



ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**Adoption and Implementation of International
Financial Reporting Standards (IFRS) in
Ethiopia**

By

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ID NO: SGS/0056/2007A

Advisor: Dejene Mammo (Ass. Prof.):

July, 2016
Addis Ababa, Ethiopia

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**A Thesis Submitted to St. Mary's University School of Graduate Studies in Partial
Fulfilment of the Requirements for the Degree of Master of Business
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**July, 2016
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SECTION A

APPROVED BY BOARD OF EXAMINERS

Dean, Graduate Studies _____ Signature, Date _____

Advisor _____ Signature, Date _____

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Statement of Declaration

I, Solomon Mengesha Wakjira, have carried out independently a research work on “The Adoption and Implementation of IFRS in Ethiopia” in partial fulfilment of the requirement of the MBA program in Accounting and Finance with the guidance and support of the research advisor.

This study is my own work that has not been submitted for any degree or diploma program in this or any other institution.

Solomon Mengesha

July, 2016

Statement of Certification

This is to certify that Solomon Mengesha Wakjira has carried out his research work on the topic entitled “the adoption and implementation of International Financial Reporting Standard (IFRS) in Ethiopia”. The work is original in nature and is suitable for submission for the reward of the MBA Degree in Accounting and Finance.

Advisor: Dejene Mammo (Ass. Prof.): _____

ABSTRACT

Adoption and Implementation of International Financial Reporting Standard (IFRS) in Ethiopia

This paper examines the adoption and implementation of International Financial Reporting Standard (IFRS) in Ethiopia. Using a sample of 20 firms selected from regulatory bodies, commercial banks, insurance companies and auditing and accounting firms. The data was collected using primary and secondary data collection method. Primary data using questionnaires and interview. Secondary data reviewing documents, manuals, websites and books. Then the collected data are analysed using statistical analysis (such as correlation and Chi-Square) and descriptive statistics present using tables. This study identifies the IFRS adoption and implementation in Ethiopia with coordination of regulatory bodies for the process, its benefits, faced challenges though process, and prospects comes from adoption of IFRS for Ethiopia. This study finding also lack of implementation guidance framework is one of the challenges affects the process. Second lack of training and still not amended the academia curriculum has its own negative impact on the accounting professionals. Third finding also about lack of unity among all stakeholders has highly barrier the implementation of IFRS by the time schedule planned by the AABE. Next finding about business owners must have awareness about the IFRS and all the accounting professionals and consultants have responsibility to give some brief introduction for them regarding benefits. The Chi-Square test result for the hypothesis of the research also suggests that, adoption of IFRS will; increase transparency of financial report, improve efficiency of financial report, makes external financing easier, promotes cross border investment in and improve the credibility of the accounting professional in Ethiopia.

Key Words: Adoption, Ethiopia, Implementation, International Financial Reporting Standard (IFRS),

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ACRONYMS

ACCA:	Association of Chartered Certified Accountants
AABE:	Accounting and Auditing Board of Ethiopia
ECX:	Ethiopian Commodities Exchange Authority
EU:	European Union
GAAP:	Generally Accepted Accounting Principles
IAS:	International Accounting Standards
IASB:	International Accounting Standards Board
IASC:	International Accounting Standards Committee
IFRIC:	International Financial Reporting Interpretations Committee
IFRS:	International Financial Reporting Standards
MoFED:	Ministry of Finance and Economic Development
NBA:	National Bank of Ethiopia
PIE:	Public Interest Enterprise
ROSC:	Report on the Observance of Standards and Codes
SIC:	Standing Interpretations Committee
SME:	Small and Medium size Enterprises
SMEGA:	Small and Medium size Enterprises Guidelines Accounting
UNCTAD:	United Nations Conference on Trade and Development

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CHAPTER ONE

1. INTRODUCTION

1.1. General Background of the Study

Different authors have define IFRS in different ways but all need to address the some points. According to *Kieso, et al (2009)*, International Financial Reporting Standards (IFRS) are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. Whereas, Christopher and Donnan (2011) indicates that, the goal of the International Financial Reporting Standards (IFRS) Foundation and the International Accounting Standards Board (IASB) are to develop in the public interest, a single set of high-quality, understandable, enforceable and globally-accepted accounting standards based upon clearly articulated principles. In addition to the above point Zeghal and Mhedhbi,(2006), Carson and Dowling (2010) mentioned that with the growing internationalization of economic trade and the globalization of businesses and financial markets, financial information prepared and audited according to a national accounting and auditing system may no longer satisfy the needs of users whose decisions are more international in scope. Levich (2001) also pinpointed that, as a result of the increasing popularity of participating in the global economy investors are becoming increasingly interested in emerging markets as they present a diversification opportunity.

Therefore, IFRS were established in order to have a common accounting language, so business and accounts can be understood from company to company and country to country. The point of IFRS is to maintain stability and transparency throughout the financial world. This allows businesses and individual investors to make educated financial decisions, as they are able to see exactly what has been happening with a company in which they wish to invest. By eliciting the above points *Kieso, et al (2009)*, mentioned that IFRS are standard in many parts of the world, including the European Union and many countries in Asia, Africa, Australia and South America. Countries that benefit the most from the standards are those that do a lot of international business and investing. Advocates suggest that a global adoption of IFRS would save money on alternative comparison costs and individual investigations, while also allowing information to flow more freely additionally, this globally standardized report enhance to manage risks, finance and economy of the country and also is uses to improve professional accountability, efficiency and

bring economic sustainability. Finally, the aim of IFRS to produce high quality financial report and create or bring globally harmonization regarding finance.

International Financial Reporting Standards (IFRS) have been known long time ago under the name International Accounting Standard (IAS). IAS was issued since 1973-2000 by International Accounting Standards Committee (IASC). IAS was issued in order to fix the global accounting standard thus there would be better financial understanding of all companies. However, on April 1, 2001 International Accounting Standard Board (IASB) replaces the IASC and took over responsibility to build international accounting standard and named it IFRS (IFRS Foundation, 2010). IFRS has been a trending topic since the European Union (EU) decides to convergence their financial reporting standard to IFRS, leaving the US Generally Accepted Accounting Principles (US GAAP) Latifah *et al.*, (2012). IFRS are a manifestation of globalization, with financial reports prepared under IFRS presenting an image consistent with that of multinational corporations and developed nations. According to Latifah *et al.*, (2012), recently it is over 115 countries around the world require or permit IFRS, including big countries such as EU, China, Japan, South Korea, Australia, Russia and United States who adopt US GAAP for years also accept IFRS.

According to IFRS guideline, (2014), In April 2001 the International Accounting Standard Board (ISAB) adopted SIC-8 first time application of IASs as the primary basis of Accounting, which had been issued by the Standing Interpretation Committee (SIC) of the International Standard Committee in July 1998. In June 2003 the ISAB issued IFRS1 first time Adoption of International Financial Reporting Standards to replace SIC-8. The ISAB restructured IFRS 1 in November 2008. In December 2010, the ISAB amended IFRS 1 to reflect that a first time adopter would restate past transactions from the date of transactions. To IFRS instead of at 1st January 2004.

