation ,descriptive statistic, frequency distribution, correlation and multiple linear regression using statistical package for the social scientist (SPSS). It helps to descend what the data look like. Where that center (mean) is how broadly they are spared in term of one aspect to the other aspects of the same data (Leedy, 1989). The SPSS version 20is used to find out percentages, mean value, frequency, correlation etc. as a main means for summarizing the data.

The parameters employed to describe the questions being studied were measured by five point likert scale. The scale consists of the level of the agreements or disagreements of the respondent ranging from strongly disagree to strangely agree. The level 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)

3.8. Validity Test

Validity refers to the extent to which a measure adequately represents the underlying construct that it is supposed to measure (Bhattacharjee, 2012). Content validity was checked through getting the questionnaire reviewed by experts.

3.9. Reliability Test

Reliability is the degree to which the measure of a construct is consistent or dependable.

There are many ways of estimating reliability one of which is internal consistency reliability. It is a measure of consistency between different items of the same construct. If a multiple-item construct measure is administered to respondents, the extent to which respondents rate those items in a similar manner is a reflection of internal consistency.

This reliability can be estimated in terms of Cronbach's alpha (Bhattacharjee, 2012).

Zikmund (2003) stated that the researcher will conduct the pre-testing to ensure the questionnaire's reliability and to make sure that measures are free from error and therefore will yield consistent result. The reliability of the questions for each variables will obtained when Cronbach's coefficient alpha is *at least 0.6*. And the internal consistency and reliability of the questions will be considered higher, if the result is near to 1. In general, a reliability of a scale or item may fall between 0 and 1. George and Mallery (2003) also stated that a reliability score of greater than 0.9 is excellent, greater than 0.8 is good, greater than 0.7 is acceptable, greater than 0.6 questionable, greater than 0.5 is poor and less than 0.5 is unacceptable. Therefore based on my result of the cronbach's Alpha all items result were greater than 7(seven), it indicates that the items are reliable.

Table 3.2: Reliability Statistics

Variables	Cronbach alpha	No of items
IFRS knowledge gap	.705	4
Shortage of qualified professionals	.713	4
Resistance to change	.724	3
Management gap	.732	2
Cost	.801	3
Average	.735	16

Source: Field Survey, 2019

3.10. Ethical considerations

Some of the expected tenets (principles) of ethical behavior that are widely accepted within the scientific community are: voluntary participation and harmlessness, anonymity and confidentiality, disclosure, analysis and reporting (Bhattacharjee, 2012). Therefore, the researcher was attempting to consider these issues.

CHAPTER FOUR

4. DATA ANALYSIS AND INTERPRETATION

The purpose of this study is investigating benefits and factors affecting the implementation of international financial reporting standards in Ethiopian insurance companies. To produce this study 100 questionnaire were distributed to IFRS implementation team and top managers purposively selected respondents from the sample 10 insurance companies. Of which 84 questionnaire were properly managed and returned. The remaining 16 questionnaire were not properly filled and returned back. The results of 84 questionnaires were summarized as follows.

4.1 Demographic information

Table 4.1: Socio Demographic Characteristics of Respondents

Demographic Characteristics	Category	Frequency	Valid Percent	Mean	Std. Dev.
Sex	Female	31	37	1.6364	.48420
	Male	53	63		
	Total	84	100		
Academic level	Technical Vocational	.	.	1.8182	.38822
	Diploma	14	17		
	Bachelor Degree	63	75		

	Masters degree	7	8.3		
	Total	84	100		
Work experience	1-5 years	38	45.2	1.7273	.86809
	6-10 years	39	46.4		
	11-15 years	7	8.4		
	Total	84	100		

Source: Field Survey, 2019

Table 4.1 depicted the socio-demographic characteristics of respondents. The first socio-demographic characteristic of respondents was gender. Regarding gender 53 (63%) of the respondents were male while 31 (37%) of the respondents were female. Thus, the majority of the respondents were males. The second item was academic level 63(75%) of the respondents were bachelor degree holders while 14 (17%) of the respondents were technical vocational/ Diploma Educational level and masters degree were 7(8.3%). The calculated mean was 1.8182 and the standard deviation was .38822. Thus the majority of the respondents were bachelor degree holders.

The third item was work experience. Regarding to work experience 38(45.2%) of the respondents were having 1-5 years' work experience while 39(46.4%) of the respondents have 6-10 and 7(8.4%) were 11-15 years work experience. The calculated mean was 1.7273 and the standard deviation was .86809. Thus the majority of respondents were having work experience of 1-10 years.

Moreover, the respondents reported that the insurance companies have started using IFRS after accept the proclamation 847/2014.. In addition, they reported that before the adoption of IFRS the reporting standards they were employed tax based method of reporting.

Table 4.2: Comparisons of the tax based reporting method and the IFRS

Item	Response	Frequency	Percent
If you compare tax based method of reporting with IFRS which one is more preferable?	Tax based method	31	37
	IFRS	53	63
	Total	84	100

Source: Field Survey, 2019

Table 4.2 showed that comparisons of the tax base reporting method to the IFRS. Regarding to this 53(63%) of the respondents were reported that IFRS is more preferable standard to be applied while 31(37%) of the respondents were reported that tax base reporting method was more preferable standard to be applied. Thus from the above information it is possible to infer that the tax base reporting method to the IFRS was more preferable.

4.2. Descriptive analysis of the study variables

The factors affecting IFRS implementation were IFRS knowledge gap, shortage of qualified professionals, resistance to change, management gap, cost, under each factor statements were designed to describe the factors of IFRS implementation.

4.2.1 IFRS Knowledge Gap

Table 4.3: IFRS knowledge gap

Item	SD		D		N		A		SA		Me	Std.
	F	%	F	%	F	%	F	%	F	%	an	Dev.
Knowledge gap in IFRS among various stakeholders such as prepares users and academics are the most important challenge for implementation of IFRS	14	16.6	14	16.6	7	8.3	28	33.3	21	25.3	3.33	1.442
Lack of Education in IFRS	14	16.6	-	-	28	33.3	35	41.6	7	8.3	3.25	1.171
Most of stakeholders and mangers of the organization are giving less attention to financial reporting standard	-	-	21	25	28	33.3	35	41.6	-	-	3.16	.804

In Ethiopia knowledge gap discourage insurance Co. to implement IFRS	7	8.3	14	16. 6	14	16. 6	28	33.3	21	25	3.5	1.266
Grand mean											3.31	

Source: Field Survey, 2019

Table 4.3 above deal with IFRS knowledge gap, to describe IFRS Knowledge gap statements were designed the result was presented as follows.

Regarding the knowledge gap the first item which was included to describe was knowledge gap among various stakeholders such as prepares users and academicians are the most important challenge for implementation of IFRS. Against this statement 28(33.3%) of the respondents were disagreed to the statement while 49 (58.3%) of the respondents were agreed to the statement. The calculated mean was 3.33 which was greater than likert scale mean of 3.0 and the standard deviation was 1.49241 which was concentrated for from the calculated mean. This implies that knowledge gap among various stakeholders is the most important challenge for implementation of IFRS. The second item which was designed to describe knowledge gap was the biggest challenge is lack of education of IFRS. Regarding to this issue 42(50%) of the respondents were agreed to the statement while 28(33.3%) of the respondents were neutral to the statement. While the rest 14(16.6%) of the respondents responded disagree. The calculated mean was 3.25 which were greater than the likert scale mean. The standard derivation was concentrated for from the calculated mean. This implies that the biggest challenge to adopt IFRS in lack of education in IFRS.

