ST.MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

THE BENEFITS AND KEY CHALLENGES OF USING INTERERNATIONAL FINANCIAL REPORTING STANDARD (IFRS): CASE STUDY OF HEINEKEN BREWERY FACTORY

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DECEMBER, 2016

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THE BENEFITS AND KEY CHALLENGES OF USING INTERERNATIONAL FINANCIAL REPORTING STANDARD (IFRS):

A CASE STUDY OF HEINEKEN BREWERY FACTORY

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepare under the guidance of Advsior .All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Name	Signature

Saint Mary’s University, Addis Ababa December 2016

ENDORSEMENT

This thesis has been submitted to saint Mary University, School of Graduate Studies for examination with my approval as a university advisor.

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Advisor   Signature

Saint Mary's university, Addis Ababa   December2016

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Acronyms & Abbreviations

ACCA- Association of Charted Certified Accountant

ASC- Audit Service Corporation

EAFA- Ethiopian Accounting and Finance Association

EU-European union

FDI- Foreign direct investment

IAS- International Accounting Standards

IASB- International Accounting Standards Board

IFRS- International Financial Reporting Standards

GAAP- Generally Accepted Accounting Principles

MOFEC- Ministry of Finance and Economic Cooperative

NSW-New south Wales

SME- Small and Medium Enterprise

SPSS-Statistical Package for Social Sciences

TPB- Theory of Planned Behavior

Abstract

This study focus on the adoption of International Financial Reporting Standard (IFRS). Benefit and key challenge of IFRS in Heineken Brewery factory. The study use both primary and secondary data. Primary data were collected through questioner and secondary data were collected from company profile and proclamation and regulations. IFRS adopted officially in December 2014 and the main objective of IFRS is to converge the diverse business language being used by business communities all over the world.

Finally the study displayed practical implication for government of Ethiopia and Heineken brewery factory to use proper application of all adopted standard also the study suggest that rigorous IFRS capacity building program should be embarked by the government and company also for training institution in order to provide the needed man power for IFRS implementation.

CHAPTER ONE

INTRODUCTION

The study assessed the benefits and key challenges of International Financial Reporting Standards (IFRS) in Heineken brewery factory. The first chapter deals introductory topics that include Background of the study, Statement of the problem, Research questions, Objective of the study, Significance of the study, Scope of the study and Organization of the study. The introductory topics place the study under context.

1.1. Background of the Study

International Financial Reporting Standards (IFRS), a single set of high quality, understandable and globally accepted reporting standards, have been adopted by more than 100 countries across the globe (IASB, 2016). The main rationale behind the evolvement of IFRS is the harmonization and convergence of the diverse business languages used by the business communities all over the world. IFRS offer a single set; principle based reporting standards, which offer high quality, transparent and comparable financial information for users. The adoption of IFRS have plenty of value propositions that has to be assessed through empirical studies including access to capital, minimized data integration costs, transparent information, improved decision quality and reduced cost of capital. However, its adoption poses challenges to the adopter(s) that shadows the value proposition of such reporting standards. Despite the fact that IFRS has an SME version such challenges are claimed to be of paramount to developing countries like ours. This mainly is due to IFRS's orientation towards fair value and structured market data, which is of non-existent in such economical contexts as sub-Sahara Africa. Accordingly, the benefits such initiatives has to be studied in detail before the scarce resources of such poor economies invested in its adoption to duly assess whether such value propositions are realizable. Further, the key challenges that may curtail the value realization has to be identified ex-ante and appropriate checking measures has to forethought before they begin to be actual problems that waste the limited financial resources of poor countries like Ethiopia in vain. Ethiopia is one of the sub-Sahara African countries which have adopted IFRS. In Ethiopia, IFRS adoption imitative exist as early as 2008 as evidenced in the banking business proclamation no. 592/2008 that permits banks to prepare their reports using International Financial Statement Standards.

Accordingly, there were handfuls of companies that have started using IFRS voluntarily for the preparation of their financial statements since then. The IFRS adoption of such companies was marred by poor preparation, lack of knowledge, devotion of resources and resulted in an impotent adoption. However, but nationally IFRS is adopted officially in December, 2014 through an act of law via the financial reporting proclamation no. 847/2014(Ethiopian proclamation).

The objective of the proclamation is to ensure public interest as envisaged by the international accounting standard board (IASB) by using a single set, 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).

Worldwide convergence of the fragmented accounting standards is seen as an attempt to reduce accounting diversity across countries. Such imitative of reducing accounting standards may seem a timely effort to integrate the reporting languages as evidenced with the recent increased globalization in international market, international trade, cross border financial transactions and investment opportunities. Therefore, this had lead to the adoption of IFRS as a basis of preparing and presenting accounting reports across several national borders. However, the adoption of IFRS is now becoming a trend across countries given either the enormous value propositions it promises to provide countries and multinational companies or it is the accounting fashion of the day (Tesfu,2012)

Hali, Leuz and Wysocki (2010) argue supporting the adoption of IFRS. They state that IFRS offers the means of lowering the cost of capital, a better means of allocating capital as well as providing greater market liquidity. Multinational companies will have cost advantage and there will be no need for companies to report using more than one set of accounting standards.

Most of the above studies have been carried out on IFRS analyzing the data from member countries of European Union. Comparatively fewer numbers of studies have been carried out on data from other countries. However, all such value propositions are for transnational companies whose shares are traded in stock exchanges. But, when it comes to Africa most companies are local not even national, characterized by poor finance, limited staff, lack of knowledge and expertise.

As a result, the real question is whether or not these countries get real benefit that exceeds the cost of adopting IFRS. Until now, scant empirical research on benefits and key challenges of adopting IFRS has been conducted in Ethiopia. This study aims to bridge this gap and study the adoption of IFRS, benefit of IFRS, challenges faced by the stake holder in the process of adoption of IFRS in context of poor economical setting such as sub-Sahara Africa country including Ethiopia.

1.2. Statement of the Problem

IFRS are sets of standards or requirements that dictate the measurement, recognition, presentation and disclosures to be used in the preparation of financial statements by business entities. IFRS are accounting standards that are principle based, market oriented, globally accepted and published to require more extensive disclosure in comparison with prior standards, For example, US generally accepted accounting principles(GAAP). Because of globalization, the world's financial markets are becoming borderless from time to time and as a result companies, regardless of their size, seek capital at the best price wherever it is available. Investors and lenders seek investment opportunities wherever they can get the best returns commensurate with the risks involved. To assess the risks and returns of their various investment opportunities, investors and lenders need financial information (Pacter, 2015).

Such quest for information by the global investor has to be satisfied by a transnational reporting standards that transcend the national reporting boarders of individual countries as US investors are providing funds to companies whose share are traded in Tokyo or Shanghai stock exchanges or co-investing in the Hawassa industry zone by acquiring part share from the government. Here, the real challenge is how such investors can make decision by getting relevant and faithful information about the investee's if the measurement bases used by companies operating in different countries are different.

According to the IFRS foundation (2013), adopting IFRS is like starting family as it requires careful planning, commitment and complete understanding of its implication. There are three steps that new adopter of IFRS should pass through before adopting it. According to this guide the first step is making policy decision through building consensus among concerned stake holders. Second step is preparing a plan by building in targets and deadlines, making them public and help to identify obstacles that must be overcome.

The third step is identifying the resource that we have on hand and what we need to implement the new standards (such as availability of local professional at company and national level, finance for capacity building and source of finance, material and technical supports). These milestones ensure to maximize key benefits and to minimize the challenges of IFRS adoption.

Most of the challenges are not inherent in the above steps, however, instead it emanates from the basic principle that these standards require market data, fair value, professional judgments which are of non-existent in poor economic contexts like the sub-Sahara Africa.

Despite these realities, most studies have been conducted to assess the adoption of international financial reporting standards in different countries of Europe. These may be due to the fact that the European Union (EU) was the first big organ to adopt IFRS across the globe. It is a fact that the economic realities, company integration, market factors in Europe are quite different from Africa. Further, even the EU has adapted not adopted IFRS as issued by IASB. In this study, therefore, the researcher posit that the learning from the research findings is limited as most of the research has been carried out on IFRS analyzing the data from member countries of EU, which are inherently different from Africa. As a result, the benefits and key challenges of adopting IFRS need to be analyzed from the data set of Africa. For example, in most if not all developing and emerging economies the big issue is to attract capital. Africa has wealth of natural resource and human resource, but it lacks the local capital to develop. Capital providers (investor) need information that they can confidently rely on and that is why the IASB exists. If people see the IFRS brand they know what they are buying is how Pacter(2011) reiterated on the issue.

In Ethiopia, until recently there was no legal requirement for compliance with accounting and auditing standards, but only some directive prepared by the then Minster Of Finance and Economic Development (MOFED) and the now Ministry Of Finance and Economic Cooperative (MOFEC) do require the acceptance of general accounting principle and auditing standards.(report on observance of standard and codes (ROSC,2011). However, the financial reporting proclamation officially adopted IFRS and the ministry of council though regulation no. 332/2014 established the Accounting and Auditing Board of Ethiopia (AABE) to oversight such initiatives. AABE adopted not adapted IFRS through its road map issued in May 2015. From these it follows that what are the key benefits that the nation will accrue from adopting IFRS.

For example, HikmetAbdella, country manager of the association of charted certified accountant (ACCA) is reported as saying that adopting IFRS will make it easier for investor and business to evaluate the financial performance of organization with which they might do business or invest in.