According to Deloitte; (2015), most of the European countries adopted IFRS by the European Commission (EC) in June 2000 to implement a financial reporting strategy. The European Union (EU) in 2002 approved a regulation (The IAS Regulation) requiring all EU companies listed on a regulated market to follow IFRS in their consolidated financial statements starting 2005. Non-EU companies listed on an EU regulated market must file financial statements prepared using either IFRSs as adopted by the EU, IFRSs issued but the IASB or a GAAP designated by the EC as equivalent to IFRSs. This includes companies from jurisdictions that have adopted IFRSs as their local GAAP, as long as the companies state a full compliance with IFRSs, in their audited financial statements.

According to Addis Fortune; 2015, Ethiopia is one of the recently adopted country of IFRS and implies for accountability, transparency, and accuracy of financial statements. Before the regulatory body established the Financial Reporting Proclamation enacted on December 5, 2014, the Financial Reporting Proclamation was established as a regulatory body for financial reporting in the country, aimed at the creation of centralized and acceptable financial reporting, to reduce the risk of financial crisis and to comply with international reporting standards.

Then, January 14, 2015, The Accounting and Auditing Board of Ethiopia (AABE) established, by the regulation of the council of Ministers. The Accounting and Auditing Board of Ethiopia is said to be the first public body on accounting and auditing and is empowered to register and license auditors, to conduct investigation take measures on public auditors and entities having public interest, to issue standards of financial reporting , to give accreditation for accounting entities, to receive and register financial statements of reporting entities, to conduct quality assurance reviews of public auditors and other audit firms, as well as to advise government on matters of financial reporting.

Currently, Ethiopia is one of the county of Africa that have shown high progress of economic development as well as making cross border trading with different economic zones. Then this global market need the same financial language to doing the business or financial trade as well. So now globalization is one of the factor that push Ethiopia to adopt and implementation of IFRS and uses to get in line with others, this global language of IFRS is using to create harmonization between financial reports that prepared in different geographical areas, continents, as well as states.

1.2. Statement of the Problem

Similar to many developing countries, Ethiopia's financial reporting practices are driven by its tax laws and split accounting practices acquired from the country's institutions of higher learning. These institutions use the Anglo-Saxon accounting textbooks, but without a nationwide conceptual frame work to guide the teaching process and the practical application by companies. Consequently, selection and application of an accounting principle for measurement and disclosure of financial transactions is left to the company's management and its auditor; if the company has one.

Despite the fact that, the economic benefits of financial reporting of companies are enormous both at the enterprise and macro-levels, still Ethiopia is far from even having its own Generally

Accepted Accounting Standards (GAAP) which guide preparation of financial statement reporting. Unlike wise financial reporting standards has been major issue especially in developed countries.

Now a days, even if Ethiopia is experiencing great blocks in using and implementing exciting financial reporting rules, principles and standards, the worlds are moving in to International Financial Reporting Standards (IFRS) and where Ethiopia is also on the border of accepting this standard. Which is the cause to researcher the adoption and its implementation in Ethiopia by the researcher.

As a result, adoption of IFRS have a lots of countrywide problems. Firstly, developing a national financial reporting framework is crucial. Because, without this framework at a national level, that guides selection of appropriate accounting policies by companies, it is not surprising to see companies employ different accounting rules or principles using to production of different sets of financial statements. Different financial statements with different bases, measurement, presentation and disclosure of financial transactions do not assist users of financial statements in economic decision-making. Likewise, implementation of IFRS in Ethiopia is affected by segmentation of the companies not made based on size and unique nature of the industry to use the standards.

Further, though there are a lot of higher professional accountants in Ethiopia includes students enlisted by the Association of Chartered Certified Accountants (ACCA-UK), still there is no educational institutions start giving the course or short term training at least to put awareness for the qualified professionals by the national level.

However, despite the above problems this issue failed to attract the attention of researchers in Ethiopia. Thus, while searching on internet, browsing through the books and journals the researcher didn't find directly related research topics carried out in the country. Therefore, the researcher believed that, the problem is almost untouched and there is a knowledge gap on the area.

Hence, lack of proper research study on the area gives a chance for Ethiopian government, investors and company's managers to have limited awareness in relation to International Financial Reporting Standards implementation. Therefore, by keeping the above problem in mind, the study conducted in tittle with "adoption and implementation of International Financial Reporting

Standards (IFRS) in Ethiopia”. Besides the researcher on this study tried to show the benefits from the adoption of IFRS, the prospects comes together with the adoption and the challenges faced during the adoption and implementation process in Ethiopia.

1.3. Basic Research Questions

In line with the above research problems the research developed the following research questions:

- What is the adoption level of IFRS in Ethiopia and is it a time for Ethiopia to adopt IFRS?
- What are the compliance related activity expected from Ethiopia for adoption IFRS?
- What are the pros and cons of adopting IFRS in Ethiopia?
- What are the challenges and prospects to adopt and implement IFRS in Ethiopia?

1.4. The Objective of this Research

1.4.1. General objective

The general objective of this study was, to understand the adoption and implementation of IFRS in Ethiopia including its challenge and benefits.

1.4.2. Specific Objectives

- To show the current status of Ethiopia in implementation of IFRS.
- To examine compliance related points for IFRS adoption in Ethiopia
- To identify the pros and cons of IFRS adoption in Ethiopia
- To pinpoint the challenges and prospects to adopt IFRS in Ethiopia

1.5. Research Hypotheses

In this study, the researcher will tried to test the following hypothesis:

Hypothesis I:

Adoption of IFRS will not increase transparency of financial report in Ethiopia

Hypothesis II:

Adoption of IFRS will not improve efficiency of financial report in Ethiopia

Hypothesis III:

Adoption of IFRS does not make external financing easier in Ethiopia

Hypothesis IV:

Adoption of IFRS does not promotes cross border investment in Ethiopia

Hypothesis V:

Adoption of IFRS does not improve the credibility of the accounting professionals in Ethiopia

1.6. Delimitation and limitations of the study

The study was delimited in its title to the adoption and implementation of International Financial Reporting Standard (IFRS) in Ethiopia. The total sample size of the study was fifty organization categorized as regulatory body's organization, banks and insurance, and audit and assurance firms. Of which, a total of twenty companies was selected as a sample using simple random sampling method from each stratum to generalize about the population.

On the other hand, the quality of one research is highly depending on the genuine information acquired from concerned populations or companies. So that, lack of willingness in most concerned bodies from selected sample organization was the main problems face in the study process and affect its output. Also lack of adequate accounting professionals and treatment was limited the study output. Latest reference books and literature on the area in Ethiopian content was narrowed the study output.

1.7. Significance of the Study

The study would have many advantages for all practitioners and academicians by providing useful information about International Financial Reporting Standards (IFRS) and issues related to its adoption. It would also be useful for organization's management by providing information about the theoretical and actual benefits and challenges of adopting IFRS. It will be also very important for academic purpose by providing information in regard to statement of the problem.

The study could also be used as a beginning for those who are interested to conduct a detailed and comprehensive study regarding the adoption and implementation of IFRS in Ethiopia. And it would enable the governing body, specifically the higher responsible body, and the managements of companies to be aware of the perceived and actual benefits of International Financial Reporting Standards and give insight on how to adopt and implementation of these international standards most efficiently.

1.8. Organization of the Paper

This study is organized in to five chapters. The first chapter states the general introduction of the study. Chapter two presents the literature review regarding the research area of adoption and implementation of International Financial Reporting Standards (IFRS). The third chapter outlines the research methodology. The research results are presented in chapter four. The last chapter draws conclusions and recommendations that highlighting future research areas.