The third item which was included as factors that affect the implementation of IFRS as knowledge gap was the stakeholders and manager of the organization are giving less attention to financial reporting standards; regarding to this 63(75%) of the respondents were agreed were as

21(25%) of them were disagreed to the statement while 25(29.7%) of the respondents were neutral to the statement.

The calculated mean was 3.16 which were greater than the likert scale mean. The standard deviation was concentrated for from the mean. This implies that most stakeholders and managers of the organizations were giving less attention to financial reporting standard.

The fourth item which was designed to describe the factors that affect implementation of IFRS as knowledge gap in Ethiopian insurance companies, Knowledge gap discourages companies to implement IFRS Regarding to this 21(25%), 49(58.3%) & 14(16.6%) of the respondents were disagreed, agreed and neutral respectively to the statement. The calculated mean was 3.5 which were greater than the likert scale mean. The standard deviation was concentrated far from the mean. This implies that knowledge gab discourage companies to implement IFRS in insurance companies of Ethiopia.

In general due to grand mean vale, 3.31 IFRS knowledge gap, the respondents respond agreed. That is IFRS knowledge gap has impact on implementation of IFRS.

4.2.2 Shortage of Qualified Professionals

Shortage of qualified professional one of the factors affecting implementation of IFRS was shortage of qualified professional.

Table 4.4: shortage of qualified professional

Item	SD		D		N		A		SA		Mean	Std.Dev
Shortage of competent and qualified professional accountants and auditors in IFRS is	-	-	-	-	28	33.3	42	50	14	16.6	3.83	.685

challenge for implementation													
Weak educational level of accountant is barrier for the implementation of IFRS	-	-	35	41.6	-	-	21	25	28	33.3	3.5	1.331	
Absence of professional support with IFRS experience	7	8.3	-	-	28	33.3	21	25	28	33.3	3.75	1.171	
Limited number of chartered accountants (ACCA) inference the adoption	7	8.3	14	16.6	21	25	28	33.3	14	16.6	3.3	1.220	
Grand mean											3.59		

Source: Field Survey, 2019

Table 4.4 depicted that shortage of qualified professional as the factors affecting the implementation of IFRS in insurance companies of Ethiopia. The first item which was included under this factor is shortage of competent and qualified professional and accountants and auditors in IFRS is the challenge for implementation. Against this statement 56(66.6%) of the respondents reported agreement to the statement while 28(33.3%) of the respondents reported neutral to the statement. The calculated mean was 3.83 which were greater than the likert scale

mean. The standard deviation concentrated for from the mean. This implies that shortage of compete and qualified professional and accountants and auditors in IFRS in the challenge for implementation of IFRS. The second item which was included as the factor affecting IFRS implementation was weak educational level of accountants is barrier for the implementation of IFRS Regarding to this 49(58.3%) of the respondents reported that weak educational level of accountants is barrier for the adoption of IFRS while 35(41.6%) of the respondents reported that weak educational level of accountants is not barrier for the implementation of IFRS.

The calculated mean was 3.5 which were greater than the likert scale mean. The standard deviation was concerted for from the calculated mean. This implies that weak educational level of accountants is barrier for the adoption of IFRS.

The third item was absence of professional support with IFRS experience. Regarding to this 49(58.3%) of the respondents were agreed 7(8.3%) of them were disagreed to the statement while 28(33.3%) of the respondents were neutral to the statement. The calculated mean was 3.75 which are greater than the likert scale mean. The standard deviation was con concentrated far from the mean. This implies that absence of professional support with IFRS experience was the factor affecting implementation of IFRS the fourth statement was limited number accountants (ACCA) influence implementation with regards to this statements while 21 (25%) of the respondents were disagreed to the statement 42(50%) Of them agreed were as 21(25%) of them were neutral for the statement. The calculated mean was 3.3 which were greater than the liker scale mean. The standard deviation was concentrated far from the mean. This implies that limited number of chartered accountants (ACCA) influence implementation.

In general due to grand mean value, 3.59 shows that the respondents were agreed with the item, that is shortage of qualified professional has impact on IFRS implementation.

4.2.3 Resistance to Change

Resistance to change is one of the factors affecting the implementation of international financial reporting standard. To design be resistance to change the following statements were designed and presented as follows.

Table 4.5: Resistance to change

Item	SD		D		N		A		SA		Mean	Std.Dev.
The attitude of employers and employee challenge	-	-	21	25	-	-	35	41.6	28	33.3	3.83	1.149
IFRS is complex for countries whose native language is not English challenge for implementation	-	-	14	16.6	14	16.6	28	33.3	28	33.3	3.83	1.074
Ethiopia are practicing accounting where there is no standard and enforcement and they are new to standard	7	8.3	14	16.6	14	16.6	49	58.3	-	-	3.25	1.016
Grand mean											3.63	

Source: Field Survey, 2019

Table 4.5 illustrated that resistance to change as a factor affecting implementation of IFRS. To assess this statement were designed and the result presented as follows. Item 1 is the attitude of employers and employee challenge the implementation. Regarding to this 63 (75%) of the respondents reported that agreement to the statement while 21 (25%) of the respondents disagreed to the statement. The calculated mean was 3.83 which is greater than the likers scale mean. The standard deviation was far from the mean. This implies that the attitude of employees and employee challenge the implementation.

The second item was IFRS is complex or challenge countries whose native languages is not English. Regarding to this 56(66.6%) of the respondents were agreed the statement while 14(16.6%) of the respondents were disagreed to the statement the calculated mean was 3.83 which was greater than the liker scale mean. The standard deviation was 1.05925 which is concentrated far from the mean. This implies that IFRS is complex or challenge for countries whose native language is English.

The third item was Ethiopia are practicing accounting where there is no standards and enforcement and they are new to standards. Regarding to this 7(8.3%) of the respondents disagreed to the statement while 63(75%) of the respondents agreed to the statement. The calculated mean was 3.25 which were greater than liker scale mean.

The standard deviation was 1.03526 which was concentrated far from the mean. This implies that Ethiopian is practicing accounting where there are no standards and enforcement and they are new to standards.

In general due to grand mean value 3.63 the respondents agreed with the item that is resistance to change has impact on IFRS implementation

4.2.4 Management Gap

Management gap is one of the factors affecting the implementation of IFRS in Ethiopia. To see the effect of the management gap statements were designed and the result is presented on table 4.6 follows.

Table 4.6: Management Gap

Item	SD		D		N		A		SA		Mean	Std. Dev
	F	%	F	%	F	%	F	%	F	%		
The management both board members and executive official of company have little understanding for accounting and financial reporting	-	-	7	8.3	7	8.3	5	66.6	14	16.6	3.91	.787
Shortage of well experienced managers in accounting to finance department is challenges for implementation	-	-	-	-	1	16.6	5	66.6	14	16.6	4.00	.606
Grand mean											3.95	

Source: Field Survey, 2019

Table 4.6 showed that management gap regarding management gap statements was designed. The statement that is included to design be the management gap is the managements both board members and executive officials of company have little understanding for accounting and financial reporting. Against this statement 70 (83.3%) of the respondents reported that agreement to the statement while 7(8.3%) of the respondents disagreed to the statement. The calculated mean was 3.91 which are greater than the liker scale mean. The standard deviation was .79772 which is concentrated far from the mean. This implies that the management both board members

and executive officials of company have little understanding for accounting and financial reporting. The second item which was included was shortage of well experienced managers in accounting and finance department is the challenge to adopt IFRS. Concerning this 70(83.3%) of the respondents reported that agreement of the statement while 14(16.6%) of the respondents reported that neutral to the statement. The calculated mean was 4.000 which is greater than liker scale mean. The standard deviation was concentrated far from the mean. This implies that shortage of well experienced managers in accounting and finance department is challenge for implementation. In general due to grand mean value 3.95 the respondents show their agreement on the item that means management gap has impact on IFRS implementation.