Lack of previous standard setting institutional vehicles, lack of organized physical and financial exchanges, and lack of regulated accounting professionals and lack of financial resources characterize the existing Ethiopian economy. Ethiopia as a developing country does not have both organized local financial reporting standards and IFRS. From these it follows that we need to study the challenges that should be overcome to benefit from the adoption of IFRS. In spite of the numerous studies about the Adoption of International Accounting Standards by developed and industrialized countries around the world, less attention has been given to developing countries. There are scant articles about the adoption of accounting standards by developing countries in general and Ethiopia in particular. Hence, this study aims to fill the unavailability of a study that addressed adoption of IFRS benefit and challenge in the country. To this end the study aims to identify the benefits and challenges of adopting IFRS in Ethiopia in the case of Heineken brewery factory.

1.3. Research Questions

In light of the problems discussed above, the study specifically addressed the following basic research questions;

- What factors facilitate adoption of IFRS in Heineken Brewery Factory?
- What practices needed to adopt IFRS?
- What are the key challenges and problems that hinder companies in adopting IFRS?

1.4. Objectives of the Study

1.4.1. General Objective

The general objective of the study is to assess the benefits and challenges of IFRS adoption in Heineken brewery factory.

1.4.2. Specific Objectives

The study aims to:-

- To identify the factor that facilitates adoption of IFRS.
- To assess the progress of IFRS adoption in the factory.
- To identify key challenges and problems that hinders the adoption of IFRS in factory.

1.5. Scope of the Study

The study is mainly concerned with assessing the benefits and key challenges of IFRS in brewery factory. The study’s time delimitation is the 2016/17 fiscal year. The study was a cross sectional one that captures data from different departments of Heineken. The study’s topic is delimited to studying the benefits and key challenges of adopting IFRS. The study was delimited on IFRS: Full version. IFRS for SMEs is out of the scope of this study. The study was also delimited in area as it gather’s data from Heineken head office.

1.6. Significance of the Study

This study is significant for its contribution to the existing imputes of knowledge at it unveils the value propositions that can be realized by poor economies in their IFRS adoption endeavors. Further, it also pinpoints the key inhibitors that mar the adoption of such standards. The significance of this is twofold. In one side, it awakens the standard setters to ameliorate the standards taking the economic realities of these economies. In the other side, adopters will factor in such inhibitors in their adoption initiatives.

The study will have many advantages for practitioners by providing useful information about IFRS. It will also be useful for the practice providing information about gap on actual benefits and challenges of adopting IFRS. The study is also important as it is a drop in the scant literature on adoption of IFRS in developing economy context and is useful for those who are interested to conduct more study regarding the adoption of IFRS.

1.7 Organization of the study

The study was organized in to five chapters. The first chapter covers introductory topics that offer general introduction of the study, statement of the problem, research question and objective of the study. The Second chapter presents the review of related literature in an attempt to identify gaps and to frame the study in addressing such gaps accordingly it presented the desk research done on the benefit and challenge of IFRS. The third chapter presents research methodology while the fourth chapter deals with the analysis of result. The last chapter deals with the conclusion and recommendations of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter mainly focuses on review related literatures which are related to benefit and challenges of IFRS incorporated empirical study of various researchers and theoretical frame work of IFRS.

2.1. Theoretical Literature

2.1.1. Foundation of International Financial Reporting Standards (IFRS)

International financial reporting standards(IFRS) foundation reports directly to the monitoring board and is responsible for complete over sight over the International Accounting Standard Board (IASB).The foundation over and above responsibilities related to standards, is also responsible for fund raising, approving the IASB budget and they have responsibility for any constitutional changes (IFRS:2011)

The IFRS foundation is first and foremost a non-profit organization, which raises funds for the operations of the IASB. It was stated in a journal article (back ground information on the IASB:2002) that the fund are obtained from various global source such as market participants from across the worlds capital market, relevant regulatory bodies and levies introduced for listed and non listed companies in a many countries across the world. A geographically and professionally diverse body of trustees who are publicly accountable to a monitoring board over sees the IFRS foundation. The foundation is supported by external IFRS advisory council and an IFRS interpretation committee to offer guidance where divergence in practice occurs and a thorough, open, participatory and transparent due process including engagement with investors, regulatory, business leaders and the global accountancy profession at every stage of the due process (Ibid)

The foundation is headed up by trustees they are appointed for a renewable term of three years. Trustees are not involved in any technical matters as these are the responsibility of the IASB. However, they are required to be sensitive to any international issues that are relevant to the success of the IFRS foundation (Ibid)

"Selection of the trustee is done per the foundations constitution which stipulates that six of the trustees must be selected from Europe, Asia or the Oceania region, six from Europe, six from North America, one from Africa, one from South America and two from the rest of the world. Jeff van Rooney of South Africa is currently the representative from Africa. The sole objective of the IFRS foundation is to guide the IASB "to develop a single set of high quality understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principle" (IFRS: 2011)

In developing these standards the IASB makes use of the expertise of various committees such as the IFRS interpretations committee as well as the IFRS advisory council. These two committees are discussed in detail in the paragraphs that follow

2.1.2. The IFRS Interpretations Committee

The IFRS interpretations committee (here after IFRIC) was established concurrently with the IASB (refer to time line at the beginning of the chapter) the committee replaced the previous standards interpretation committee. The IFRS interpretations committee was put in place to develop interpretations of IFRS for the IASB and to carry out any other tasks required by the IASB (IFRS: 2011).the IFRS foundation trustee with the aim of interpreting issues identified in current standard as well as providing guidance on issues where conflicting interpretations have developed appoint the IFRIC members .The committee is composed of fourteen members of various geographical back grounds a major requirement is that they have high technical competence, as they need to be able to identify technical issues and resolve them.(IFRS:2011)

2.2. Definition of International Financial Reporting Standards - IFRS

IFRS are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board. IFRS are sometimes confused with International Accounting Standards (IAS), which are the older standards that IFRS replaced. The goal with IFRS is to make international comparisons as easy as possible. This is difficult because, to a large extent, each country has its own set of rules. For example, U.S. GAAPs are different from Canadian GAAP. Synchronizing accounting standards across the globe is an ongoing process in the international accounting community, (www.investopedia.com).

Obviously, there are major differences in financial reporting of companies in different countries. These differences result in complications for preparing, consolidating, auditing and interpreting published financial statements. There has been a greater need to bridge the gap between the differences in financial reporting standards among countries. To make this a reality, several organizations have been involved in trying to harmonize the financial reporting standards worldwide. The terms harmonization and standardization are used in most instances to describe the solution to solving the differences that pertain in national financial reporting standards. Harmonization is the process of increasing the compatibility of accounting practices by setting bounds to their degree of variation. In an effort to harmonize accounting measurements and reporting standards, almost sixteen (16) different governmental and non-governmental organizations have attempted various options. However, the IASC emerged as the most active and potent accounting standards setting body (Gyasi, 2009).

2.3. Reasons for Harmonizing International Accounting Standards

In recent years, countries are much interested and concerned with financial information from other countries due to the increasing rate of internationalization. International harmonization of accounting standards is of much concern to the regulators, preparers, and users of financial information. There are a whole host of professionals that need financial information from different countries for the sake of comparison and effective financial decision making. These include the following:

Firstly, financial analysts and investors need comparable and comprehensible financial information of foreign companies to be better help in their decision whether to buy a particular share or invest in other ventures. The key issues that investors and financial analyst look for are reliability and comparability of the financial information.

Better still, even if there are differences in the accounting standards between countries, investors and financial analysts need to be clear about the nature and magnitude of the differences. More so, foreign companies that list their shares on the domestic stock exchange of another country would be required to provide sound and reliable financial information by the regulators of the stock exchange in the domestic country which meets the local standards. International grantors such as the World Bank would likewise, need harmonized accounting standards to facilitate the comparison of the performance of their borrower countries. (Tesfu,2012)

Secondly, multinational companies are required to prepare a consolidated financial statement so as to reflect the overall activities of the parent company and all the subsidiaries under its wings.

It would be a great relief to accountants if accounting standards were harmonized since the same standards would be used in preparing financial statements by the subsidiaries in other countries. Moreover, it would be much easier to prepare financial information needed for appraisal in subsidiaries in other countries. Harmonizing accounting standards would also facilitate easy mobility of accountants from one subsidiary to another in different country.

Finally, international accountancy firms are also much interested in harmonizing accounting standards in that it helps them in regulating their large client base. Tax authorities also would benefit from harmonization of international accounting standards because it would be beneficial in “dealing with foreign incomes by differences in the measurement of profit in different countries”, (Gyasi, 2009). Historically accounting standards evolved country by country. Set by government, or accounting profession, or independent board. National standards made sense when companies raised money in, and investors sought investment opportunities in, only their home country. Big change has occurred 1975-2000 through Globalization of capital markets (Pacter, 2010).

2.4. Approaches to IFRS Adoption

A country can change its existing accounting system to a globally recognized accounting standard called IFRS either by totaling replacing or customizing it with IFRS over time. The first approach is known as adoption or ‘big bang’ approach while the latter is called a convergence approach. ‘Big bang’ approach is a strategic decision to adopt IFRS on a single date or, perhaps, a series of dates applied to companies of different sizes. Under this approach, once IFRS are adopted, all IFRS standards should be complied while preparing financial statements and the existing accounting standard should be replaced with IFRS; while in Convergence approach, gradual movement is made towards IFRS through customizing with the existing accounting standards and IFRS are applied gradually. Converging a few local standards to IFRSs each year can allow local preparers and auditors to learn a few topics at a time rather than immersing themselves in the full set of IFRSs and convergence approach can also allow time for necessary changes in local legal frameworks (IFRS Foundation Guide, 2013).