CHAPTER TWO

2. LITERATURE REVIEW

Cagnur Kaytmaz Balsari and Secil Varan, (2014) at Turkey, written about IFRS implementation in Turkey and they raise the issues of how can implement at turkey the International Financial Reporting Standard (IFRS) and the regulatory bodies for the implementation and over all participants on it.

According to Cagnur and Secil, (2014), many institutions have contributed to the IFRS implementation process of Turkey. The Capital Markets Board of Turkey, Turkish Accounting and Auditing Standards Board, The Banking Regulation and Supervising Agency (BRSA), Turkish Accounting Standards Board and lastly The Public Oversight, Accounting and Auditing Standards Board of Turkey have all been involved in the process. The most influential of these institutions have been Capital Markets Board.

Meanwhile, Banking Regulation and Supervision Agency of Turkey has been working on IFRS compatible standards for banks and financial institutions. Following the banking crises in Turkey an oversight body was established for banking and financial institutions in Turkey. Transparency of banks and financial institutions has been the major concern of the Banking Regulation and Supervision Agency. Establishment of sound accounting standards were key to this issue. Consequently BRSA issued IFRS compatible standards for banks and financial institutions which were effective in 2002.

And then they concluded about implementation of IFRS and its advantage on their conclusion part like this, Turkish accounting system has traditionally been rule based and aimed to report for tax authorities. In addition, Turkish business culture does not support transparency. The IFRS implementation has been problematic considering these factors. Both businessman and accountants showed resistance despite the support of professional accounting body and academia to IFRS adoption. TURMOB organized extensive training programs for its members and academia has published expansive amount of application based articles which constitute majority of research in the field. These articles range from explanation of certain standards to comparative analysis of tax and IFRS applications for certain transactions. In spite of all the support empirical literature on

IFRS applications provides evidence of major noncompliance for listed companies. These findings call for more training and better oversight.

And also according to them, the implementation of IFRS at Turkey, segmented the economy of the country. The 98% of the Turkey economy is covered by SME (Small and Medium Enterprises). The application of IFRS in family or owner oriented SMEs has been the topic of discussion for many academic articles reflecting the common concerns. The expected benefits and costs of IFRS for SMEs have been discussed but lack of application in the country restrains empirical studies.

On October 2012, Sedzani Faith Siega, (2012) at South Africa studies about the challenges of implementation IFRS in Africa, and tried to see the countries adopted IFRS.

According to him, from 53 countries of the continent of Africa, only 18(34%) of have adopted IFRS and when it compare with the others continents shows it is slow progress. Implementation of IFRS have value for economic globalization for our continent by stating the following. “The whole world is converging. Africa also need part of this. It is a learning curve for Africa and a learning curve for the world. It is important for us as a continent. We just have been part of this convergence. “

During the research time he faced a lot of challenges, like the benefits of adopting IFRS is not fully known and understood, IFRS roll out to all sites is time consuming and could be potentially tedious, increased time and costs for maintain multiple sets of books make IFRS adoption and maintenance expensive, and a natural tendency to fear the unknown exists and to resist change by retreating to present comfort zones.

Even if he challenges a lot of problems he Finally conclud on his research paper , the remain 66% of the continent also must be adopt the IFRS and the continent must talk the same finaancial language with the OTHERS continents.

The three researchers (Joanne Horton, George Serafeim, and Ioanna Serafeim) try to see about IFRS by the topic of “Does Mandatory IFRS Adoption Improve the Information Environment? (CAR Spring; 2013) And they give there finding on their conclusion part.

With more than 120 countries requiring or permitting the use of IFRS by publicly listed companies, the question of whether such a global transition towards a single set of accounting standards has been met by the presumed benefits of higher information quality and accounting comparability still remains unanswered. To contribute to our knowledge in this important topic we investigate

whether mandatory IFRS adoption improves firms' information environment. We find that after the mandatory transition to IFRS, forecast accuracy and other measures of the quality of the information environment improve significantly more for mandatory adopters. Moreover, we find that the larger the difference between IFRS earnings and local GAAP earnings the larger is the improvement in forecast accuracy. This result increases our confidence that IFRS adoption causes the improvement in the information environment.

More importantly, we provide evidence on whether the improvement in the information environment can be attributed to higher quality information and / or improved accounting comparability. We find results consistent with both information and comparability effects. Forecast accuracy improves more for analyst-firm pairs that are affected by either information or comparability benefits. We find no evidence suggesting that the increase in forecast accuracy is driven by earnings manipulation. A number of caveats apply to our analysis. First, as in any study that exploits time-series variation from an exogenous event, it is hard to unambiguously attribute causality to the observed effects. It is possible that correlated omitted variables are driving the results although we have tried to carefully isolate the effect of IFRS adoption. We tried to isolate the economic effect of IFRS adoption by considering all three categories of firms and by using several different identification strategies. Second, similar to previous research (Lang and Lundholm 1996; Healy et al., 1999), we rely on the analyst forecast characteristics to measure changes in the information environment. To the extent that these proxies are not appropriate one needs to be cautious in interpreting our evidence.

We believe that these results have important implications for the debate on the globalization of accounting standards and for regulators that are considering a transition towards IFRS. Although we make no claim with regard to the net cost or benefit of adoption, we do highlight that the effects of IFRS compliance are not homogeneous for all firms (even within the same country). Importantly, we show that IFRS adoption is likely to generate both information and comparability effects and improve the quality of information intermediation in capital markets; a key market institution that facilitates efficient allocation of resources towards its most productive uses.

2.1. IFRS Adoption Progress in Ethiopia

Fikru Fantahun (2012), was making research in Ethiopia on the related topic of IFRS called ‘Adoption of IFRS in Ethiopia: benefits and key challenges’. The objective of the research was focus on to investigate the adoption of IFRS in Ethiopia including the factors that could influence its adoption.

Fikru Fantahun (2012), says on his statement of the problem tries to compare the developed countries and developing countries including Ethiopia the attention about adoption of International standards, the researcher says about developed countries like Britain, Germany, USA, Canada and member of European Union have been a major of concern among accounting professionals and have a lots of researches or studies have been done about adoption of IFRS. Simultaneously, the researcher says the developing countries including Ethiopia has given less attention for international standards. Virtually, have no articles and books about the adoption of accounting standards by developing countries in particular Ethiopia.

The researcher on this study makes an attempt to bridge this gap and tries to study the Ethiopian data with reference to IFRS adoption, benefits of IFRS for Ethiopia, challenges faced in the process of adoption of IFRS, and factors that might affect the adoption. Even if the researcher focus on the above three major issues, the researcher not touch about segmentation of the companies by sizes and unique nature of the industry to use the standards and compliance related activity expected from Ethiopia for Adoption IFRS. Therefore in this research try to fill the gap by finding the ways how to segment the companies and which type compliance related activates expected for Ethiopia as an additional to the benefits of adoption of IFRS in Ethiopia, challenges faced during the adoption and some related factors affects the adoption of IFRS in Ethiopia.

Additionally Fikru Fantahun (2012), on this research section of methodology in sampling design, the researcher is not applying closest firms for IFRS. But this researcher is applying the more related companies for IFRS, like financial institutions and grade A audit accountant firms. Because those companies are already implement and practice this standard and use a major value added firms to fill the gaps and solve the problems.