4.2.5. Cost

Cost is also one of the factors affecting IFRS implementation in Ethiopia. To see this factor, cost statements were designed and the result presented as follows.

Table 4.7: Cost

2Item	SD		D		N		A		SA		Mean	Std. D
	F	%	F	%	F	%	F	%	F	%		
Carpeting of payment far trainers	7	8.3	7	8.3	-	-	7	83.3	-	-	3.58	.960
The material which IFRS use is costly	7	8.3	1	16.6	1	16.6	3	41.6	14	16.6	3.41	1.94
Companies expectation to pay high cost for implementation of IFRS	7	8.3	1	8.3	3	41.6	1	16.6	14	16.6	3.16	1.149

Grande men	3.38
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Source: Field Survey, 2019

Table 4.7 showed that cost as a factor affecting the implementation of IFRS. To design be cost statement were designed. The designed statement and the result presented as follows. The first statement designed to design be cost is capacity of payment for trainers. Regarding to this 70(83.3%) of the respondents reported agreement to the statement while 14(16.6%) of the respondents reported disagreement to the statement. The calculated mean was 3.58 which is greater than the liker scale mean.

The standard deviation was concentrated far from the mean. This implies that capability of payment for trainers is the factor affecting implementation of IFRS in insurance companies of Ethiopia.

The second item included was the material which IFRS use is costly. Regarding to this 49(58.3%) of the respondents were agreed to the statement while 21(25%) of the respondents were disagreed to the statement. The calculated mean was 3.41 which is greater than the likert-scale mean. The standard deviation was 1.23447 which was concentrated far from the mean. This implies that the material which IFRS use is costly is the factor affecting implementation of IFRS in insurance companies of Ethiopia.

The third item was companies expectation to pay high cost for implementation of IFRS regarding to this 28(33.3%) of the respondents agreed to the statement while 35(41.6%) of the respondents were neural to the statement. The calculated mean was 3.16 which are greater than the likers scale mean. The standard deviation was 1.17184 which was concentrated far from the mean. This implies that company's expectation to pay high cost for implementation of IFRS.

In general due to grand mean value 3.38 the respondents show their agreement on the item that is cost has impact on IFRS implementation.

Table 4.8 Implementing IFRS

Item	SD		D		N		A		AD		me an	Std. D
	F	%	F	%	F	%	F	%	F	%		
Improves the efficiency of financial reporting	4	5	14	16.6	20	24	42	50	4	5	3.3 3	.959
Improves reliability of financial statement	10	12	17	20	7	8	50	60			3.1 5	1.125
Improves effectiveness of financial reporting	14	16.6	20	24	5	6	35	36.5	10	12	3.0 8	1.346
Improves transparency of financial statement			24	29	14	16.6	46	55			3.2 6	.880
Makes external financing easier			12	14	25	30	40	48	7	8	3.5	.843
Improves understandability of financial statement.	5	6	14	16.6	10	12	45	54	10	12	3.5	1.09

Improves comparability of financial statement			17	20	10	12	52	62	5	6	3.5	.898
Improves credibility of financial statement			20	24	5	6	40	48	19	23	3.7	1.075
Grand mean											3.46	

Table 4.8 above deal with IFRS implementation, to describe IFRS implementation statements were designed the result was presented as follows.

Regarding the IFRS implementation the first item which was included to describe was efficiency of financial reporting. Against this statement 18(21.4%) of the respondents were disagreed to the statement while 46 (34.7%) of the respondents were agreed to the statement. The calculated mean was 3.33 which were greater than likert scale mean of 3.0 and the standard deviation was .9876 which was concentrated far from the calculated mean. This implies that IFRS implementation improves efficiency of financial reporting. The second item which was designed to describe IFRS implementation was the reliability of financial statements. Regarding to this issue 50(60%) of the respondents were agreed to the statement while 7(8%) of the respondents were neutral to the statement. While the rest 27(32%) of the respondents responded disagree. The calculated mean was 3.15 which were greater than the likert scale mean. The standard derivation was concentrated far from the calculated mean. This implies that the IFRS implementation improves reliability of financial statement.

The third item which was effectiveness of financial reporting, regarding to this 45(53.5%) of the respondents were agreed were as 34(40.4%) of them were disagreed to the statement while 5(6%) of the respondents were neutral to the statement.

The calculated mean was 3.32 which were greater than the likert scale mean. The standard deviation was concentrated far from the mean. This implies that IFRS implementation improves effectiveness of financial reporting.

The fourth item which was designed to describe the transparency of financial statement, Regarding to this 24(29%), 46(54%) & 14(16.6%) of the respondents were disagreed, agreed and neutral respectively to the statement. The calculated mean was 3.26 which were greater than the likert scale mean. The standard deviation was concentrated far from the mean. This implies that implementation of IFRS improves transparency of financial statement.

The fifth item which was making financial report easier, regarding to this 47(55.9%) of the respondents were agreed were as 12(14%) of them were disagreed to the statement while 25(30%) of the respondents were neutral to the statement.

The calculated mean was 3.5 which were greater than the likert scale mean. The standard deviation was concentrated far from the mean. This implies that IFRS implementation makes external financing easier.

The sixth item which was designed to describe the understandability of financial statement, Regarding to this 19(22.6%), 55(65.4%) & 10(12%) of the respondents were disagreed, agreed and neutral respectively to the statement. The calculated mean was 3.5 which were greater than the likert scale mean. The standard deviation was concentrated far from the mean. This implies that implementation of IFRS improves understandability of financial statement.

The seventh item which was comparability of financial statement, regarding to this 57(67.8%) of the respondents were agreed were as 17(20%) of them were disagreed to the statement while 10(12%) of the respondents were neutral to the statement.

The calculated mean was 3.5 which were greater than the likert scale mean. The standard deviation was concentrated far from the mean. This implies that IFRS implementation improves comparability of financial statement.

The eighth item which was designed to describe the credibility of financial statement, Regarding to this 20(24%), 59(70.2%) & 5(6%) of the respondents were disagreed, agreed and neutral

respectively to the statement. The calculated mean was 3.5 which were greater than the likert scale mean. The standard deviation was concentrated far from the mean. This implies that implementation of IFRS improves credibility of financial statement.

In general due to grand mean vale, 3.46 IFRS implementation improves efficiency, reliability, effectiveness, transparency, understandability, comparability and credibility of financial statement.

4.3. Benefits of implementing IFRS (International Financial reporting standard)

Some of the benefits of implementing IFRS of the companies were improving the efficiency of financial reporting financial statements based on IFRS are reliable and comparable improves effectiveness of financial easier provides greater reporting transparency enables greater effectiveness of the internal audit reduce cost of capital. Furthermore implementing IFRS has benefits for investors. It provides better information for decision making create more confidence in the information presented using IFRS chance transparency of company though better reporting. IFRS has also benefit for management it enables better risk management improves management information for decision making promotes gross boarder investment.

In addition IFRS has benefit for other stake holders. It improves regulation over sight and enforcement provides greater credibility and improved economic prospects for accounting profession provides better reporting and information on new and different aspects of the business challenge of IFRS implementation IFRS implementation is costly increases the complexity of financial reporting lack of IFRS implementation guidance. The attitude of employers and employee tax driven of previous standards, lack of availability of competent specialists, need for training, lack of proper instructions from reputation bodies, problem with it system in leading the transition to IFRS problem with IFRS use of fair value accounting lack of educational coater shoreline chartered accountants government finance policy makers and top level financed manager of companies commitment on IFRS, IFRS in not included in education policy lack of strong role and regulation in chartered accountant left the country for better payments.