2.5. Benefits and Challenges of IFRS Adoption

Various studies have been conducted in different countries to identify benefit realized and challenges faced in adopting IFRS for the first time. Bhattacharje and Islam (2009), for instance**,** conducted a research focusing on the adoption and application of IFRs and problems relating thereto regarding adoption and application of IFRS in the context of Bangladesh and found that IFRS might provide the following benefits: i) Agency problem between management and shareholders can be substantially reduced through implementation of IFRS as increased transparency causes managers to act more in the interests of the shareholders; ii) IFRS adoption could reduce the cost of investors for processing financial information and the improving financial reporting quality in turn allows the small investors to compete better with professionals, and hence reduces the risk they are trading with a better-informed professional (known as “adverse selection”); iii) adoption of IFRS in Bangladesh could reduce accounting diversity and encourage the foreigners for cross border investment which in turn may improve the liquidity of the capital markets and enlarge firm’s investor base to improve risk-sharing and lowers the cost of capital.

Korea Accounting Standards Board and Financial Supervisory Service (2012) in their report entitled “IFRS country report on IFRS Adoption, Implementation and the lessons learned” has shown that Korea had faced the following challenges at the earlier stages of adoption process: (1) there were troubles relating to unexpected additional costs, (2) lack of accounting professionals, and (3) unwelcoming public sentiment, etc. as the users, preparers and auditors of the financial statements encountered numerous challenges and difficulties in adapting to the new accounting standards (IFRS) as they were required to leave behind the accounting practice.

They were so familiar with and adapt to a new accounting paradigm that emphasizes: principles rather than specific rules; economic substance rather than legal form; consolidated financial statements rather than individual financial statements; and fair value measurement rather than historical cost measurement. However, to solve the third difficulty, the KASB employed multidimensional channels to improve the general perception of IFRS in Korea; for example, the

KASB carried out on- and off-line education sessions and held numerous seminars and conferences to improve the understanding of IFRS.

Moreover, in relation with reducing agency problems while adopting IFRS, Leung (2013) argued that IFRSs are developed through an international due process that involves accountants, financial analysts and other users of financial statements such as the business community, stock exchanges, regulatory and legal authorities, academics and other interested individuals and organizations across the globe (IFRS Foundation, 2015).

To protect shareholders interests against improprieties in mandatory IFRS adoption, it becomes important to monitor internal corporate governance and oversee management behavior. This monitoring requires independent board members with financial expertise to control the audit committee and remuneration committee, separation of duties between the chairman and CEO, and good risk management and control. Therefore, a broad assessment Index including comprehensive internal corporate governance is important to measure the board of directors'

2.6. Historical Background of Accounting in Ethiopia

Accounting and its key concepts appear to have had a long history in Ethiopia, Kinfu, (1990) as cited in *(*Mihret, James &Mula, 2012) provides an account of the development of accounting in the Country and argues that the keeping of records in various forms might have existed in ancient Ethiopia as early as the 3rd century A.D. during the Axumite Kingdom of the Nation. The start of modern accounting in the country, nevertheless, is traced to the beginning of the 20th century.

According to Kinfu, the keeping of formal records of government activities started in the 19s when Emperor Menelik established Finance and *Guada*(meaning treasury) Ministry which was to keep records of the King's treasury. Kinfu also indicates that modern financial accounting in the private sector started in Ethiopia in 1905 when the Bank of Abyssinia was established. The bank was established as a branch of the Bank of Egypt, which was in turn administered under the British financial system *(*Mihret et al., 2012).

The development of accounting in Ethiopia seems to exhibit distinct patterns during the three chronological periods: Pre-1974, 1974 to 1991, and post-1991. These patterns are when British accounting firms, like Price Waterhouse and Peat, opened branches in the country (Tesfu, 2012).

2.6.1. Pre-1974

Two significant developments in the history of accounting in Ethiopia took place in the 1960s. In 1960 the Commercial Code of Ethiopia was proclaimed (Government of Ethiopia 1960) which was followed by the formation of the Office of the Auditor General (OAG) in 1961 by Proclamation 199/1961 (Government of Ethiopia, 1961). The commercial Code contains accounting and external auditing provisions, which serve as the legal basis for financial reporting and external audit of companies (Argaw, 2000; Kinfu, 1990; ROSC, 2007) cited in (Tesfu, 2012).

2.6.2. From 1974 to 1991

In 1974, a military government came into power in Ethiopia and declared a communist ideology. Most people agree that this period (up to 1991) was a time when the development of accounting appears to have been held back. Nonetheless, an important landmark in the history of accounting and auditing in this period was the formation of the Audit Service Corporation (ASC) by Proclamation 126/1977 Government of Ethiopia, 1977, (Tesfu, 2012).

Following a revolution, a military government with a communist ideology took power in Ethiopia in 1974. Subsequently, private companies were nationalized and the number of state owned enterprises in the country increased. As a result of these changes, international public accounting firms, i.e., Price Water house Peat & Co. and Mann Judd & Co. closed their Ethiopian branches (Mihret et al., 2012).

2.6.3. Post 1991

After 1991, when the country shifted back to a free-market economic order, a number of public enterprises were privatized, which resulted in a new corporate governance structure that would be expected to enhance the importance of financial reports. Change of government and the type of government are important influences on the development of the accounting profession. During this period the establishment of People’s Democratic Republic of Ethiopia (PDRE) the power and functions of The Auditor General were reformulated and revised by proclamation 13/1988.

In addition to this, the EPAAA has been re-activated and three other professional associations, i.e. the Ethiopian Accounting and Finance Association (EAFA), the Ethiopian chapter of the

Institute of Internal Auditors (IIA), and the Accounting Society of Ethiopia (ASE) have been established (Tesfu, 2012, Mihret et al., 2012).

Though IFRS was developed in 1973 by professional accountants in different countries; its transition to Europe came in 2005. It has been evolving over the years. Currently, Ethiopia is in the progress of adopting it. Even though IFRS is required for financial service sector (banks, insurance companies), corporate sector, state-owned enterprises and nongovernmental organizations (NGOs), Ethiopia lacks resources to implement IFRS properly and it also does not have an authoritative body for accounting which can guide and dictate the implementation of IFRS (Alemayehu, 2009; Minney, 2011) cited in (Tesfu, 2012).

2.7. IFRS adoption and implementation in Ethiopia

According to IFRS foundation (2013,p5) 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 decision through building consensus among concerned stakeholders.

The second step is preparing a plan by building in 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 standard (such as availability of local professional at company and national level, finance for capacity building and source of finance, materials and technical supports) Ethiopia has started to use IFRS in their financial reporting for the first time in 2002/2003.The first organization that used IFRS are government owned entities such as commercial bank of Ethiopia, Ethiopia insurance and Ethiopian air lines. Even though IFRS is not officially adopted at national level, auditors indirectly enforce the same up on management of the organizations who have little or no accounting know how 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 materials from websites and enforcing organizations to prepare the financial statement as per the requirement of IFRS no standard exists in the country and each organization prepares based on its own interest and to minimize this, some auditors are using IFRS.

Prepares 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 statements) are prepared by auditors as companies lack professional that prepare the whole parts of financial statements. using this as an opportunity, auditors prepares the financial statement in accordance with IFRS, let the management of the company to make necessary adjustment to employ with IFRS and sign the financial statement prepared after the adjustment .

Ethiopia is among fastest growing countries in sub – Saharan Africa and this growth need to be supported by high quality financial reporting. So IFRS offers that successfully implementing the adopted IFRS will enhance foreign direct investment (FDI) and easy access to finance which is one of key contributor to sound business environment and necessary to attract investment.

2.8. Empirical Evidence

2.8.1. Factors Influencing adoption of International financial reporting standards (IFRS)

Arsen et al., (n.d) in their journal article entitled ‘’Critical factors of IFRS adoption in the US’’ investigate the behavioral factors that affect early adoption of IFRS in the US. The objective of the paper was to employ Theory of Planned Behavior (TPB) (Ajzen, 1991) to empirically investigate the determinants of early adoption of IFRS in the United States. Specifically, the paper investigates whether attitude, subject norm, and perceived control of IFRS adoption significantly influences the intention of IFRS early adoption. They found that an accountant’s decision to adopt IFRS is a function of subjective norm and perceived behavioral control, which is consistent with theory of planed behavior. However, attitude towards the IFRS adoption is not a significant factor.

Similarly, (Shimaa& Young 2012) conducted the same study entitled ‘’ Factors Affecting the Adoption of IFRS’’. In CM’s framework, eight factors in a country’s environment are believed to have a significant influence on the differences found in accounting systems: major source of finance; legal systems; taxation; political and economic ties; inflation; economic development;

education; and culture. They proved that, CM's model proved fairly descriptive, with all eight factors statistically significant in most of the models: source of finance (equity and foreign debt financing); taxation, legal system, political and economic ties (colonialism and trade alliances), inflation, economic development, education and culture.

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

Ojeka and Mukoro, (2011) conducted a research entitled International Financial Reporting Standards (IFRS) and SMEs in Nigeria: Perceptions of Academic. The paper has three objectives. The first objective was to identify whether the academic believe that the proposed IFRS for SMEs (Statement of GAAP for SMEs) will ease or alleviate the burden of financial reporting and preparation by SMEs in Nigeria. The second objective of the study is to find out if Nigeria government should support the adoption/adaption of IFRS for SMEs. Finally the study aims to find out how outspoken the academic have been towards the adoption/adaption of IFRS for SMEs in Nigeria. The result of the study revealed doubt among the academic about whether this would be so. This was in spite of the good and sincere intentions in establishing IFRS for SMEs. After reviewing the literatures and the empirical result, it was believed that Nigeria government should put all the necessary machinery in place to fast track the adoption of IFRS for SMEs in Nigeria. The result also showed that academics have been relatively quiet in time past in Nigeria since the IFRS for SMEs was proposed.