Next to Fikru Fantahun, another researcher on 2016 shows their research regarding IFRS in Ethiopia. The two researchers named Teferi Deyuu Alemi and J.S. Pasricha; (2016), at Punjabi University, in India they were applying their research on the topic of “IFRS Adoption Progress in Ethiopia” and they are shown key areas of the topic like:- Adoption , opportunities, challenges, and progress of IFRS in Ethiopia.

The objective of this research was focus on to study the progress of IFRS Adoption in Ethiopia, to investigate factors that motivate corporate entities in Ethiopia to adopt IFRS, to examine preparedness made to adopt IFRS and to identify benefits and challenges ahead of adopting IFRS. In addition to that they also shown the challenges for adoption of IFRS in Ethiopia. Like IFRS knowledge gap, shortage of qualified professionals, resistance to change, management knowledge gap, absence of professional institutions and emergence of unfair competition among professionals.

Finally they conclude by given assignment to the board by indicating about the gap and they saying “The board should also conduct a study to identify the gaps in systems and processes to gather information needed under IFRS and the currently available information in the country and develop IFRS Accounting manual modifying charts of accounts and detailed instructions taking IFRS requirements into accounts. Practical action should be taken to integrate ISA and IFRS modules into Ethiopian higher institutions’ accountancy education curricula. Since IFRS are developed having stock market in mind, a stock exchange should also be established in the country if effective implementation and application of IFRS is looked-for.

2.2. History and purposes of this survey in Japan about adoption of IFRS

The financial services agency of Japan on 2015, published on report regarding IFRS adoption report, In June 2009, the Business Accounting Council of Japan issued the opinion on the Application of International Financial Reporting Standards (IFRS) in Japan Interim Report. Based on this Interim Report, relevant Cabinet Office Ordinances were amended in December 2009, and Japanese companies have been permitted to file their consolidated financial statements prepared in accordance with IFRS as those under the Financial Instruments and Exchange Act from the annual periods ending on or after March 31, 2010.

Next to that the Business Accounting Council subsequently issued the Previous Discussion Summary for the Consideration on the Application of IFRS in Japan in July 2012 and The Present Policy on the Application of the International Financial Reporting Standards (IFRS) in June 2013, which presented the idea that building up the examples of voluntary applications of IFRS is important. The “Japan Renaissance Strategy (Revised in 2014),” which was decided upon by the Cabinet on June 24, 2014, openly stated ‘promotion of an increase in the number of companies voluntarily adopting IFRS’ as a target for the first time as a decision by the Cabinet.

In addition, the “Japan Renaissance Strategy (Revised in 2014)” stated the following. “In addition to the measures already taken, the Government will conduct a fact-finding survey and interviews to ascertain how companies that have voluntarily adopted IFRS overcame any challenges they faced during their transition to IFRS, as well as the advantages brought about by their shift to IFRS. It will then publish its findings from the above in the form of “IFRS Adoption Report (tentative name)” to serve as a useful reference for companies considering adopting IFRS.”

This Report compiles how companies that have voluntarily adopted IFRS overcame any challenges they faced during the transition to IFRS and the advantages that their shift to IFRS has brought about. It is based on the fact-finding survey and interviews undertaken in accordance with the Cabinet decision.

On 2015, the number of companies voluntarily adopting IFRS is steadily increasing. On or after the annual period that ended on March 31, 2010, Japanese companies have been permitted to file the consolidated financial statements prepared in accordance with IFRS as those under the Financial Instruments and Exchange Act. In that first period, the first company voluntarily adopting IFRS appeared. Since then, the number of companies voluntarily adopting IFRS has continued increasing: The number was seven (7) was in July 2012, twenty (20) was in June 2013, and forty-two (42) was in June 2014. After the “Japan Renaissance Strategy (revised in 2014)” was decided by the Cabinet, the number of companies adopting IFRS has been increasing more rapidly, and reached 75 as at March 31, 2015.

Finally Japan Financial Service Agency conducted a survey on the actual merits of the transition to IFRS. The survey indicate that many of the companies that voluntarily adopted IFRS enjoy the merits they anticipated before the transition to IFRS. Thus, respondent companies seem to have succeeded in enjoying most of the anticipated merits. Also, as cases of the voluntary adoption of IFRS in Japan increase, improvements are found on the issues of ‘treatments of particular

accounting standards' and 'training and securing adequate personnel,' which are perceived as the main challenges of the transition to IFRS including auditing issues.

In summary, the following four remarkable points are noted for companies that are considering voluntarily adopting IFRS in the future as merits to them.

2.3. Merits of voluntarily adopting IFRS

2.3.1. Contribution to business management

According to Japan Financial Services Agency annual report (2015), The first point is this seems to mean that many companies acknowledge that it is important to consider adoption of IFRS not only from the viewpoint of a change of a set of accounting standards but also from the wider perspective that sophistication of the company's business management would "contribute to enhancing 'earning power,' which is emphasized in the Renaissance strategy as reinforcement of competitiveness." This was stated in a response from a respondent company.

2.3.2. Costs for adopting IFRS vary with the company's size and the main purpose of adoption

Next to 'contributions to business management,' many companies cited 'improved comparability with competitors' and 'making explanations to investors easier' as a merit of the transition to IFRS. In the cases of those companies, development or modification of IT systems could focus on tailoring consolidation accounting entries, and some companies that only have a small number of subsidiaries and a single business line were able to adopt IFRS at very low costs. It is expected that companies adopting IFRS in the future will seek an efficient and flexible approach to the transition to IFRS in consideration of costs according to their size and purposes.

2.3.3. The need to enlarge the number of accounting experts

As a challenge to the transition to IFRS, the greatest number of respondent companies cited 'treatment of particular accounting standards,' in particular those involving high degrees of estimates. Many companies pointed out: (i) that actions by audit firms are not timely and smooth; (ii) that companies themselves also lack expertise in judgment of how their own business models should be accounted for under the principle-based IFRS; and (iii) that they have problems with securing personnel capable of understanding IFRS. These problems are expected to be resolved as the number of companies applying IFRS in Japan increases. Also, further efforts are desired for enlarging the population of accounting experts.

2.3.4. The need to make use of connections with other companies and analyses of other companies' cases in the transition process to IFRS

Many companies that have adopted IFRS advise companies that will consider adopting IFRS in the future. Communication and cooperation with other companies and analysis of the cases of other companies are important. It is suggested that cases of other companies that have adopted IFRS give good reference in all aspects, including analysis of differences between IFRS and Japanese GAAP, establishment of internal systems, internal discussion on accounting issues to integrate various views, and treatments of auditing issues and the development or modification of IT systems, as well as the fact that communication and cooperation with other companies lead to an effective and smooth transition process.

We hope that the examples of companies that have adopted IFRS presented in this report will serve as good references for companies that are considering adopting IFRS in the future at Japan.

2.4. IFRS Adoption and the information environment evidence from Brazil

On this research *Li Li Eng. Et.al* (2014), has tried to examine the effects of mandatory adoption of IFRS in Brazil on firms' information environment. The researcher were applying four metrics or pillar to measure the information environment such as value relevance of accounting information, information content of earnings, financial analysts forecasting activities, and liquidity. Brazil joined or adopt the worldwide movement of converging national accounting standards to international ones by requiring its public companies to prepare and present consolidated financial statements in full compliance with IFRS starting in year 2010. According to their research Li , Jing and João (2014), the fastest growing of brazil's economy , increment of cross boarder world market and the overreaching goal of achieving global convergence as established by International Accounting Standard Board (IASB), has significant role to adopt brazil IFRS since 2010.