Table 4.9: Benefits of IFRS implementation for Investors

Item	SD		D		N		A		SA		Mean	Std. D
	F	%	F	%	F	%	F	%	F	%		
IFRS provider better information for decision making by investors	-	-	7	8.3	35	41.6	21	25	21	25	3.66	.8554
Investors will have more confidence in the information presented using IFRS	-	-	7	8.3	35	41.6	35	41.6	7	8.3	3.5	.78716
implementation of IFRS enhance transparency of company through better reporting	-	-	-	-	28	33.3	49	58.3	7	8.3	3.75	.62062
Grande mean											3.63	

Source: Field Survey, 2019

Table 4.9 showed that whether or not IFRS benefits investors, 42(50%) of the respondents reported that IFRS provide better information for decisions making by investors while 35(41.6%) of them were neutral to whether IFRS provide better information for decision making by investors. The calculated mean was 3.66 which were greater than the likert scale mean. The standard deviation was concentrated far the mean. This implies that IFRS provide better information for decision making. Moreover, 42(50%) of the respondents reported that agreement to the statement implementation of IFRS enhance transparency of company through better reporting while 35(41.6%) of the respondents reported that neutral to the statement. The

calculated mean was 3.5 which were greater than the likert scale mean. The standard deviation was concentrated far the mean. This implies that implementation of IFRS enhance transparency of company through better reporting.

In general due to grand mean value 3.63 the respondents show their agreement on the issue, that is IFRS implementation has advantage for investors.

Table 4.10: Benefits of implementing IFRS to insurance Companies

Item	SD		D		N		A		SD		Mean	Std. D
	F	%	F	%	F	%	F	%	F	%		
implementation of IFRS improves the efficient of financial reporting	-	-	-	-	28	33.3	42	50	14	16.6	3.83	.72051
Financial statements based on IFRS are reliable and compassable	-	-	7	8.3	28	33.3	28	33.3	21	25	3.75	.96840
implementation of IFRS improves effectiveness of financial reporting	-	-	-	-	14	16.6	56	66.6	14	16.6	4.00	.6069

IFRS makes external financing easier	-	-	21	25	14	16.6	49	58.3	-	-	3.33	.86809
It provides greater reporting transparency	-	-	-	-	28	33.3	56	66.6	-	-	3.66	.48420
It enables greater effectiveness of the internal audit	-	-	7	8.3	35	41.6	42	50	-	-	3.41	.64704
Reduced cost of capital	-	-	7	8.3	21	25	28	33.3	28	33.3	3.91	1.0024
Grand mean											3.69	

Source: Field Survey, 2019

Table 4.10 showed that benefits of implementation IFRS to companies. There are hypothetical statements which describe the benefits of adopting IFRS to companies they are presented as follows:

Item 1: is implementation of IFRS improving the efficiency of financial reporting. Regarding to this, 56(66.6%) of the respondents reported that agreement that implementation of IFRS improves the efficiency of financial reporting while 28(33.3%) of the respondents were neutral to the statement. The calculated mean was 3.83 was greater than likert scale mean. The standard deviation was concentrated far from the mean. This implies that implementation of IFRS improves the efficiency of financial reporting.

The second item is financial statements based on IFRS are reliable and comparable. Against the statement 49(58.3%) of the respondents reported that agreement to the statement while 28(33.3%) of the respondents reported that neutral to the statement the calculated mean is 3.75

which is greater than the likert scale mean. The standard deviation is concentrated far from the mean. This implies that financial statement based on IFRS is reliable and comparable. The third is implementation of IFRS improves effectiveness of financial reporting. 70(83.3%) of the respondents were agreed to the statement while 14(18.2%) of the respondents were neutral to the statement. The calculated mean was 4.00 which were greater than the likert scale mean the standard deviation was .60698 which is concentrated far from the mean. This implies that implementation of IFRS improves effectiveness of financial reporting. The fourth item was IFRS makes external financing reporting. Regarding to this, 49(58.3%) of the respondents were agreed to the statement while 21(25%) of the respondents were disagreed to the statement. The calculated mean was 3.33 which were greater than the likert scale mean. The standard deviation was concentrated far from the mean. This implies that IFRS makes external financing easier. The fifth item is it provides greater reporting transparency. Regarding to this, 56 (66.6%) of the respondents reported agreement to the statement while 28(33.3%) of the respondents neutral to the statement. The calculated mean 3.66 which was greater than the likert scale mean. The standard deviation was concentrated far from the mean. This implies that IFRS provides greater reporting transparency.

The sixth item was it enables greater effectiveness of the internal Audit. Against this issue, 42(50%) of the respondents were agreed to the statement while 35(41.6%) of the respondents were neutral to the statement. The calculated mean was 3.41 which are greater than likert scale mean. Furthermore, the standard deviation was concentrated far from the mean. This implies that IFRS enable greater effectiveness of the internal audit.

The seventh item is reduced cost of capital 56(66.6%) of the respondents were agreed to the statement while 21(25%) of the respondents were neutral to the statement. The calculated mean was 3.91 which were greater than likert scale mean. The standard deviation was concentrated far from the mean. This implies that reduced cost of capital is benefits of implementation IFRS to companies.

In general due to grand mean value 3.69 the respondents show their agreement on the issue, that is IFRS implementation has advantage for insurance companies

Table4.11. Benefits of implementing IFRS for Management of insurance companies

Item	SD		D		N		A		SA		mean	Std. D
	F	%	F	%	F	%	F	%	F	%		
Enables better risk management	7	8.3	14	16.6	21	25	35	41.6	7	8.3	3.25	1.1023
Provides better information for management to make a decision			14	16.6	28	33.3	39	46.4	3	3.6	3.36	.9987
Promotes cross border investment	6	7.1	10	11.9	21	25	35	41.6	12	14.2	3.44	1.1142
Make management and reporting entities more efficient, effective, and accountable			14	16.6	21	25	39	46.4	10	11.9	3.53	.9872
Provide management with more timely reports			7	8.3	14	16.6	42	50	21	25	3.91	1.1234
Grand mean											3.49	

Source: Field Survey, 2019

Table 4.11 showed that benefits of implementing IFRS to managers of insurance companies. There are hypothetical statements which describe the benefits of implementing IFRS to managers of insurance companies they are presented as follows:

Item 1: is about risk management, Regarding to this, 42(50%) of the respondents reported that agreement that implementation of IFRS improves the risk of management for reporting while 21(33.3%) of the respondents were neutral to the statement and 21(33.3%) of the disagreed to the item. The calculated mean was 3.25 was greater than likert scale mean. The standard deviation was concentrated far from the mean. This implies that implementation of IFRS improves the risk of management for financial reporting.

The second item is provision of better information for decision making. 42(50%) of the respondents reported that agreement to the statement while 28(33.3%) of the respondents reported that neutral to the statement the calculated mean is 3.36 which is greater than the likert scale mean. The standard deviation is concentrated far from the mean. This implies that provision of better information to managers for decision making is very important. The third is about promotion of cross border investment. 47(55.9%) of the respondents were agreed to the statement while 21(25%) of the respondents were natural to the statement. The calculated mean was 3.44 which were greater than the likert scale mean the standard deviation was .60698 which is concentrated far from the mean. This implies that implementation of IFRS improves cross border investment. The fourth item was efficient and effective financing reporting. Regarding to this, 49(58.3%) of the respondents were agreed to the statement while 14(16.6%) of the respondents were disagreed to the statement. The calculated mean was 3.53 which were greater than the likert scale mean. The standard deviation was concentrated far from the mean. This implies that IFRS makes reporting entities more efficient and effective. The fifth item is about provision of timely report. 63(75%) of them report agreed. Were as 14(16.6%) of the respondents responded disagreed. The calculated mean was 3.91 which were greater than the likert scale mean the standard deviation was .60698 which is concentrated far from the mean. This implies that implementation of IFRS improves more trimly reports.