Nadia et al., (2011) in their paper about IAS/IFRS implementation in Romania; they tried to see the implementation of IFRS in Romania. The purpose of the study was to investigate in-depth, and explain the issues related to, the implementation of IAS/IFRS in an emergent country that recently adhered to the European Union, i.e. Romania. An institutional and structural theory perspective is used to discuss two stages of IAS/IFRS implementation in Romania. Both primary

(11 in-depth semi-structured interviews conducted with key factors involved in financial reporting) and secondary data (accounting regulations after the fall of communism, with respect to the implementation of IAS/IFRS) were collected.

According to the findings of the study the two stages of IAS/IFRS implementation had different outcomes, with a more profound and qualitative impact of the second phase. The first step was a result of coercive external forces, that is, the influence of the World Bank. Given the lack of other factors to favor the change process, it is argued that the actual implementation of IAS in that period was very limited. Even though the second step meant a reduction in scope to only listed companies in consolidated accounts and financial institutions, it is argued that it was accompanied by a change process more significant than in the previous period.

Vrentzou E. (2011), attempted to see the effects of International Financial Reporting Standards on the notes of auditors. The study tries to combine the developments in the accounting area with those in the auditing area. More specifically, it presents the effects of International Accounting Standards (IAS) on the auditor findings and report. International Standards on Auditing (ISA) are revised in order to be accepted by the European Union as the common and formal auditing standards of the member states. The introduction of IAS has been one of the most significant developments in the history of the financial statements preparation and presentation. The effects of the application of these standards are present both on the valuation of the firm and on the presentation of its "true and fair view". An extended analysis of the financial statements and the auditor reports is conducted. The effects of International Financial Reporting Standards (IFRS) on the auditor reports and notes, for the first two years of their formal application, are analyzed. According to the findings of the study it is realized that the auditor notes and the equity adjustments they propose are positively related to the notes that accompany financial statements before the application of IFRS, whereas they are negatively related to the explanatory notes imposed by IFRS. The different role of the company's notes before and after the application of IFRS and the relevant change of the auditor notes are further examined.

IoannisTsalavoutas and Lisa Evans (2010) investigated the transition to IFRS in Greece: financial statement effects and auditor size. The paper aims to explore the impact of the transition to International Financial Reporting Standards (IFRS) on Greek listed companies‟ financial statements with a focus on net profit, shareholders‟ equity, gearing and liquidity. It also seeks to examine any differences in the impact across the sub-samples of companies with Big 4 and non-Big 4 auditors. In line with the literature, the paper employs Gray's comparability index. The sample consists of 238 Greek companies, representing 75 per cent of the companies listed on the Athens Stock Exchange at the end of March 2006.

Findings of the study shows that implementation of IFRS had a significant impact on financial position and reported performance as well as on gearing and liquidity ratios. On average, impact on shareholders‟ equity and net income was positive while impact on gearing and liquidity was negative. Only companies with non-Big 4 auditors faced significant impact on net profit and liquidity. They also faced a significantly greater impact on gearing than companies with Big 4 auditors. A large number of companies with material negative changes are identified, suggesting that transition to IFRS and the fair value option does not necessarily result in higher shareholders‟ equity figures. Many companies provided inadequate transitional disclosures. This is significantly related to auditor size. The findings of the study also suggest that reporting quality has improved under the new accounting regime, especially for companies with non-Big four auditors.

Apostolos A. Ballas, DespinaSkoutela and Christos A. Tzovas (2010) conducted a research on the relevance IFRS to an emerging market by taking evidence from Greece. The paper aims to examine the relevance of International Financial Reporting Standards (IFRS) in emerging markets, with special reference to the case of Greece. The paper also adopts a mixed methodology relying primarily on secondary sources such as the relevant legislation, published annual reports and reports on the effects of the application of IFRS by Greek firms as well as the results of a postal survey addressed to the finance managers of the top 100 Greek firms. Although the Greek environment was not appropriate for IFRS application, participants in the survey believe that their adoption improved the quality of financial reporting. The introduction of IFRS increased the reliability, transparency and comparability of the financial statements. This study provides insights regarding the extent to which the introduction of IFRS influenced the accounting information supplied by firms operating within the European Union.

Robyn Pilcher and Graeme Dean (2009) conducted a study on the implementation of IFRS in local governments: adding value or additional pain. The aim of this paper was to determine the impact financial reporting obligations and, in particular, the International Financial Reporting Standards (IFRS) have on local government management decision making.

In turn, this will lead to observations and conclusions regarding the research question: “Does reporting under the IFRS regime add value to the management of local government?” Following analysis of a survey instrument distributed to all local governments in all states of Australia, this research reports on interviews within Australia’s largest state New South Wales (NSW).

In general, findings suggest that for smaller councils and those situated away from the major cities, the time spent on complying with IFRS and various other legislative demands results in management accounting issues often being downplayed. According to the researchers a further paper needs to be conducted in order to determine in the second year of implementation the impact of IFRS both in Australia and, in the future, in other countries where local government is implementing IFRS.

Stella Fearnley and Tony Hines (2007) investigated how IFRS has destabilized financial reporting for UK non-listed entities. The paper aims to trace the development of attitudes towards financial reporting solutions for entities not subject to the European Union (EU) Regulation. This Regulation mandated application of IFRS for the group accounts of listed companies for financial years beginning 1 January 2005. It seeks to evaluate the alternatives in the light of changing attitudes to IFRS, and the accounting model being adopted, particularly focusing on the problems facing smaller companies.

The paper employs qualitative analysis of data from two main sources: first, a series of interviews with financially literate individuals before IFRS was implemented in the UK; and second, from responses to ASB’s consultations on the future of financial reporting for non-listed entities. According to the findings of the study the increasing perception is that IFRS is overly complex and is complicating the search for appropriate form of financial reporting for entities not covered by the EU Regulation. In particular, there is a difficulty in knowing the correct dividing point between large and small company accounting, and views on this have evolved over time. The needs of small and medium enterprises appear to have been ignored in the debates dominated by the requirements of global players. The research implications are that further, possibly more radical policy options need to be considered for smaller companies to ensure that the costs of financial reporting remain in proportion to the benefits.

Monir Z. Mir and Abu S. Rahaman (2005) conducted a research on the adoption of International Accounting Standards in Bangladesh. The aim of the paper was to evaluate the decision of the Bangladesh Government and accounting profession to adopt international accounting standards (IASs). The paper uses a variety of archival data and interviews with key factors, including preparers and users of annual reports, members of the Securities and Exchange Commission, and members of the professional accounting bodies.

Findings of the paper shows that institutional legitimization is a major factor that drives the decision to adopt IASs because of the pressure exerted by key international donor/lending institutions on the Bangladeshi Government and professional accounting bodies. Such pressure results from not only the need to provide credibility to foreign investors but also the need for strong accountability arrangements with lending/donor agencies. However, the perceived undemocratic nature of the adoption process appears to be creating and enhancing conflict among various constituencies, resulting in very low compliance with these standards.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter presents the research approach adopted, its paradigms and the methodology used in order to achieve the study's objective of analyzing the key challenges and benefits of adopting IFRS. It describes the type of methods selected for data collection and analysis and reason for why these methods were chosen in comparison to other alternative methods. It discusses the research approach, data source, target population, sampling design and data analysis method.

3.1. Research Design

The study investigates the benefits and challenges of IFRS adoption in Heineken brewery factory. The research approach used is a qualitative research in which questionnaire survey was used to gather data which was analyzed using descriptive statistics.

3.2. Philosophical Paradigms

The ontological assumption of the study was that there exist irreducible benefits that should accrue with adoption of IFRS and there are also key inhibiters that should be addressed to accrue the benefits. Epistemologically, the study follows the post-positivist paradigm to uncover the value propositions to be attained and the key inhibiters of them using questionnaire survey and quantitative data assessment methodologies.

3.3. Types of Data and Data Collection Instruments

This study used both primary and secondary data.

3.3.1. Primary data

In this study, the primary data is collected though questionnaire and the survey questionnaires is prepared based on the literature, so as to properly address the research questions and achieve its objectives and as well to draw valid conclusions in accordance with previous studies. The source of the survey instruments for this study was partially adopted from previous studies including (Gyasi, 2009) and (Tesfu, 2012). The other portion were developed by the researcher and pretested in a pilot study to test its validity. The questionnaire items were carefully developed to address the research objectives and mostly used Liker like measurement scales. The survey instruments developed in such rigor were distributed to survey participants and captured their perceptions of benefits and key challenges of IFRS adoption in factory.

3.3.2. Secondary data

The secondary data is collected from various secondary data sources. These sources include company profile, journal articles, books, newsletters, reports, e-libraries, e-Books and other internet sources. These sources provided the researcher with knowledge in developing survey instruments, in analyzing the results of survey measurement, in separating the research constructs and in offering concluding remarks.

3.4. Population of the Study

3.4.1. Target Population

The target population for this study is accountants professing accounting in the case study organizations. As IFRS is a recent phenomenon its company penetration among non-accountants was scant. Due to this the target population is scoped down to finance department employees. In such effort data were collected from Heineken Brewery accounting professionals which include accountants, auditors, cashers and managers. The very reason for accounting practitioners to be the only target population is due to their expertise, relevance and knowledge to IFRS and local reporting practices since they are preparers and auditors of the financial statements.

3.4.2. Population Size

The total number of employees working in the finance department under various functions was 78. As a result, these employees were the study's target population. The units of account for this study were individual employees working in the finance department.

3.5. Sampling Technique and Sample Size

The research was conducted on a sample basis. In order to increase the sample's representativeness and achieve the research's objective the researcher used appropriate sampling techniques and procedures.