The researcher, Li , Jing and João (2014), says prior research suggests that firms using IFRS tend to exhibit higher accounting quality than firms using domestic accounting standards(Barth, Landsman, and Lang 2008). Present literature also documents various capital market benefits associated with IFRS adoption, such as increased information content of earnings announcements (Landsman, Maydew, and Thornock 2012), greater analysts following and improved forecast accuracy (Tan, Wang, and Welker 2011), as well as improved liquidity and lower cost of capital (Daske, Hail, Leuz, and Verdi 2008).

The researcher were shows the status of Brazil on 2005, the World Bank report about Brazil says that significant gaps existed between Brazil national accounting standards and IFRS. In addition, the enforcement of accounting standards was scattered across many institutions, which resulted in inefficiencies. The researcher on this paper address these problems and tried to look the benefits or significance of IFRS adopting in Brazil by the above four pillars.

Finally, the researcher provide evidence that, in the post-IFRS period, value relevance of accounting information is higher, information content of earnings is increased , there are more analysts following the firms, and analysts forecasting accuracy is improved and concluded by says has positive association between IFRS adoption and information environment in the case of brazil.

As a literature for this research tried to understand adoption of IFRS has higher significant for increase national economy and also motivate the cross boarder market transaction between IFRS adopted countries as well as companies, improve accounting inequality, narrow professional knowledge gap, especially for developing countries like Ethiopia.

2.5. The impacts of IFRS Adoption on Financial Statements, the case of Nigeria, by Akinyemi Olumide Akindele, 2012.

The International Accounting Standards Board adopted the IFRS framework on 1 April, 2001; the standards were adopted by over 90 countries around the world. International financial reporting standards (IFRS) was established and approved by the International Accounting Standards Board (IASB). The goals of the IFRS Foundation and the IASB is to develop, in the public interest, a single set of high-quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. International Financial Reporting Standards (IFRS) are standards and rules for reporting financial information. International Financial Reporting Standards (IFRS) was established and approved by the Financial Accounting Standards Board (IASB).The accounting board that succeeded International Accounting Standards Committee (IASC) is the International Accounting Standards Board (IASB), which promulgated International Accounting Standards (IAS), in 2001. The existing IAS have the same status as the more recently issued IFRS <Epstein, Barry J.; Jermakowicz, Eva K. IFRS Policies and Procedures. Hoboken, NJ, USA: Wiley, 2008. P 1.>

According to Akinyemi, (2012), the purpose of this study is to make research concerning the impacts of IFRS (International Financial Reporting Standards) adoption on financial statements. This will be achieved by conducting a survey and questionnaires will be directed to the employees in three banks that have already adopted IFRS to know their opinion concerning the impacts of IFRS adoption on financial statements.

Akinyemi, (2012), under this study will critically examine different areas with respect to the impacts of International Financial Reporting Standard (IFRS) adoption on financial statements in Nigeria. Like what looks like the adoption level of IFRS, benefits, demerits of adopting IFRS in Nigeria and also tried to assess about the meaning of financial statements and its elements.

Even if there are many banks in Nigeria, the researcher contact only three banks, it will not be possible to examine the whole banking sector because of time constraint. In this research work, the focus will be on three banks (Guarantee Trust Bank-GTB, Access bank, and Zenith Bank) as well as on the impacts of IFRS adoption of these three banks (Guarantee Trust Bank-GTB, Access bank, and Zenith Bank). This thesis writing is also limited to the benefits or advantages of preparing financial statements according to International Financial Reporting Standards (IFRS) and the disadvantages of adopting International Financial Reporting Standard (IFRS).

Finally the researcher, Akinyemi (2012), concludes, Adopting IFRS is a very big move for the firms, accounting regulatory body and the government in Nigeria because the benefits are more than the demerits as discussed earlier in this report. For every good thing introduced there are also challenges as well. At the moment in Nigeria, IFRS is not in the syllabus of the students in tertiary institution. IFRS should be included in the syllabus of accounting student in the tertiary institutions so that students will have the knowledge before entering into the labor market.

Therefore based on this research case of Nigeria, the researcher tried to use as a literature and raise the issues and apply in the case of Ethiopia and pinpoint the benefits and challenges of adopting IFRS in Ethiopia.

2.6. Ethiopian IFRS Implementation Road Map prepared by Auditing and Accounting Board of Ethiopia (AABE)

According to AABE (2016), this road map is prepared and publicized by Auditing and Accounting Board of Ethiopia (AABE) for adoption and implementation of IFRS in Ethiopia officially launched at 26 of April, 2016 in Economic Commission of Africa (ECA) at Addis Ababa and also included the following further main issues.

Conversion of IFRS leads to greater transparency and other benefits include: Improved comparability of financial statement across sectors, countries, regions and companies, As Ethiopia sustains its growth trend, it requires increased access to capital markets to raise capital, reduce barriers to cross border mergers and acquisitions, and listings, (once a stock exchange is established). Increased level of confidence in financial reporting, common accounting systems, and better relationships with investors and stakeholders. IFRS addresses changing commercial practices, global markets as well as investor needs. Internal reporting is used as a basis for reporting under IFRS, e.g. Operating Segments IFRS 8. Cost efficiency-IFRS streamlines reporting; one accounting language is used group wide, eliminating the need for reconciliations and restatements for consolidation purposes. Change of management focus as IFRS are focused on risk and uncertainty. IFRS compliant financial statements have a positive impact on proactive risk management and focus on maximizing shareholder value.

Because of the profound nature of the change that will be introduced by the adoption of IFRSs such as changes in accounting policy and IT system that must precede conversion to IFRS, necessary preparation and planning should begin at least 18 months prior to the planned adoption date. For example, a planned conversion to IFRS reporting by the end of 2016/17 will require one income statement and two balance sheets in both IFRS and the current reporting framework (GAAP) for the year 2016/17, requiring the closing 2015/16 balance sheet be converted from the current GAAP to IFRS to serve as the opening for 2016/17. The Roadmap includes the preparation of the quarterly and half-year financial reports, consistent with the consolidated financial statement under IFRS.

During the preparation period the Board will organize a series of workshops and training programs to create awareness and provide basic skills of IFRS for stakeholders. Furthermore, any contradiction between the Financial Reporting Proclamation and other laws, regulations and directive relating to accounting and disclosure will be identified and aligned accordingly to facilitate smoother adoption of IFRSs. For these purpose different task forces with members drawn from relevant government agencies, preparers and auditors shall be established.

Finally, the Roadmap recommends the establishment of the IFRS Roadmap Implementation Task Force, to oversee the implementation of IFRS adoption in detail.

2.7. Impact of Globalization

As per the text book of the ACCA IFR(2014), the impact of the globalization by international financial standards have the need for harmonized financial reporting standards arises as a result of the globalization of business activities and operations. Harmonized financial reporting standards are intended to provide different impacts for stakeholders like a platform for wider investment choice, a more efficient capital market, lower cost of capital and enhanced business development.

2.7.1. IFRS-advantages and disadvantages

The advantages and disadvantages of adopting IFRS have to be considered by each adopting country and are being widely debated in the US at the moment.