In general due to grand mean value 3.49 the respondents show their agreement on the issue, that is IFRS implementation has advantage for managers.

Table 4.12: Benefits of implementing IFRS for Stakeholders

Item	SD		D		N		A		SA		mean	Std. D
	F	%	F	%	F	%	F	%	F	%		
Improves regulation oversight and enforcement			14	16.6	21	25	35	41.6	14	16.6	3.58	1.1012
Provides greater credibility and improved economic prospects for accounting profession	6	7.1	10	11.9	25	29.7	40	47.6	3	3.5	3.28	1.3152
Provides better reporting and information on new and different aspects of the business					21	25	42	50	21	25	4	.8763
Increases attraction of new business			7	8.3	25	29.7	35	41.6	17	20.2	3.73	1.1215
Grand mean											3.64	

Source: Field Survey, 2019

Table 4.12: benefits of implementing IFRS for Stakeholders in insurance companies of Ethiopia. The first item which was included under this factor is improvement of regulation oversight and enforcement.. Against this statement 49(58.3%) of the respondents reported agreement to the statement while 21(25%) of the respondents reported neutral to the statement. The calculated mean was 3.58 which were greater than the likert scale mean. The standard deviation

concentrated for from the mean. It implies that IFRS implementation Improves regulation oversight and enforcement. The second item which was provides greater credibility and improved economic prospect for accounting profession. Regarding to this 43(51.1%) of the respondents reported agreed for the item. while 25(29.7%) of the respondents reported neutral for the statement.

The calculated mean was 3.28 which were greater than the likert scale mean. The standard deviation was concerted for from the calculated mean. This implies that IFRS implementation provides better credibility and improve economic prospect for accounting profession. The third item was providing better reporting information on new and different aspects of business. Regarding to this 63(75%) of the respondents were agreed 21(25%) of them were neutral to the statement. The calculated mean was 4 which are greater than the likert scale mean. The standard deviation was concentrated far from the mean. This implies that IFRS implementation provide better reporting and information on new and different aspects of the business. The fourth statement was increase attraction of new business. 52(61.9%) of the respondents were agreed to the statement 25(29.7%) Of them neutral. The calculated mean was 3.73 which were greater than the liker scale mean. The standard deviation was concentrated far from the mean. This implies IFRS implementation increase attraction of new business.

In general due to grand mean value 3.64 the respondents show their agreement on the issue, that is IFRS implementation has advantage for stakeholders.

4.5 Inferential Statistics

Simple linear regression is to investigate the linear relationship between one dependent variable and one independent variable, while the multiple linear regressions focus on the linear relationship between one dependent variable and more than one independent variables.

The multiple linear regressions involve more issues than the simple linear regression such as collinearity, variance inflation, graphical display of regression diagnosis, and detection of regression outlier and influential observation. In this study, the dependent variable is the IFRS implementation. The predictor variables are: IFRS knowledge gap, shortage of qualified professional, resistance to change, management gap, and cost.

When running a Multiple Regression, there are several assumptions that you need to check your data meet, in order for your analysis to be reliable and valid. This tutorial will talk you through these assumptions and how they can be tested using SPSS.

The first assumption of Multiple Regression is that the relationship between the IVs and the DV can be characterized by a straight line. A simple way to check this is by producing scatter plots of the relationship between each of our IVs and. The second assumption is there is no multicollinearity in our data. This is essentially the assumption that your predictors are not too highly correlated with one another. The variance of the residuals is constant. This is called homoscedasticity, and is the assumption that the variation in the residuals (or amount of error in the model) is similar at each point across the model. In other words, the spread of the residuals should be fairly constant at each point of the predictor variables (or across the linear model).

The last assumption is the values of the residuals are normally distributed.

Whereby Y is implementation of IFRS in insurance companies in Ethiopia, β_0 is regression constant, $\beta_1 - \beta_4$ regression coefficients, X_1 is IFRS Knowledge gap, X_2 is shortage of qualified professional, X_3 resistance to change, X_4 is management gap, X_5 is cost,

In this study a linear regression analysis was conducted to test the influence among predictor variable. The researcher used statistical package for social science to code, enter and compute the measurement of the regressions.

4.6 Pearson Correlation Analysis

In statistics, the Pearson correlation analysis is a measure of the correlation (linear dependence) between two variables, giving a value between +1 and -1 inclusive. It is widely used in the sciences as a measure of the strength of linear dependence between two variables. The p-value, in Pearson Correlation analysis, attempts to provide a measure of the strength of results of a test, in contrast to a simple reject or do not reject decision.

In Pearson correlation analysis the value of strength of relationship (r) plays an important role in determining the level of relationships among variables. The significance level, $p < 0.05$ is also used to establish the relationship. This significance level shows that there is only 5 percent

chance that the relationship does not exist, and 95 times out of 100 times the relationship among variables can be defined as having significant correlation. The table below shows the results of 84 the Pearson correlation analysis among the variables, testing of the hypotheses and interpretation of the Pearson correlation results will be presented in a separate section with the results of the regression analysis.

Table 4.13: Pearson correlation coefficient

		KNG	SQP	RCH	MGTG	CT	IFRS
KNG	Correlation	1	0.220	0.343*	0.213	0.386*	0.569**
	Sig(2-tailed)		0.000	0.004	0.045	0.005	0.000
	N	84	84	84	84	84	84
SQP	Correlation	0.142	1	0.412*	0.241	0.332	0.145
	Sig(2-tailed)	0.000		0.460	0.000	0.034	0.060
	N	84	84	84	84	84	84
RCH	Correlation	0.381*	0.148	1	0.324*	0.251	0.456**
	Sig(2-tailed)	0.000	0.032		0.000	0.037	0.000
	N	84	84	84	84	84	84
MGTG	Correlation	0.323	0.412*	0.332	1	0.371	0.369**

	Sig(2-tailed)	0.000	0.045	0.063		0.064	0.00
	N	84	84	84	84	84	84
CT	Correlation	0.401*	0.321	0.178	0.123	1	0.159
	Sig(2-tailed)	0.051	0.041	0.000	0.000		0.084
	N	84	84	84	84	84	84
IFRS	Correlation	0.569**	0.145	0.456**	0.369*	-0.159	1
	Sig(2-tailed)	0.000	0.060	0.000	*	0.084	
	N	84	84	84	0.000 84	84	84
		N=84	N= 84	N= 84	N= 84	N= 84	N= 84

The correlation coefficient for knowledge gap and IFRS implementation is 0.569, shortage of qualified professional and IFRS implementation is 0.145, resistance to change and IFRS implementation is 0.456, management gap and IFRS implementation is 0.369, cost and IFRS implementation is 0.159. For survey scale type data this is approximately medium correlation (Cohen's Conventions for Pearson Correlation Coefficient). The number of respondents in the sample answering both items is 84. P-value for knowledge gap, resistance to change and management gap the correlation coefficient is less than 0.05. This implies that there is a significant correlation among the IFRS implementation and the predictor variables. Were as shortage of qualified professional and cost the correlation coefficient is greater than 0.05. This implies that the IFRS implementation and the predictors are not correlated.