In such effort, due to the currency and technicality of the study topic the researcher used non-random sampling technique that uses judgmental /purposive/ sampling. The reason for selecting this purposive sampling was to select participants that will best help the researcher to understand the problem and the research question (Creswell, 2003).So from different brewery company in Ethiopia the researcher selected Heineken brewery factory because it was assessed in the preliminary study that the company wan an early adopter in the manufacture sector and is one of the few companies who actually realized the perceived benefits and faced the challenges of IFRS.

The respondents from total population of the Heineken brewery factory were selected by judgmental sampling since it involves selection of employees who have enough awareness about IFRS and the sample size were determined from employees working in the company's finance department. The sampling unit was finance department employees in various functions. 40 employees were purposively selected from the total of 78 employees resulting in a slightly more than 51% representative rate. The 50 plus was used by the researcher to provide cushion for enough response rate and usable survey instruments.

3.6. Data Analysis Method

To collect the data for this study, survey questionnaires were prepared and distributed to respondents based on reviewed literature. The actual benefits and challenges of IFRS adoption in factory was presented by descriptive statistics using software statistical package for social science (SPSS) version 20 used to analyze and present data by chart, table, frequency distribution and percentage to give a condensed picture of the data. According to Malhotra (2007) using descriptive survey method helps the researcher in picturing the existing situation and allows relevant information using appropriate data collecting instrument.

3.7. Ethical Considerations

An extra care was given for the manner the data were secured form the respondents. The respondents were assured that data was collected only for the research purpose, their anonymity and the confidentiality of any information obtained is strictly kept secret. We should give a top propriety for participants well being whenever we make research on people and the research question should be second on our priority. This means that if we choose to harm participant on the interest of our research, the harm will further affect our research. (Mackn. woodsong, Macqueen, Guest and Namey, 2000)

3.8. Validity and Reliability

The validity of research is conceived as the precision or correctness of the research finding. A number of measures were taken to enhance the reliability of the research, including first the researcher was extra careful in identifying the study target as the study topic was current and unprecedented, second structured questionnaire survey was used, third survey instruments were adopted from the extant literature to the extent available, fourth Likert like scale was used in the survey instruments.

Finally, the entire research findings were extracted through due analysis and rigor considerations in frequent occasions the researcher seek consultation with experts in the professional and academic world to pin the right position of the respondents. In such endeavor, a panel of IFRS Trainers was consulted in the data collection phase and analysis phase of the study to triangulate the survey response with independent verifiers and the real practice.

CHAPTER FOUR

DATA PRESENTATION, ANLYSIS AND INTERPRETATION

4.1. Introduction

The objective of this study was to analyze the benefits and key challenges of IFRS adoption in Heineken brewery factory. This chapter explains and discusses the results of findings based on the analysis done on the data collected to address its objective .The results of the study are presented by triangulating the analysis of the response on survey questionnaire, expert's opinion and organizational settings. The survey questionnaire was administered in Heineken Brewery to finance department employees. From the 40 questionnaires distributed, 38 usable questionnaires were collected all the items dully filled and replied. These provide a total response rate of 95% and representative rate close to 49% adding to the validity and rigor of the study.

4.1.1. Demographic characteristics of the respondents

It has an importance to analyze the background of the respondents to put the study in context as these factors are cross-cutting determinants of responses given by respondents.

4.1.1.1. Gender Distribution of the Respondents

One of the demographic characteristics of the respondents to be analyzed was their gender distribution. Accordingly, the researcher gathered and presented the demographic characteristics of the respondents covering their gender distribution in Table 4.1below:

Table 4.1 Demographic characteristics of the respondent

Gender Distribution	**Frequency**	
	Count	%
Female	9	23
Male	29	73
Total	**38**	**100**

Source: Own survey, December 2016

As it is shown in the above table, majority of the respondents (73%) are male and the remains 23% female. The male dominance in the developing economy professional work context is a well settled fact.

4.1.1.2. Academic Level of Respondents

The impact of International Financial Reporting Standards (IFRS) in terms of perceived benefits and challenges are better articulated by professionals who have attended high level education and professional training. In this respect the researcher gathered and presented the data in Table 4.2 below:

Table 4.2 Academic Level of Respondents

Academic Level	Frequency	
	Count	**%**
Master	7	18
Bachelor	20	53
Diploma and Certificate	9	24
Other (ACCA Certificate)	2	5
Total	**38**	**100**

Source: Own survey, December 2016

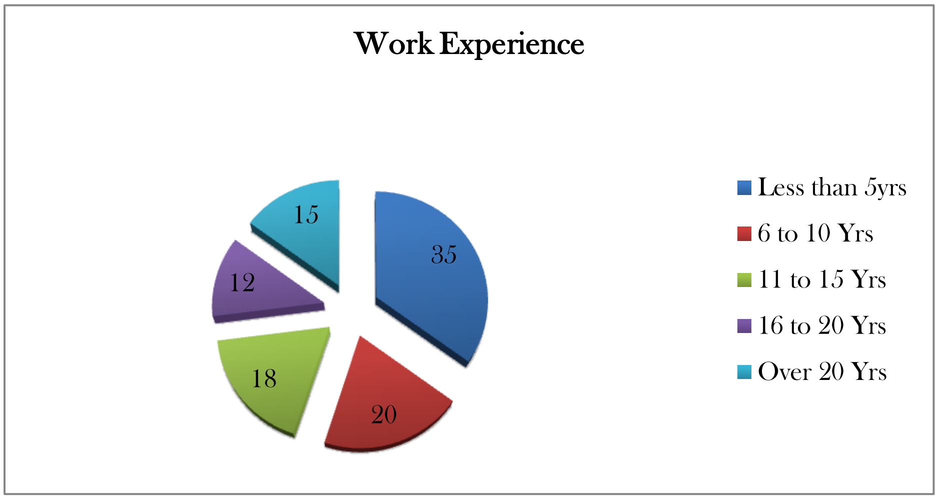
It is clear from the above table that majority (53%) of the respondents are Bachelor degree holders, followed by diploma holders (24%), Masters Degree holders (18%) and certificate holders (5%).It is an impressive combination of professionals ranging from high-level specialists to low level technicians. This academic cocktail should have assisted the company in realizing the perceived benefit and mitigating the challenges of IFRS. It should also result in a valid data that precisely represent the benefits actualized by adopting IFRS. This would also assist the generalization of lessons learned to other companies.

4.1.1.3. Work Experience of Respondents

In studying the benefits and challenges of IFRS, the experiences of the respondents play a significant role. The participant’s exposure to both previous GAAP and to IFRS enables them to quickly pinpoint the major benefits that were realized or could be realized in their perception.

Further, they easily indicate the key challenges faced and techniques of overcoming them from their ample experience. Accordingly, the researcher gathered the data summarized in Chart 4.1 below:

Chart 4.1 Professional Experiences of the Respondents



As it is shown in Chart 4.1 above, majority of the respondents (35%) have a work experience of less than 5 years, followed by respondents with 6 to 10 years experience, and 11 to 15 years experience. The over 20 years experienced were 15% and the least number of experience is that of 16 to 20 years. This indicates, overall, that the Brewery's finance department employees are relatively well experienced and exposed both with previous GAAP and IFRS. In addition, due to the nature of the accountancy profession the more experience employees have the more they refine their proficiency. This could yield them the ability to easily assimilate themselves with the new standard as they could build on what they profess the new requirements. In contrary, having seasoned professionals by itself could cause a challenge as experience and age are negatively correlated with change acceptance. However, according to the respondents the company exposes its employees with frequent trainings that help them to advance with new ideas and innovations.

4.2. Applicable Accounting Standards

The applicable accounting standards that were in use are of paramount importance to analyze perceived benefits of IFRS adoption and its key challenges. In such regard, the following data was collected as summarized in table 4.3 below:

Table 4.3 Applicable Accounting Standards

Previous GAAP	Frequency	
	Count	**%**
US GAAP	36	95
UK GAAP	-	-
Canadian GAAP	-	-
Other (Tax Requirement)	2	5
Total	**38**	**100**

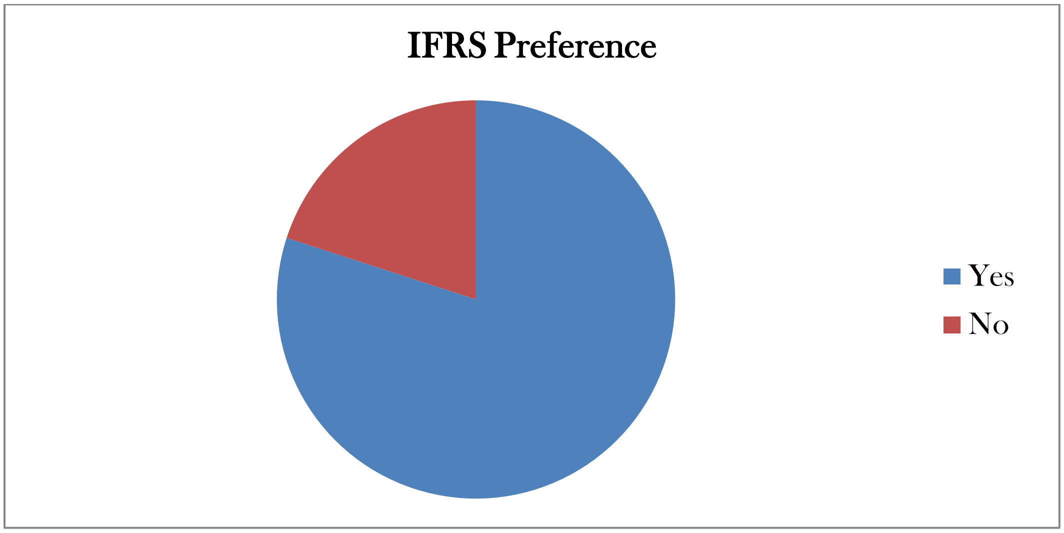
Source: Own survey, December 2016

As it is shown in the above table, almost all professionals (95%) agreed that before the adoption of IFRS the Brewery was using US GAAP. However, 2% of the participants indicated that the Brewery was using Tax Standards. The researcher takes an independent stand in this regard as the gap between US GAAP in use in Ethiopia and the actual US GAAP is higher than the gap between IFRS and US GAAP. For example, due to the FASB/IASB joint convergence projects most standards are virtually similar. However, since the Ethiopian version of GAAP is an old one it may be considered as one of the implementation challenges that will compound implementation efforts and cost. Further, the fragmented use of different GAAPs in companies will reduce the learning that could be secured through implementation, which adds on implementation challenges.