The main advantages are seen to be:

- A business can present its financial statements on the same basis as its foreign competitors, making comparison easier.
- Cross-border listing will be facilitated, making it easier to raise capital abroad.
- Companies with foreign subsidiaries will have a common, company-wide accounting language.
- Foreign companies which are targets for takeovers or mergers can be more easily appraised.

The disadvantages are perceived to be:

- The cost of implementing IFRS may be to be high.
- The belief by some that there is a lower level of detail in IFRS (compared to US GAAP)

The above mentioned text book tell us about the advantage and disadvantage of IFRS, as a researcher, by keeping this two facts in mind the researcher tried to approve really these issues are reflected in Ethiopia at the time of adoption and implementation of IFRS.

2.8. Impact of IFRS on Financial Reporting Practices in Nigeria (A case of KPMG)

According to Matthew A. (2015), says on most studies on IFRS have concentrated on it as a financial reporting issue. But financial reporting is one aspect of the total impact of IFRS composition. Much more significant is the impact of a set of standards on a company's organization, philosophy, business structure compliance to the standards, performance management, and internal control and so on. The objective of the study is to examine whether financial reports prepared in compliance with IFRS legal and professional framework enhances best practice in corporate organization.

The study is on potential impact of IFRS on financial reporting practices in Nigeria. The objectives are to find out whether IFRS provides greater benefits than the current GAAP, to know if IFRS promotes best practices in an organization, to know if IFRS promotes cross border investment and to determine the impact of IFRS on the performance of companies. From the study, it is revealed that IFRS has significance impact on the financial reporting practice in Nigeria. Thus, there is no doubt that IFRS will confer greater benefit than the former SAS particularly in the areas of financial statements, cross border listings, merger and acquisitions and ability to raise finance. The adoption and implementation of IFRS will have an impact on the performance of companies and it will enhance best practices of companies. IFRS is also expected to increase the level of compliance with accounting standards. Therefore this research helps to approve the benefits and challenges comes through adoption and implementation of IFRS in Ethiopia.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

This chapter describes the methodology used in order to conduct the study. It describes the types of methods selected for data collection, samples and sampling techniques for the research, and data analysis and interpretation and the reasons for why these methods were chosen in comparison to the other alternative methods.

3.2. Research Design

To achieve the above objectives, the study applied a descriptive research design where quantitative research had employed. Descriptive research designs provide answers to the questions of who, what, when, where, and how associated with a particular research problem. It is used to obtain information concerning the current status of the phenomena and to describe what exists with respect to variables or conditions in a situation Leedy, P.D. (1989).

3.3. Survey Method

The researcher for this study used survey research method. Survey research is one of the most important areas of measurement in applied social research. In addition surveys represent one of the most common types of quantitative, social science research. Survey research according to Fowler (1993) is a means of gathering information, usually through self-report using questionnaires or interviews. Its purpose is to generalize from a sample to a population so that conclusions can be made and it is also economical and rapid turnaround in data collection (Creswell, 2003).

This survey was conducted by means of self-administered questionnaire which was distributed to sample respondents. Questionnaire is a common place instrument for observing data beyond the physical reach of the observer (Leedy, 1989). In survey research, the researcher selects a sample of respondents from the population and administers a standardized questionnaire to them. The questionnaire or survey can be a written document that is completed by the person being surveyed or interview. Using survey it is possible to collect data from large or small populations. Therefore the researcher for this study applied survey research method because the research topic of Adoption and Implementation of IFRS in Ethiopia is also one of the social science part and if the researcher had applied this method is suitable or more recommendable than others.

3.4. Sample and sampling technique

Survey sampling is the process of choosing, from a much large population, a group about which the researcher wish to make statements so that the selected part were represent the total group (Leedy, 1989). Since, choosing the right and appropriate study area for the problem identified may enhance the output of the study and help to achieve its objective. The target population of the study were differ on nature, sector and goal in the environment and hence, the research categorize them in to the following:

- Governmental and regulatory body,
- Financial institutions (Both private and government bank and insurance)
- Grade A audit and assurance firms

Accordingly, the researcher applied the research area on the total of 50 organizations as target population from the mentioned above three sectors as follows, from government and regulatory bodies the research identified three institutions namely Accounting and Auditing Board of Ethiopia (AABE), Ethiopian Revenue and Customs Authority (ERCA) and National Bank of Ethiopia (NBE). Similarly, according to National bank of Ethiopia website currently there are 18 banks and 18 insurance companies with a total of 36. Likewise, as per federal auditors general report till 2014 there are 11 (Eleven) grade A Authorized accountant and Auditors firm in Ethiopia.

Then, the sampling procedure employed in this study had stratified sampling method based on the afore-mentioned classifications of study target groups. Indeed, the representativeness of all groups in the sample increased and it reflects the true proportion of the sample about the population.

Indeed, in designing a sample, basing the sample selection on a comprehensive list of potential respondents who have an equal chance of selection is vital to increasing the representativeness of the samples. Accordingly, after stratifying the population using the above mentioned categories the study selected a total sample of 20 organizations from the above three sectors using random sampling techniques as follows.

As the government and regulatory bodies and authorized auditors and accountant are small and manageable the researcher take all of them that means 3 of regulatory bodies and 11 from authorized auditors and accountants. However, out of 36 financial institutions 3 selected from bank and 3 from insurance. Even if the number of financial institutions are more, by the researcher pre assessing of the areas, all the financial institution are currently implement the IFRS on their annual

financial reports to implement the directives of the National Bank of Ethiopia (NBE) , but still the top level finance department officers are not well experienced as grade A authorized auditors and accountant, so for this research the researcher take more sample from grade A authorized auditors and accountants firm to gather more data's to solve the problems . Because the researcher make pre assessing of the firms most of the audit stuffs and finance officers are ACCA certified and well experienced by auditing of different firms financial activities.

3.5. Method of Data Collection

The study applied both primary and secondary data. Primary sources of data include questionnaire, and interviews, whereas secondary sources data were generated through a review of relevant documents to the research problems.

3.5.1. Primary source of data

Primary data were collected through questionnaires of the senior auditors, finance head and chief accountant of the sample organizations. The researcher were prepared both open-ended and close-ended questions for this research. The reason why the researcher apply open-ended questionnaires, the survey respondents to answer each question in their own words and to get more satisfied answer for the research problems.

3.5.1.1. Questionnaire

Questionnaires were distributed to senior auditors, finance head and chief accountants of the selected companies. Those professional groups were selected as respondents because they are deemed to be knowledgeable about IFRS and could provide important perspective on its adoption and implementation. The research evidence will gathered by using both close-ended and open-ended questionnaires. Mixed questionnaires have many merits; the most important of this advantage is its considerable flexibility (McNabb, 2005).

The questionnaires were structured based on those used by Iyoha and Faboyede (2011), and Sharif (2010). With regard to the close- ended questions, the respondents were asked to indicate their level of agreement on a five point Likert scale with the following ratings. Strongly agree (SA; or 5), agree (A; or 4), neutral (N; or 3), disagree (D; or 2), and strongly disagree (SD; or 1). On this scale a score of 5 or 4 indicates that the item is perceived to be essential while a score of 3 or 2 indicates that the item is perceived to be fairly important, but not essential, while a score of 1 indicates that the item could be disregarded for being unimportant. Similar scales have been used by Courtis

(1992) and Iyoha and Faboyede (2011) and were found suitable. With respect to the open ended questionnaires the respondents were asked to provide open ended responses to the questions that require their opinion to fill by their words.