Table 4.14: Linear Regression Model Summary

Model Summary				
Model	R	R Square	Adjusted Square	Std. Error of the Estimate
1	.855a	.731	.704	.48268
a. Predictors: (Constant), Shortage of qualified professional, cost, Management gap, Resistance to change, IFRS knowledge gap b Dependent variable, IFRS implementation				

Table 4.14: showed that result of linear regression of model summary. R-square coefficient of determination is a commonly used statistic to evaluate model fit. The R-square was considered to test the model fit R-square was considered to test the model fit R-square is the co-efficient of multiple determinations is the percent of the variance in the department explained uniquely or jointly independent variable 73.1% of the factors of implementing IFRS variable could be attributed to combined effect of the predictor variables.

Table 4.15: Analysis of variance of the regression factors affecting implementation IFRS and predictor variable

ANOVAa						
Model		Sum of Squares	D f	Mean Square	F	Sig.
1	Regression	43.742	15	6.249	26.821	.000b
	Residual	16.076	69	.233		
	Total	59.818	84			
a. Dependent Variable: Factor affecting IFRS implementation						
b. Predictors: (Constant), IFRS knowledge gap Shortage of qualified professional ,cost , Management gap , Resistance to change						

Table 4.15 showed that analysis of the regression analysis factors of affecting implementing IFRS and predator variable. Probability value 1.00 indicates that the regression relationship was highly significant in predicting how knowledge gap, shortage of qualified professionals, resistance to change, management gap and cost. The F-critical at 5% level of significance was 26.821. Since F-calculated is greater than the F-critical value. This shows that the overall mode was significant. The mean square error term is smaller, indicating less deviation between the observed and fitted values. The *P*-value for the *F* test statistic is less than 0.001, providing strong evidence against the null hypothesis. The squared multiple correlation $R^2 = SSR/SST = 43.742/59.818 = 0.731$, indicating that 73.1 of the variability in the "Ratings" variable is

explained by the three independent variables. This is an improvement over the simple linear model including only the single independent variable.

The F Value is the Mean Square Regression (6.249) divided by the Mean Square Residual (0.233), yielding $F = 26.821$. The p value associated with this F value is very small (0.000). These values are used to answer the question “Do the independent variables reliably predict the dependent variable?” The p value is compared to our alpha level (typically 0.05) and, if smaller, we can conclude “Yes, the independent variables reliably predict the dependent variable”. We could say that the group of variables can be used), IFRS knowledge gap Shortage of qualified professional ,cost , Management gap , Resistance to change to reliably predict the implementation of IFRS (the dependent variable). If the p value were greater than 0.05, we would say that the group of independent variables do not show a significant relationship with the dependent variable, or that the group of independent variables do not reliably predict the dependent variable. Note that this is an overall significance test assessing whether the group of independent variables when used together reliably predict the dependent variable, and do not address the ability of any of the particular independent variables to predict the dependent variables.

Generally, in the Model summary Table-4.15, $F = 26.821$ and $\text{sig} = 0.000$ indicates that the regression model is significant at 5% significance levels. This indicates that the combination of these five independent variables significantly ($p < 0.001$) predicts the dependent variable (implementation of IFRS)

Table 4.16: Regression coefficient of the relationship between factors and the predictive variables

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.164	.996		-2.173	.033
	A IFRS knowledge gap	-.613	.066	-1.109	-9.328	.000
	Shortage of qualified professional	-.137	.069	-.176	-1.997	.050
	Resistance to change	-.261	.061	-.407	-4.267	.000
	Management gap	-.588	.106	-.528	-5.562	.000
	Cost	-.029	.115	-.021	-.250	.803
a. Dependent Variable: Factor affecting IFRS implementation						

In Table-4.16 above, testing the parameters, show that the predictors (IFRS knowledge gap, resistance to change and management gap) are significant variables at 5% significance level. Other variables (shortage of qualified professionals and cost) were insignificant, means that they have no any effect on the dependant variables (IFRS implementation). The tolerance values of the

significant variables are greater than 0.269 ($1 - R^2$) showing the absence of multicollinearity among independent variables.

In Standardized Coefficients (Beta) column, this indicates that values for a regression equation if all of the variables are standardized to have a mean of zero and a standard deviation of one. Because the standardized variables are all expressed in the same units, the magnitudes of the standardized coefficients indicate which variables have the greatest effects on the predicted value. This is not necessarily true of the unstandardized coefficients. Because the magnitudes of the unstandardized coefficients can largely depend on the units of the variables, the effects of the variable on the prediction can be difficult to gauge. While the standardized coefficients may vary significantly from the unstandardized coefficients in magnitude, the sign (positive or negative) of the coefficients is unchanged.

As the result, the fitted regression model equation for significant variables becomes:

$$Y = -2.164 - 0.613X_1 - 0.261X_2 - 0.588X_3$$

Where, X_1 - IFRS knowledge gap

X_2 - Resistance to change

X_3 - Management gap

These estimates tell us about the relationship between the independent variables (X_i) and the dependent variable (Y).

Factor affecting IFRS implementation (Y) = $-2.164 + -0.613 X_1 + -0.261X_2 + -0.588 X_3$ This regression equation above has established that taking all factors in to account knowledge gap, resistance to change, management gap, among professionals constant at zero the effect of the factor will be -2.164. the finding also show that taking at other independent variables at zero, the unit increase in IFRS knowledge gap would lead to a -0.613 at $t = -9.32, p = .000$ decrease influencing as a factors affecting implementation of IFRS. Furthermore, the finding shows that a

unit increase of shortage of qualified professional would lead to a -0.137 at $t = -1.997$, $p = 0.50$ decrease influencing as a factor. In addition the finding show that a unit increase in resistance to change would lead to a -0.261 at $t = -4.267$, $p = .000$ decrease influencing as a factor. A unit increase of management gap would lead to -0.588 at $t = -5.562$, $p = .000$ decrease as influencing as factors. A unit increase in cost would lead to -0.0291 at $t = -0.250$, $p = .803$ decrease as influencing factor.

4.7. Hypothesis Testing

The goal of hypothesis testing is to determine the likelihood that a population parameter, such as the mean, is likely to be true. Here there are two hypotheses: null (**H₀**), and alternative (**H_a**). The **null hypothesis (H₀)**, stated as the **null**, is a statement about a population parameter, such as the population mean, that is assumed to be true. The null hypothesis is **a starting point**. The researcher tests whether the value stated in the null hypothesis is likely to be true. The only reason of testing the null hypothesis is because the researcher thinks that it is wrong. An **alternative hypothesis (H_a)** is a statement that directly contradicts a null hypothesis by stating that the actual value of a population parameter is less than, greater than, or not equal to the value stated in the null hypothesis.

The significance (sig.) value expresses a value to accept or reject the (null) hypotheses. It is also called the p-value. The p-value is the probability that the *correlation is one* just by chance. Therefore, the smaller the p-value, the better will be. The general rule is: reject

H_0 if $p < .05$ and accept H_0 if $p \geq .05$ (Pallant, 2007).

In this part of the study, proof of the null hypothesis is made based on Table 4.22 below for the variables IFRS knowledge gap, shortage of qualified professional, resistance to change, management gap and cost either to accept or reject. Because, to test the research hypotheses already set in chapter 1, it is possible to find out if the independent variables are significant predictors of the dependent variables. For these test of relationships and in that way our hypotheses, the regression analysis was applied for this thesis.