4.3. Preference of IFRS over GAAP

In attempt to capture the perceived benefits and challenges of adopting IFRS, the participants were asked whether they obtained any preference of IFRS over GAAP. Accordingly, the following data were collected regarding preference of IFRS over GAAP as summarized in Chart 4.2 below:

Chart 4.2 IFRS Preference



It is apparent from the above table that significant majority (80%) stated that they perceived IFRS has preference over US GAAP while the rest 20% does not prefer it. This implies that the attitude towards the implementation of IFRS is positive. This positive gesture towards IFRS can be taken as one of the benefits obtained from IFRS.

4.4. Rationale behind IFRS preference

Analyzing the general preference towards IFRS was made to identify the factors that the participants realized more under IFRS. In such attempt the researcher captured the participant's reasons as summarized in table 4.4 below:

Table 4.4Rational for IFRS Preference

Previous GAAP	Frequency	
	Count	**%**
Relevance	15	50
Cost	3	10.5
Faithful Representation	6	18.4
Comparability	6	21
Total	**30**	**100**

Source: Own survey, December 2016

As it is depicted in the above table, majority of the respondents 50% identified IFRS preferred over US GAAP because of its relevance. Relevance is one of the qualitative characteristics of information that enables users of information to differentiate one alternative than other. Relevance will exist if information is timely, if it has predictive and confirmatory values. As a result, this result should not be a surprise due to the fair value attributes unique to measurement in IFRS. The other reason for their preference is the comparability of figures reported for each element of financial statements as indicated by 21% of the respondents. This is also due to the consistency that exist in fair values users in different corners of the world enjoy different comparability while they use IFRS than US GAAP. The participants indicated faithful representation and cost to be the least in their preferences with frequency distribution of 18% and 10% respectively. Faithful representation means that the information reflects the real-world economic phenomena that it purports to represent. Relevance and faithful representation make financial statements useful to the reader.

IFRS should be preferred over US GAAP because according to proclamation number 847/2014 article 5(1) Ethiopia has adopted international financial reporting standard (both full IFRS and IFRS for SME) for purpose of preparing financial statement in December, 2014.According to the draft Financial Reporting Proclamation of Ethiopia, the country is in the progress of adopting IFRS and it is already required for a certain type of institutions. As a result, legal preference has already make IFRS the standard de jure in the Ethiopian context.

4.5. Benefits Realized through IFRS adoption

There could be plenty of benefits that may be associated with use of IFRS. These may include cost savings in reporting, reliability of financial information, achieving the purposes of reporting, simplicity, audit facilitation, and cost of capital reduction. In this regard, the researcher gathered the following data regarding the benefits realized through IFRS adoption as summarized in the table below:

Table 4.5 Realized IFRS Benefits

Benefits	Reporting Efficiency		Faithful Representation		Reporting Objective		Ease of Financing		Audit Quality		Cheap cost of Capital	
Response	Frequency		Frequency		Frequency		Frequency		Frequency		Frequency	
	Count	**%**	**Count**	**%**	**Count**	**%**	**Count**	**%**	**Count**	**%**	**Count**	**%**
Strongly Agree	24	63	16	42	16	42	13	34	16	42	16	42
Agree	10	26	20	52	18	50	13	34	17	45	15	39
Neutral	2	5	-	-	-	-	2	5	1	3	1	3
Disagree	1	3	1	3	1	3	6	16	2	5	2	5
Strongly Disagree	1	3	1	3	3	8	4	11	2	5	4	11
Total	**38**	**100**	**38**	**100**	**38**	**100**	**38**	**100**	**38**	**100**	**38**	**100**

Source: Own survey, December 2016

From the above table we can see that 63% of respondents strongly agreed that IFRS improves efficiency of financial reporting,26% of respondents has also agreed on efficiency of financial reporting and 3%of the respondents strongly disagreed on efficiency of financial reporting,3% of respondent were disagree on efficiency of financial reporting and 5% of respondent were neutral. The result show that IFRS result in improved efficiency of financial reporting. This is due to the greater level of integration that IFRS offers in aggregating data at corporate level.

In the table 4.5 also shows that 42% of respondents strongly agreed on faithful representation of financial statement based on IFRS, 52% of respondents also agree on the faithful representation of financial statement based on IFRS and remaining 3% of respondents strongly disagreed and 3% disagreed, respectively on reliability of financial statement based on IFRS. Standing from result most of the respondents agreed with the proposition that financial statements prepared based on IFRS are more reliable.

Concerning respondent's perception on adoption of IFRS improves effectiveness of financial reporting, from table shows that most respondent agree on adoption of IFRS improves effectiveness of financial reporting which is 42% were strongly agree,50% also agree on effectiveness,3% of respondent were disagree and 8% were strongly disagree. From the above description that IFRS enhances objective of financial reporting.

IFRS is also associated with easier external source of financing. In table 4.5 34% of respondents strongly agreed that IFRS make external financing easier,34% of respondents also agreed on the idea and the remaining,11% and 16% of respondents strongly disagreed and disagree respectively on the idea and 5% of respondent were neutral From this we can understand that most of respondents believe that IFRS would make external financing easier and the adoption of IFRS would also enable the company to secure funds from external capital providers at much ease than it was possible in US GAAP.

Table 4.5 also displays perception toward the adoption of IFRS enables greater effectiveness of the internal audit. It shows that 42% of respondents strongly agreed and 45% of respondents agreed and 5% of respondents strongly disagreed,5% were disagree and 3% of respondent were neutral. IFRS is also associated with reducing audit costs as the different segments and subsidiaries of the company uses same standard across the globe.

In addition, IFRS enables that reduces cost of capital 42% of the respondents strongly agreed on the proposition that IFRS reduces cost of capital, 39% of the respondents agreed on the proposition and 11% of respondent strongly disagreed, 5% of respondents disagree and 3% were neutral on the proposition. From this one can understand that majority of the respondents agreed on the fact that IFRS would significantly reduce cost of capital of companies and also enable greater effectiveness of the internal audit. Leuz and verrechia (2000) states that lower cost of information, reeducation in bad earnings management, increased value relevance of accounting information asymmetry between manager and share holder have positive impact on cost of capital.

Table 4.5.1 Realized IFRS benefits [Continued]

Benefits	IFRS Provides Greater Credibility		Provide Better Financial Reporting		Financial Statement are Comparable		Improve Economic Prospect for Accounting Profession		Enhance Value of Information		Improved Transparency	
Response	Frequency		Frequency		Frequency		Frequency		Frequency		Frequency	
	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%
Strongly Agree	17	45	20	53	21	55	17	45	23	61	22	58
Agree	13	34	11	29	13	34	16	42	9	24	13	34
Neutral			-	-	1	3	2	5	2	5		
Disagree	4	11	2	5			1	3	2	5		
Strongly Disagree	4	11	5	13	3	8	2	5	2	5	3	8
Total	**38**	**100**	**38**	**100**	**38**	**100**	**38**	**100**	**38**	**100**	**38**	**100**

Source own survey, December 2016

As shown in the above table, majority of the respondents believe that IFRS provides greater credibility and provides better financial reporting. It shows that 45% of respondent strongly agree, 34% agree and 11% of respondent strongly disagree and 11% disagree.

Further, 53% of the respondents strongly agreed on the proposition that IFRS provides better financial reporting, 29% of the respondents agreed on the proposition and 5% were disagree and 13% of respondents strongly disagreed on the proposition. This implies that IFRS provides better financial reporting and credibility.

The above table also shows that 55% of the respondents strongly agreed that IFRS enhance the comparability of financial statements, 34% of respondents also agreed on comparability enhancement of IFRS and the remaining 3% and 8% neutral and disagree on the idea respectively. Standing from respondent response that IFRS make financial reporting comparable. Respondent who do not agree that IFRS increase comparativeness of the financial statement may be influenced the widely acknowledgment tendency of IFRS to sanction multiple alternative treatment (bowrin, 2007)

Also 45% and 42% of respondent strongly agree and agree on the idea that IFRS enables improved economic prospect for the accounting profession and 5% of respondent were neutral and 3% disagree,5% of respondent strongly disagree. From the given idea of respondent that IFRS enables improved economic prospect for the accounting profession

As clearly shown from the above table 61% of respondent strongly agree, 24% of respondents agree on the proposition that IFRS enhance information and 5% of respondents disagree and 5% of respondents were neutral and 5% of respondent were strongly disagree from this we can understand that IFRS enhance information

From table that 58% of respondent strongly agree on proposition IFRS improves transparencies,34% of respondent agree on IFRS improves transparencies and 8% were disagree. From respondent perception we can understand that adoption of IFRS enhances transparency of companies through better reporting and they will have more confidence in the information presented. One of the main objectives of IASB is to develop in public interest, a single set of high quality, understandable and enforceable global accounting standard that require high quality, transparent and comparable information in financial statement and other finical reporting to help participants in various capital market of the world and other user of the information to make economic decision. According to this objective of IASB adoption of IFRS enhance transparency of companies through better reporting and provides better information for decision making. Almost all respondent believe that the financial statement would become more transparent at as adoption result of the adoption of IFRS

4.6. Challenges of IFRS adoption

There are plenty of inhibiters encountered in adopting IFRS. The most prominent ones may include adoption cost, complex financial reporting framework, and lack of implementation guidance, lack of awareness and training institutions. Accordingly the researcher gathered the data presented to identify and analyze the challenges encountered in IFRS adoption in tables 4.6 and 4.6.1.