3.5.1.2. Interview

Semi structured interview with directors of the regulatory bodies were conducted. It allowed the investigator some degree of flexibility at the time of interviewing for the pursuit of unexpected line of inquiry which was arising at the study progresses. Questions in the interview checklist were constructed based on the review of literature.

In the process of preparing, testing and using the instruments, the following procedures have been followed.

- The questionnaires and the interview guides developed based on literature review relevant to the issue and the specific objectives.

3.5.2. Secondary source of data

In addition to the primary data, secondary data was collected from regulatory bodies, some financial institutions that they already adopt IFRS and some grade A Audit firms, annual reports and other publications. Besides books and other publications like journals that have direct correlation with the study used as secondary source of data. The review of documents helps the researcher to understand the key facts of the IFRS. The review includes available documents directly from regulatory bodies and government institutions regarding Internal Financial reporting Standards like on policy and procedural manuals.

3.6. Method of Data Analysis and Interpretation

After the raw data collected using questionnaires, interviews and by secondary data's it processed through SPSS version 16. Then, the output analysed using statistical analysis by applying chi-square test and correlation analysis and also used descriptive statistics to describe what the data look like, where their centre is, how broadly they are spread in terms of one aspect to the other aspect of the same data (Leedy, 1983). Therefore, the data analysed by measures of averages (mean, percentage, frequency and standard deviation), measures of variability and percentages to interprets the results generated from SPSS analysis software.

CHAPTER FOUR

4. RESULTS AND DISCUSSION

4.1. Introduction

This chapter explains and discusses the results of findings based on the analysis done on the data collected from sample companies. The results of the study are discussed by summarizing the different sources results: from questionnaire and interview. The discussion tries to complete the objectives of the study and answer the research questions.

For this survey study a total of 100 questionnaires that means from 20 sample companies 5 respondent each which allocated with the Adoption and Implementation of International Financial Reporting Standards (IFRS) in Ethiopia were distributed to a sample of companies. A total of 67 questionnaires were collected. All the survey respondents were located in Addis Ababa as it is mentioned in section three.

Under this survey study to analyses adoption and implementation of IFRS in Ethiopia is the main way to reach the suitable solution. To this end, the results obtained from the survey are analysed through descriptive statistics and statistical analysis. Descriptive measures of the questions response, the results of correlation, and interview in the subsequent sections.

4.2. Regulatory Bodies Coordination for IFRS

In this section, the questionnaire results related to the regulatory body's coordination for adoption of IFRS were analysed. The data related to regulatory bodies for adoption of IFRS to Ethiopian companies and accounting professionals will be presented and discussed separately.

Under this sub title there were five questions were distributed to evaluate the coordination of IFRS adoption to Ethiopian companies. The mean response of the five questions under coordination of adoption of IFRS to companies were more than 3 or nearest to 4 and the standard deviation were around 1, which indicates that the respondents perception were close to one another. The findings of this survey seem consistent with the results of the survey carried out by Apostolos et al., (2010) among Greece publicly traded companies, which revealed that on average the respondents agreed with the proposition that the adoption of IFRS has working with coordination of different companies in Ethiopia.

Table 4. 1: Regulatory body’s coordination for adoption of IFRS to Ethiopia

Questions	SA	A	N	D	SD	Sub total	Count	Mean	Standard Deviation
Is there absence of IFRS implementation guidance from whom concerned bodies	21	22	13	7	4	67		3.73	1.19
	31.3%	32.8%	19.4%	10.4%	6.0%		100.0%		
Lack of proper coordination from regulatory bodies	20	28	11	4	4	67		3.84	1.11
	29.9%	41.8%	16.4%	6.0%	6.0%		100.0%		
The absence of capital market in Ethiopia has negative impact on the adoption of IFRS	18	31	11	6	1	67		3.88	0.96
	26.9%	46.3%	16.4%	9.0%	1.5%		100.0%		
Do you think the Ethiopian government encourage companies to adopt IFRS	12	33	11	6	5	67		3.61	1.11
	17.9%	49.3%	16.4%	9.0%	7.5%		100.0%		
Do you believe socio-economy is one of the major barriers to adopt and implementation of IFRS in Ethiopia	10	30	16	9	2	67		3.55	1.00
	14.9%	44.8%	23.9%	13.4%	3.0%		100.0%		

Note: Strongly Disagree (SD=1), Disagree (D=2), Neutral (N=3), Agree (A=4), Strongly Agree (SA=5)

Source: SPSS Output

For the first question from the total respondent 6.0% of them says strongly disagree, 10.4% says disagree, 19.4% says neutral, 32.8% says agree and remain 31.3% responds strongly agree. This percentage shows more than 64% of it agrees and strongly agrees there is no IFRS implementation guide lines from the regulatory bodies in Ethiopia.

For the second question 6.0% of them says strongly disagree, 6.0% says disagree, 16.4 % says neutral, 41.8% says agree and remain 29.9% responds strongly agree. From the total respondent for this question more than 71.7% of them agrees there is lack of proper coordination from the regulatory bodies.

The respondents for the third question, 1.5% of them say strongly disagree, 9.0% says disagree, 16.4% says neutral, and 46.3% says agree and remain 26.9% responds strongly agree. Based on the above responds more than 73% of the respondent agrees that absence of capital market in Ethiopia has higher negative impact on adoption and implementation of IFRS in Ethiopia.

For the fourth question from the total respondents 7.5% of them says strongly disagree, 9.0% says disagree, 16.4% says neutral, and 49.3% says agree and remain 17.9% responds strongly agree. Based on this total respondents around 67% of the professional bodies agrees on the Ethiopian government encourages the companies to adopt IFRS in Ethiopia is appreciable.

For the fifth question under this regulatory bodies coordination sub title issues from the total respondents 3.0% of them says strongly disagree, 13.4% says disagree, 23.9% says neutral, and 44.8% says agree and remain 14.9% responds strongly agree. When this result conclude based on the respondents result around 59.7% of the professional’s respondent’s opinion indicates socio-economy factor is not that much affect the adoption of IFRS in Ethiopia.

Therefore based on the above analysis, absence of IFRS guide lines, absence of capital market in Ethiopia, are has higher negative impact on the process of implementation and government must give attention to solve these types of issues that affect the implementation process.

4.3. Benefits of Adopting IFRS

Regards to the benefits of adopting IFRS, the mean values for 7 questions and 2 questions were more than 4 and 3 respectively, with the standard deviation less than one and around one, which indicates that the respondents perception were close to one another.