Table 4.17: Independent Variables with their Coefficients and P-Value

Independent variables	Coefficients		P-value(sig)
	Un standardized	Standardized	
	B	Beta	
IFRS knowledge gap	-.613	-1.109	.033
Shortage of qualified professional	-.137	-.176	.050
Resistance to change	-.261	-.407	.000
Management gap	-.588	-.528	.000
Cost	-.029	-.021	.803

Hypothesis 1:

H₀₁: IFRS knowledge gap has no significant effect on IFRS implementation.

H_{a1}: IFRS knowledge gap has significant effect on IFRS implementation.

Table 4.22 Beta value shows that reliability has a positive impact on IFRS implementation with the value of -0.613 Since the P value is less than 0.05 (at p=0.033), the value is significant. Thus we reject the null hypothesis (**H₀₁**) and instead, accept the alternative hypothesis (**H_{a1}**) that says knowledge gap has significant effect on implementation of IFRS.

Hypothesis 2:

H₀₂: shortage of qualified professional has no significant effect on implementation of IFRS.

Ha₂: shortage of qualified professional has significant effect on implementation of IFRS.

The beta value of shortage of qualified professional shows -0.137, this is not significant in its effect on the response variable. The p-value =0.050 is equal to 0.05. Here we accept the null hypothesis that says shortage of qualified professional has no significant effect on implementation of IFRS.

Hypothesis3:

H₀₃: resistance to change has no significant effect on implementation of IFRS.

Ha₃: resistance to change has significant effect on implementation of IFRS.

The beta value of resistance to change shows -0.261 this coefficient has positive impact on implementation of IFRS. Since the P value is less than 0.05 that is 0.00 is significant. Thus we reject the null hypothesis (H₀₃) and accept the alternative hypothesis (Ha₃).

Hypothesis4:

H₀₄: management gap has no significant effect on implementation of IFRS.

Ha₄: management gap has significant effect on implementation of IFRS.

The beta value of management gap is -0.588 the value of this coefficient has positive impact on implementation of IFRS. Since the p value is less than 0.05 that is 0.00 is significant. Thus we reject the null hypothesis (H₀₄) which says management gap has no significant effect on implementation of IFRS and we accept the alternative hypothesis (Ha₄) which says management gap has significant effect on implementation of IFRS.

Hypothesis5:

H₀₅: cost has no significant effect on implementation of IFRS.

Ha₅: cost has significant effect on implementation of IFRS.

The beta value of cost is -0.029 the value of this coefficient has impact on implementation of IFRS. Since the p value is greater than 0.05 that is 0.803 is not significant. Thus we accept the

null hypothesis (H_0) which says cost has no significant effect on implementation of IFRS and we reject the alternative hypothesis (H_a), cost has significant effect on implementation of IFRS.

CHAPTER FIVE

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusions

The purpose of this study was investigating the perceived benefits and factors affecting implementation of IFRS in insurance company of Ethiopia. The factors affecting implementation of IFRS are knowledge gap, shortage of qualified professionals, resistance to change, and management gap. The first socio demographic characteristic of respondents was gender. Regarding gender, 53(63%) of the respondents were male while 31 (36.9%) of the respondents were female. Thus, the majority of the respondents were males. The second item was academic level 70(83.3%) of the respondents were bachelor degree holders while 14 (16.6%) of the respondents were technical vocational/ Diploma Educational level and masters degree7 (8.3%). comparisons of the previous standard to the IFRS.

Regarding to this 53(63%) of the respondents were reported that IFRS is more preferable standard to be applied while 31(37%) of the respondents were reported that tax based method of reporting was more preferable standard to be applied. Thus from the above information it is possible to infer that the tax based method of reporting to the IFRS was more preferable.

Based on the objective of this thesis, the following conclusions are drawn from the above findings, discussions and summary of the study.

In general due to grand mean vale, 3.31 IFRS knowledge gap, the respondents respond agreed. That is IFRS knowledge gap has impact on implementation of IFRS.

In general due to grand mean value, 3.59 shows that the respondents were agreed with the item, that is shortage of qualified professional has impact on IFRS implementation.

Due to grand mean value 3.63 the respondents agreed with the item that is resistance to change has impact on IFRS implementation.

Because of grand mean value 3.95 the respondents show their agreement on the item that means management gap has impact on IFRS implementation.

In general due to grand mean value 3.38 the respondents show their agreement on the item, that is cost has impact on IFRS implementation.

In general due to grand mean value 3.63 the respondents show their agreement on the issue, that is IFRS implementation has advantage for investors.

In general due to grand mean value 3.69 the respondents show their agreement on the issue, that is IFRS implementation has advantage for insurance companies.

In general due to grand mean value 3.49 the respondents show their agreement on the issue, that is IFRS implementation has advantage for managers.

In general due to grand mean value 3.64 the respondents show their agreement on the issue, that is IFRS implementation has advantage for stakeholders.

The t-values and the significances opposite each independent variable indicated that the variables IFRS knowledge gap, resistance to change and management gap, have significant contribution to predict the IFRS implementation from the whole set of predictors that is the P-value for the Predictors is less than 0.05.

All the predictors were used simultaneously in the regression model. So, R square = 0.731 and the adjusted R square is 0.704 this implies that 73.1% of the variability in IFRS implementation.

Table 13 showed that result of linear regression of model summery. R-square co efficient of determination is a commonly used statistic to evaluate model fit. The R-square was considered to test the model fit R-square was considered to test the model fit R-square is the co-efficient of multiple determinations is the percent of the variance in the department explained uniquely or jointly independent variable 73.1% of the factors of implementing IFRS variable could be attributed to combined effect of the predictor variables.

Table 15 showed that analysis of the regression analysis factors of affecting implementing IFRS and predator variable. Probability value 1.00 indicates that the regression relationship was highly

significant in predicting how knowledge gap, shortage of qualified professionals, resistance to change, management gap and cost. The F-critical at 5% level of significance was 26.821. Since F-calculated is greater than the F-critical value. This shows that the overall mode was significant.

Factor affecting IFRS adoption (Y) = $-2.164 + -.613 X_1 + -.261X_2 + -.588 X_3$ This regression equation above has established that taking all factors in to account knowledge gap, resistance to change, management gap, among professionals constant at zero the effect of the factor will be -2.164. the finding also show that taking at other independent variables at zero, the unit increase in IFRS knowledge gap would lead to a -.613 at $t = -9.32$, $p = .000$ increase influencing as a factors affecting implementation of IFRS. Furthermore, the finding shows that a unit increase of shortage of qualified professional would lead to a -.137 at $t = -1.997$, $p = 0.50$ increase influencing as a factors. In addition the finding show that a unit increase in resistance to change would lead to a 0.261 at $t = -4.267$, $p = .000$ increase influencing as a factor. A unit increase of management gap would lead to -.588 at $t = 5.562$, $p = .000$ increase as influencing as factors. A unit increase in cost would lead to -0.0291 at $t = -.250$, $p = .803$ increase as influencing factor. A unit increase in absence of professional institution would lead -.292 at $t = -4.148$, $p = .000$ increase as influencing factors. From the above information, the first factors affecting implementation of IFRS was knowledge gap, the second is management gap, the third is resistance to change. On the other side, shortage of qualified professionals and costs were insignificant factors because there significant levels were greater than zero. But shortage of qualified professionals was significant at 5% significance level.

5.2. Recommendations

Based on the finding the research attempted to recommend the following:

The government and other stockholders should work on resolving knowledge gap as the factors affecting the implementation of IFRS through training and development.

The government and other stockholders should work on resolving management gap to implementation of IFRS in insurance company of Ethiopia through capacity building, training and development.

The government and other stockholders should work on to manage or handle change resistance to implement IFRS in insurance companies through awareness creation and training.