Table 4.6 challenges of IFRS adoption

Challenge	IFRS is Costly		Financial Reporting Complexity		Lack Of Implementation Guidance		Lack of Training Institution		Lack of Proper Instruction	
Response	Frequency		Frequency		Frequency		Frequency		Frequency	
	Count	%	Count	%	Count	%	Count	%	Count	%
Strongly Agree	9	23	9	23	10	26	13	34	16	42
Agree	14	37	4	11	5	13	13	34	17	45
Neutral	3	8	3	8	2	5	2	5	1	3
Disagree	6	16	13	34	13	34	6	16	2	5
Strongly Disagree	6	16	9	23	8	21	4	11	2	5
Total	**38**	**100**	**38**	**100**	**38**	**100**	**38**	**100**	**38**	**100**

Source own survey, December 2016

As it can be seen from the above table, 23% of the respondents strongly agreed that adoption of IFRS is costly, 37% of the respondents also agreed on the proposition that IFRS is costly and 16% of respondents strongly disagree, 16% of the respondents disagree on the matter and 8% of the respondents were neutral. This indicates that one of the significant challenges that could explain poor adoption is its implementation cost.

Also 23% of the respondents strongly agree on the proposition that complexity of IFRS based financial reporting 11% of the respondents agree on complexity of financial reporting and 34% of respondent strongly disagree on such proposition, 23% of the respondents disagree on the proposition that IFRS complicate financial reporting and 5% of the respondents were neutral. From this we can say that respondents perception were far away from one another but this is due to the complex and less understandable nature of IFRS and it is especially the case for developing and least developed countries. This complexity requires a double workload during the transition year for finance and accounting people and many others.

According to Jermakowicz, (2004), one of the reasons is the complex nature of some of the IFRS, including standards related to hedge accounting (IFRS 9) and impairment tests (IAS 36). For some businesses, criteria for the capitalization of development costs seem to be away from economic reality (IAS 38). Even though IFRS is being criticized for its wide and complex nature, some respondents argue that these days the complex nature of IFRS adoption seems decreasing at an increasing rate. They put two reasons to support their argument; the first is countries which adopt IFRS lately can learn lessons from early adopter's mistakes. This means countries like Ethiopia have a late comer advantage. The other reason is higher learning institutions of the country and the Association of Chartered Certified Accountants (ACCA-UK) are producing accounting professionals with IFRS orientation. In this regard Addis Ababa University and Bahirdar University are the forerunners among the higher learning institutions. The aforementioned reasons and the increased technological advancements in the area of financial reporting might contribute to the decrease in the complexity of International Financial Reporting Standards.

The above table shows that 26% of the respondents strongly agreed on the proposition that lack of IFRS implementation,13% of the respondents agree on lack of IFRS implementation and 34% of respondents strongly disagree,21% disagree on lack of IFRS implementation and 5% of the respondents were neutral and this show that lack of IFRS implementation guidance.

on the issue that lack of training institution that 34% of the respondents strongly agree on lack of training institution,34% of respondents agreed on lack of training institution and 16% of respondent strongly disagreed on the idea of lack of training institution ,11 % of respondents disagree on idea of lack of training institution and 5% were neutral from this respondent result that training program for staff across the company is also another costly investment and of course one of the most important factors that increase the adoption of IFRS.

There is lack of IFRS implementation guidance and IFRS brings about increased volatility of earnings, Tax driven nature of previous standards is a challenge for IFRS adoption. In the survey of Caramanis and Papadakis (2008), the respondents indicated a number of difficulties that relate with the application of IFRS. In particular, they have the opinion that a major source of the difficulties regarding the technical aspects of the application of IFRS is the lack of comprehensive training and lack of adequate IFRS implementation guidance this lack of guidance creates risks for different local or national interpretations of IFRS and increases the risk for manipulation in interpretation of financial statements.

Table 4.6 also shows 42% of respondent strongly agree on proposition that lack of proper instruction from regulatory bodies, 45% also agree on lack of proper instruction from regulatory bodies and 5% of respondent strongly disagree on proper instruction from regulatory bodies, 5% of respondent were disagree on lack of proper instruction from regulatory bodies and 3% of respondent were neutral from this there is problem in get instruction from regularatory bodies.

Table 4.6.1 challenges of IFRS adoption (continued)

Challenge	**Lack of Competent Specialist**		**Problem with IT System**		**Absence of Structured Market**		**Problem in Use of Fair Value Accounting**	
Response	Frequency		Frequency		Frequency		Frequency	
	Count	**%**	**Count**	**%**	**Count**	**%**	**Count**	**%**
Strongly Agree	16	42	13	34	13	34	13	34
Agree	15	39	9	23	8	21	13	34
Neutral	1	3	3	8	2	5	2	5
Disagree	2	5	9	23	10	26	6	16
Strongly Disagree	4	11	4	11	5	13	4	11
Total	**38**	**100**	**38**	**100**	**38**	**100**	**38**	**100**

Source own survey, December 2016

In the table shows that 42% of respondents strongly agree on proposition that lack of availability of competent specialists, 39% of respondents also agree on proposition, 3% were neutral and 5% of respondents strong disagree on the proposition while 11% of the respondents disagree on the issue. The respondents also believe that lack of availability of competent specialists the most significant challenges.

The Respondents stated there are challenges in their IT system in handling the transition to IFRS. In this regard, 34% of the respondents strongly agree, and 23% of the respondents agree that their IT system cannot handle the transition to IFRS and 23% of the respondents strongly disagree, 11% of the respondents disagree and 8% of the respondents were neutral from this we understand that problem with IT system is challenge to adoption of IFRS.

Also 34% of the respondents strongly agreed on the absence of structured market, 21% of the respondents agree with the idea of absence of structured market and 26% of respondents strongly disagree, 13% of respondents disagree and 5% of the respondents were neutral so problem with structured is another challenge to adoption of IFRS.

It can also be seen from the table above 34% of the respondents strongly agree and 34% of the respondents agree on problem with IFRS use of fair value accounting and 5% were neutral, 16% of respondents strongly disagree and 11% of respondent were disagree on the problem with the fair value accounting in handling the transition to IFRS, increased volatility of earnings as a result of IFRS and Tax driven nature of previous standards as challenges of adopting IFRS. Most of the respondents believe that the adoption of IFRS which uses fair-value financial reporting approach introduce significant volatility in the balance sheet and, more importantly, in earnings. Company management will have to learn how to deal with volatility in reported performance. This is also supported by the results of the 2004 survey carried out by Jermakowicz, according to which adoption IFRS brings about increased volatility of earnings.

Similarly, the respondent result reveals that since the fair value accounting incorporates more information in to the financial statements than historical costs it is a major challenge for developing countries particularly Ethiopia. Since some conditions in developing countries like Ethiopia are not favorable for implementing fair value accounting such as achieving observable market prices and accurate estimates of liquid market prices that cannot be materially influenced by managers due to less perfect market liquidity, IFRS use of this accounting method can be considered as a challenge.

As particularly listed in Ball et al. (2006), IFRS are instilled into fair value accounting: IFRS 2 requires share-based payments to be accounted at fair value; IFRS 3 provides for minority interest to be recorded at fair value; IAS 16 provides a fair value option for property, plant and equipment; IAS 36 requires asset impairments (and impairment reversals) to fair value; IAS 38 requires intangible asset impairments to fair value and some others; IAS 39 requires fair value for financial instruments other than loans and receivables that are not held for trading, securities held to maturity; and qualifying hedges (which must be near-perfect to qualify); and IAS 40 provides a fair value option for investment property.

Consistent with the findings of this study, Jermakowicz, 2004; Jermakowicz et al. (2007); Susana , 2007; Robyn and Graeme, 2009; and William, 2010 examined the challenges of the adoption of IFRS in different countries of the world. Jermakowicz (2007) particularly studied the challenges of adoption of IFRS in Germany based on a questionnaire sent to company executives.

They find that increased volatility of earnings after adopting IFRS, high cost of adopting, complexity and lack of guidance are among the main challenges of IFRS adoption.

Table 4.6.2 Importance in prohibiting IFRS Adoption

Challenge	**Lack of Valuation expert**		**Lack of Knowledge**		**Difficult to Ascertain Fair value**		**Presence of Fully Depreciated Asset**	
Response	Frequency		Frequency		Frequency		Frequency	
	Count	**%**	**Count**	**%**	**Count**	**%**	**Count**	**%**
Very Important	20	53	14	37	14	37	18	47
Important	10	26	12	32	12	32	15	39
Not Important	7	18	9	23	7	18	2	5
Neither Important nor unimportant	1	3	2	5	5	13	2	5
Not at all Important			1	3			1	3
Total	**38**	**100**	**38**	**100**	**38**	**100**	**38**	**100**

Source own survey, December 2016

For the inquiry regarding how important is lack of valuation expert that 53% of respondents agreed that it is very important,26% of respondent expressed it as important and 18% of respondents stated it was not important,3% of the respondents stated as it is neither important nor unimportant also how lack of knowledge affect challenge in prohibiting IFRS adoption stated that 37% of respondent were very important ,32% of respondent were said that important and 23% of respondent were say not important and 5% of respondent were neither important nor unimportant from response of respondent we can see that lack of valuation expert and lack of knowledge were prohibiting IFRS adoption.