In general, the AABE collaborate with the academic and curriculum developer /setter/ need to incorporate the IFRS education in the business curriculum as soon as possible to enhance the IFRS based financial reporting knowledge among accounting graduate

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Appendix (A)

Questionnaire

Tewodros Kassa (MSc student) Wolkite University FBE Facility
Department of Accounting and Finance

Dear sir/madam

The aim of this questionnaire is to seek information regarding the Implantation of International Financial Reporting Standards (IFRS) in insurance company Ethiopia. The questionnaire will be distributed to IFRS implementation team, Accountants and mangers of insurance 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 implementation of International Financial Reporting Standards in insurance companies of Ethiopia: Benefits ,Challenges and the factor that affect the implementation of IFRS . The information that you provide will be accessible only to the academic purpose. Your involvement is regarded as a great input to the quality of the research results. Hence, I believe that you will enlarge your assistance by participating in the study.

Thank you for your participation

Kind regards

TewodrosKassa

Section I: Demographic Background /General Information

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 Degree
 Master Degree other (specify) _____

3. Working Experience:

- Less than 5 year's 6 to 10 years
 11 to 15 year's 16 to 20 years
 Over 20 years

4. Current position in your organization/Company:

- Finance Manager Operational Staff
 Deputy Finance Manager Supervisory Staff
 Other Specify _____

5. How many years IFRS was introduced in this Company?

- 1 year 3 years
 2 years 4 years

6. Did you get through formal training on IFRS?

- Yes No

7. Have you ever attended any seminar concerning IFRS?

- Yes No

8. Is the number of your foreign investors' increases as a result of IFRS implementation?

- Yes No

Section II: Benefits of the Implementation of IFRS

The scale given below will be applicable as Five-point scales ranging from “Strongly disagree” to “Strongly agree” that are: 1 = Strongly Disagree (SDA), 2 = Disagree (DA), 3 = Undecided (UD),

4 = Agree (A), 5 = Strongly Agree (SA)

2.1 Benefits of implementing IFRS in Your Company

No	Statement	SD	DA	U	A	SA
1.	Improves the efficiency of financial reporting					
2.	Improves reliability of financial statement					
3.	Improves effectiveness of financial reporting					
4.	Improves transparency of financial statement					
5.	Makes external financing easier					
6.	Enables greater effectiveness of the internal audit					
7.	Improves understandability of financial statement.					
8.	Improves comparability of financial statement					
9.	Improves credibility of financial statement					

2.2. Benefits of implementing IFRS for Investors in insurance companies

No	Statement	SD	DA	U	A	SA
1.	Provides better information for decision making by investors					
2.	Investors will have more confidence in the information presented using IFRS					
3	Enhance transparency of insurance companies through better Reporting					

2.3. Benefits of implementing IFRS for Management of insurance companies

No	Statement	SD	DA	U	A	SA
1.	Enables better risk management					
2.	Provides better information for management to make a decision					
	Promotes cross border investment					
3.	Promotes cross border investment					
4.	Promotes cross border investment					
5	Make management of reporting entities more efficient, effective, and accountable					
6	Provide management with more timely reports					

2.4. Benefits of implementing IFRS for Stakeholders

No	Statement	SD	DA	U	A	SA
1.	Improves regulation oversight and enforcement					
2.	Provides greater credibility and improved economic prospects for accounting profession					
3	Provides better reporting and information on new and different aspects of the business					
4	Increases attraction of new business					

Section III: Challenges faced in the implementation IFRS in insurance companies

No	Statement	SD	DA	U	A	SA
1.	Increases the complexity of financial reporting					
2.	Lack of IFRS implementation guidance					
3.	Lack of proper instructions from regulatory bodies					
4.	Differences in IFRS's implementation process					
5.	Lack of competent professionals with IFRS					
6.	More disclosure requirements under IFRS than under the local GAAP					
7.	Problem with the IT system in handling financial report					
8.	Tax driven nature of the previous standards					
9.	Conflict between laws and IFRS					
10.	IFRS implementation has additional costs and time consuming.					
11.	The attitude of employer and employee					
12.	The accountancy professional association also limits the possibility of interactions between practitioners and academics					
13.	Gap between the accounting education through in Ethiopia higher education and IFRS requirement is a challenge to get competent accountants					
14.	Gap between the accounting education through in Ethiopia higher education and IFRS requirement is a challenge to get competent accountants					

Section III

Factors affecting IFRS implementation

A IFRS knowledge gap

9. Knowledge gap in IFRS among various stakeholders such as preparers, users, and academics are the most important challenge for implementation IFRS. A. strongly Disagree (SD) B. Disagree(D) C. Neutral D. Agree(A) E. Strongly agree

10. The biggest challenge is lack of education in IFRS . A. strongly Disagree (SD) B. Disagree(D) C. Neutral D . Agree (A) E. Strongly agree

11 Most of stakeholders and managers of the insurance company are giving less attention to quality financial reporting standard A. Strongly Disagree (SD) B. Disagree (D) C. Neutral (N) D. Agree(A) E. Strongly agree(SA)

12. In insurance companies of Ethiopia knowledge gap discourage to implementation IFRS

A. strongly Disagree (SD) B. Disagree (D) C. Neutral (N) D. Agree(A) E. Strongly agree(SA)

B) Shortage of qualified professional

13. Shortage of competent and qualified professional accountants and auditors in IFRS is challenge for implementation in insurance companies

A. strongly Disagree (SD) B. Disagree (D) C. Neutral (N) D. Agree (A) E. Strongly agree (SA)

14. Weak educational level of accountants is barrier for the implementation of IFRS

A. strongly Disagree (SD) B. Disagree (D) C. Neutral (N) D. Agree(A) E. Strongly agree(SA)

15. Absence of Professional support with IFRS experts

A. strongly Disagree (SD) B. Disagree (D) C. Neutral (N) D. Agree (A) E. Strongly agree(SA)

16. Limited number of chartered accountants (ACCA) influence the implementation .A. strongly Disagree (SD) B. Disagree

C) Resistance to change

17. The attitude of employers in insurance companies challenge the implementation

A strongly Disagree (SD) B. Disagree (D) C. Neutral (N) D. Agree(A) E. Strongly agree(SA)

18. IFRS is complex for the countries whose native language is not English challenge for implementation

A. strongly Disagree (SD) B. Disagree (D) C. Neutral (N) D. Agree (A) E. Strongly agree(SA)

19. Insurance companies in Ethiopia are practicing accounting where there is no standards and enforcement and they are new to standards

A. strongly Disagree (SD) B. Disagree (D) C. Neutral (N) D. Agree(A) E. Strongly agree(SA)

D) Management gap

20.The management both board members and executive officials of insurance company have little understanding for accounting and financial reporting.

A. strongly Disagree (SD) B. Disagree (D) C. Neutral (N) D. Agree(A) E. Strongly agree(SA)

21. Shortage of well experienced managers and accountants in insurance companies were challenge for implementation

A. strongly Disagree (SD) B. Disagree (D) C. Neutral (N) D .Agree(A) E Strongly agree(SA)

E) Cost

22. Capability of payment for trainers.

A. strongly Disagree (SD) B. Disagree (D) C. Neutral (N) D .Agree(A) E. Strongly agree(SA)-

23. The material which IFRS use is coasty

A. strongly Disagree (SD) B. Disagree (D) C. Neutral (N) D. Agree (A) E. Strongly agree(SA)

24. Insurance companies expectation to pay high cost for implementation of IFRS.

A. strongly Disagree (SD) B. Disagree (D) C. Neutral (N) D .Agree(A) E. Strongly agree(SA)