Table 4.6.2 shows that 37% of respondent were say it is very important that difficult to ascertain fair value, 32% say important, 18% neither important nor unimportant and 13% not at all important also 47% of respondent were prohibiting IFRS adoption in presence of fully depreciated asset,39% of respondent were important and 5% of respondent were not important.

So from response of respondent there is presence of fully depreciated asset prohibit in challenge of IFRS adoption. One of the mechanisms through which IAS/IFRS are expected to affect the quality of financial reporting is fair value accounting.

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

Table 4.6.3 Importance in prohibiting IFRS Adoption (Continued)

Challenge	**Lack of Land Ownership Law**		**Inconsistency with Tax Standards**		**Presence of Judgment**		**Lack of Sectorial Implementation Guidance**	
Response	Frequency		Frequency		Frequency		Frequency	
	Count	**%**	**Count**	**%**	**Count**	**%**	**Count**	**%**
Very Important	16	42	17	44	18	47	16	42
Important	13	34	14	37	14	37	16	42
Not Important	7	18	6	16	4	10	4	10
Neither Important nor unimportant	2	5	1	3	1	3	1	3
Not at all Important					1	3	1	3
Total	**38**	**100**	**38**	**100**	**38**	**100**	**38**	**100**

Source own survey, December 2016

From table 4.6.3 we can see that 42% of respondent were very important that lack of land ownership law, 34% of respondent were important and 18% of respondent were not important and 5% were neither important nor unimportant also there is inconsistency with tax standards 44% of respondent were very important, 37% of respondent were important and 16% of respondent were not important and 3% of respondent were neither important nor unimportant. From this lack of land ownership law and inconsistency with tax standards were prohibiting in challenge of adoption IFRS.

It can also be seen from the table above 47% of respondent say that presence of judgment is very important, 37% of respondent say important ,10% of respondent say not important and 3% of respondent were neither important nor unimportant also 42% of respondent were say lack of sectoral implementation guidance very important to prohibiting adoption of IFRS,42% of respondent were say important,10% of respondent were not important and 3% of respondent were neither important nor unimportant so presence of judgment and lack of sectoral implementation were very important in prohibiting in adoption of IFRS.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATION

5.1. Introduction

The objective of the study was to analyze the benefits and key challenges of IFRS adoption in Heineken brewery factory. This chapter presents the conclusions drawn from the summaries of the major findings in achieving the research's objective and the recommendation of the study. It has two parts; the first part presents conclusions of the study. The second part presents recommendation and finally, the last part presents possible future research areas.

5.2. Conclusions

This study examined the adoption of International Financial Reporting Standards (IFRS), its benefits, the challenges of adopting International Financial Reporting Standards, and adoption in Heineken Brewery Company which adopted this standard. Three research questions were developed and tested in this study. The first question is to understand the practical benefits of adopting IFRS for company. The second question is to understand the challenges on the process of adoption of IFRS and the third question is importance in prohibiting IFRS. The study used document analysis (annual reports, legislations, directives, and other documents) and questionnaire to finance officers and accountants. Questionnaire data were analyzed using descriptive statistics.

The government of Ethiopia has expressed an initiative to integrate its financial statements with international standards. Intention of the government to adopt IFRS is manifested by the recently issued proclamation called "Financial Report Proclamation of Ethiopia" which obliges "public interest entities‟ to follow IFRS in their financial reporting.

The results of the survey reveal that IFRS should have been implemented earlier in Ethiopia due to the greater benefits it has compared to the associated problems. On the other hand the company which is required to use IFRS in preparing their financial reports is not applying all the standards. In other words there is a serious compliance problem with IFRS in Ethiopia.

Adoption of IFRS has also the benefit of more transparent financial statements to company which in turn reduce the agency problem between management and shareholders as increased transparency causes managers to act more in the interests of the shareholders. Adoption of IFRS would also significantly reduce cost of capital of firms through lower cost of information, reduction in bad earnings management, greater marketability of shares, and reduced information asymmetry.

The main challenges in the process of adopting IFRS include significant cost of adoption of IFRS, need for training, the complex nature of some of the IASB"s standards and the lack of adequate implementation guidance. This lack of guidance creates risks for different local or national interpretations of IFRS and increases the risk for manipulation in interpretation of financial statements.

Other key challenges include increased volatility of earnings, tax driven nature of previous standards and problem with IFRS use of fair value accounting. IFRS use of fair value accounting instead of historical cost is considered as a challenge because some conditions in developing countries like Ethiopia are not favorable for implementing fair value accounting such as achieving observable market prices and accurate estimates of liquid market prices due to less perfect market liquidity.

5.3. Recommendation

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

On the other hand the main problems of IFRS adoption, company's adoption of IFRS should be supported by all stake holders. In other words a rigorous IFRS capacity building program should be embarked upon by all regulatory bodies, firms and training institutions in order to provide the needed manpower for IFRS implementation.

Finally, the findings reveal that there are numerous factors that impact adoption of IFRS in Ethiopia. Based on the findings of the study, it is essential that the government should support adoption of IFRS.

The government should also open training for accountants about IFRS and encourage its adoption, since adoption of IFRS could attract foreign direct investment, which in turn may lead to economic growth.

5.4. Future Research Areas

The International Financial Reporting Standards (IFRS) is a broader scope of accounting which cannot be dealt with in its entirety in one study alone. This study focused on the benefits, challenges that could explain the adoption of these standards in Ethiopia. However, it would be highly appropriate for future research to be conducted on the issue of disclosure and compliance with IFRS in Ethiopia. This would comprise the detailed application of the adopted standards and how well companies in Ethiopia apply these standards. Furthermore little is known about how mandatory IFRS adoption affects financial statements and it is therefore still an open question whether financial statements are more informative following mandatory IFRS adoption. How small and medium scale enterprises adopt and comply with IFRS tailored for them could also be considered as another area for future research. Finally, this study attempted to focus on the factors affecting the adoption of IFRS by Ethiopia. Even though the research found some important factors affecting the adoption of IFRS, the researcher advocates more studies to be conducted in the financial reporting domain.

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St. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MBA PROGRAM

<u>Questionnaire on the Benefit and Key Challenges of Adopting IFRS</u>

Dear Respondent,

The aim of this questionnaire is to seek information regarding the adoption of International Financial Reporting System (IFRS) in Ethiopia. The questionnaire is distributed to accountant and finance officer of Heineken Brewery Company finance officer. The information you provide in response to the item in the questionnaire will be used as part of the data needed for study on adoption of IFRS benefit and challenges.

I would like to assure that the information you provide will be accessible only to 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. Your honest and thought full response is invaluable.

Alemgena Bekele (MBA Student)

St.Mary University

Department of Accounting & Finance

Thank you for your participation

Kind regards

Alemgena Bekele

PART I: Demographic Profile of Respondents

Please put “X” mark to your answer in the appropriate box

1. Gender

   Female □ Male □

2. Academic level

   Technical/Vocational Certificate (Diploma) □ Master Degree □

   Bachelor Degree □other specify------------------------------------

3. Work experience:

   Less than 5 years □ 11 to 15 years □

   6 to 10 years □ 16 to 20 years □

   Over 20 year’s □

4. Current position in your organization---

PART II: Adoption and Practices of IFRS

1. When did your company start using IFRS? State the year --------------------------------
2. Before the adoption of IFRS what reporting standard did your company use?

   US GAAP □ France GAAP □

   UK GAAP □ Others--

3. If u compare the previous standard to the IFRS is IFRS preferable?

   Yes □ No □

4. What is reason for your preference?

   Relevance □ faithful □

   Cost □ comparability □

PART III: The Benefits of Adopting IFRS

In this section the researcher is seeking your specific perception toward the adoption of IFRS and its benefit.

Please put"√"mark to appropriate number for the following questions according to the instruction given below

1=Strongly agree**2**=agree **3**=strongly disagree **4**=disagree **5**=neutral

No	Questions	1	2	3	4	5
1	Adoption of IFRS improves the efficiency of financial reporting					
2	Financial statement based on IFRS are reliable					
3	Adoption of IFRS improves effectiveness of finical reporting					
4	IFRS makes external financing easier					
5	It enable greater effectiveness of the internal audit					
6	Reduce cost of capital					
7	IFRS provides greater credibility					
8	It provides better financial reporting					
9	Financial statement based on IFRS are comparable					
10	IFRS enables improved economic prospect for the accounting profession					
11	IFRS enhance value of information with different aspect of business					
12	It improved transparencies					

PART IV: Challenges of IFRS Adoption

In this section the researcher is seeking your specific perception toward the adoption of IFRS and its challenges.

Please put"√"mark to appropriate number for the following questions according to the instruction given below.

1= Strongly agree **2**= agree **3**= strongly disagree **4**=disagree **5**= neutral

1. How the following challenges are key in prohibiting IFRS adoption?

No.	**Questions**	**1**	**2**	**3**	**4**	**5**
1	Adoption of IFRS is costly					
2	IFRS increases the complexity of financial reporting					
3	There is lack of IFRS implementation guidance					
4	lack of training institution					
5	proper instruction from regularatory bodies					
6	Lack of availability of competent specialists					
7	Problem with IT system in handling the transition to IFRS					
8	Absence of structured market					
9	Problem with IFRS use of fair value accounting					

2. How important are the following challenges in prohibiting IFRS adoption?

No	Questions	very important	Important	Not important	Neither important nor unimportant	Not at all important
1	Lack of valuation experts					
2	Lack of knowledge					
3	Difficult to ascertain fair value					
4	Presence of fully depreciated asset					
5	Lack of land ownership law					
6	Inconsistency with tax standards					
7	Presence of judgment					
8	Lack of sectorial implementation guidance					