Table 4. 2: Benefits of Adopting IFRS in Ethiopia

Questions	SA	A	N	D	SD	Sub total	Count	Mean	Standard Deviation
Do you believe adoption of IFRS achieves the objectives of financial reporting	29	35	1	2	0	67		4.36	0.67
	43.3%	52.2%	1.5%	3.0%	.0%		100.0%		
Do you think adoption of IFRS is	23	34	7	1	2	67		4.12	0.88
	34.4%	50.7%	10.4%	1.5%	3.0%		100.0%		

better than using GAAP in Ethiopia?									
Adoption of IFRS can bring practical benefits for companies and other stakeholders	18 26.9%	41 61.2%	8 11.9%	0 .0%	0 .0%	67 100.0%		4.15	0.61
Do you believe adoption of IFRS improve quality of financial reporting	33 49.3%	26 38.8%	4 6.0%	4 6.0%	0 .0%	67 100.0%		4.31	0.84
Do you think IFRS less burden for entities	11 16.4%	19 28.4%	19 28.4%	16 23.9%	2 3.0%	67 100.0%		3.31	1.10
IFRS adoption improves the efficiency of financial reporting?	20 29.9%	39 58.2%	6 9.0%	2 3.0%	0 .0%	67 100.0%		4.15	0.70
IFRS adoption provides greater reporting transparency?	27 40.3%	32 47.8%	7 10.4%	1 1.5%	0 .0%	67 100.0%		4.27	0.71
Do you agree as IFRS improve comparability among companies?	27 40.3%	33 49.3%	7 10.4%	0 .0%	0 .0%	67 100.0%		4.30	0.65
Implementation of IFRS are more important to public interest organizations than small and medium enterprises	18 26.9%	29 43.3%	8 11.9%	9 13.4%	3 4.5%	67 100.0%		3.75	1.13

Note: Strongly Disagree (SD=1), Disagree (D=2), Neutral (N=3), Agree (A=4), Strongly Agree (SA=5)

Source: SPSS Output

Under the second issue of the survey, the survey result collected from the financial professionals from sample companies for the first questions respond shows 3.0 % says disagree, 1.5 neutral, 52.2% says agree and remain 43.3% responds strongly Agree. That means around 95.5% of the respondents agrees on the adoption of IFRS has higher benefit to achieve the objective of the financial reporting.

For the second question regarding benefits of adopting IFRS, the respondents reply as 3.0% of them says strongly disagree, 1.5% says disagree, 10.4% says neutral, and 50.7% says agree and

remain 34.4% responds strongly agree. Based on the total respondent opinion around 85% of the financial professionals agreed adoption of IFRS in Ethiopian companies are better than GAAP.

For the third question from the total respondents, 11.9% says neutral, and 61.2% says agree and remain 26.9% responds strongly agree. The total survey result indicates around 88% of the respondents believes that adoption of IFRS can bring practical benefits for the companies as well as other stakeholders.

Under the benefit of adopting IFRS, for question number four the respondent results shows, 6.0% says disagree, 6.0% says neutral, and 38.8% says agree and remain 49.3% responds strongly agree. From this total survey result, around 88% of the respondent opinion shows adoption of IFRS has higher positive impact by improving quality of financial reporting.

For the fifth question of this title from the total respondents, as 3.0% of them says strongly disagree, 23.9% says disagree, 28.4% says neutral, and 28.4% says agree and remain 16.4% responds strongly agree. Based on the result of the survey, the adoption of IFRS or generating financial reporting by IFRS doesn't have relation with minimizing of burden for entities.

For the question of adoption of IFRS improve the efficiency for financial reporting, the survey result of the respondents describe as 3.0% says disagree, 9.0% says neutral, and 58.2% says agree and remain 29.9% responds strongly agree. The higher respondent opinion shows almost 88% of them shows adoption of IFRS has higher positive impact by improving the efficiency of financial reporting.

For the question of adoption of IFRS provide greater financial reporting transparency , the survey result of the respondents describe as follows, 1.5% says disagree, 10.4% says neutral, and 47.8% says agree and remain 40.3% responds strongly agree. Most of the respondent opinion shows almost 88.1% of them shows adoption of IFRS has bring higher financial reporting transparency.

The next question for regarding benefits of adopting IFRS is, IFRS improve comparability among companies, the respondent's survey result also approve this thing as follows, 10.4% says neutral, and 49.3% says agree and remain 40.3% responds strongly agree. Around 89.6% respondent from the total agreed on adoption of IFRS improve comparability among companies.

The last question regarding benefits of adopting IFRS focus on implementation of IFRS are more important to public interest companies than small and medium level enterprises , and also the opinion of the financial professional that participate as a respondent for this survey study also give their view as follows. 4.5% of them say strongly disagree, 13.4% says disagree, 11.9% says neutral, and 43.3% says agree and remain 26.9% responds strongly Agree. Based on this survey result the implementation of IFRS is important for all types of business entities, but for the public interest companies are more important than small and medium level enterprise.

4.4. Prospects of IFRS Adoption and Implementation

Under the adopting IFRS, the mean values for all questions were around 4 and with the standard deviation less than one. This reveals that, the respondents had a positive response and close to one another.

Table 4. 3: Prospect of IFRS Adoption and Implementation in Ethiopia

Questions	SA	A	N	D	SD	Sub total	Count	Mean	Standard Deviation
Do you agree Adoption of IFRS enables risk management	12 17.9%	40 59.7%	15 22.4%	0 .0%	0 .0%	67	100.0%	3.96	0.64
Do you agree Adoption of IFRS makes external financing easier	20 29.9%	35 52.2%	12 17.9%	0 .0%	0 .0%	67	100.0%	4.12	0.69
Do you agree Adoption of IFRS promotes cross border investment	23 34.3%	33 49.3%	11 16.4%	0 .0%	0 .0%	67	100.0%	4.18	0,69
Do you agree IFRS strengthen professional accountancy regulatory body in Ethiopia	20 29.9%	39 58.2%	8 11.9%	0 .0%	0 .0%	67	100.0%	4.18	0.63
Do you think IFRS review consistency of existing laws and regulations framework of accounting	18 26.9%	33 49.3%	14 20.9%	1 1.5%	1 1.5%	67	100.0%	3.99	0.83

Do you agree IFRS improve the credibility of the accounting professional in Ethiopia	20	43	4	0	0	67		4.24	0.55
	29.9%	64.2%	6.0%	.0%	.0%		100.0%		
Do you agree IFRS help to produce high quality financial report and harmonize all over the world	29	31	7	0	0	67		4.33	0.66
	43.3%	46.3%	10.4%	.0%	.0%		100.0%		

Note: Strongly Disagree (SD=1), Disagree (D=2), Neutral (N=3), Agree (A=4), Strongly Agree (SA=5)

Source: SPSS Output

Under this survey, for the above listed questions the respondents give their opinion and I analysed as follows. For the first question the respondents says 22.4% respondent says neutral, and 59.7% says agree and remain 17.9% responds strongly agree. This view of the professional respondents regarding adoption of IFRS enables risk management, most of them means above 77.6% agreed on this new standard highly enable to minimize risk management than previous standards.

The respondents also give their opinion for the question of Adoption of IFRS makes external financing easier, and analysed the answer like this, 17.9% respondent says neutral, and 52.2% says agree and remain 29.9% responds strongly agree. This survey result of the respondent shows around 82% of them agreed on adopting of IFRS in Ethiopia makes external financing easier.

For the third question of this title, the sample company's respondent's gives their professional opinion on it like as follows, 16.4% respondent says neutral, and 49.3% says agree and remain 34.3% responds strongly agree. From this results around 83.6% of the opinion agrees adopting of IFRS in Ethiopia promotes cross border investment.

The fourth question of this survey collect results on the question of adopting IFRS strengthen professional accountancy regulatory body in Ethiopia and the respondents gives their opinion as follows, 11.9% respondent says neutral, and 58.2% says agree and remain 29.9% responds strongly agree. The analysis for this survey results agrees around 88% of the respondents opinion agrees adopting of this new financial reporting standard strengthen professional accountancy regulatory body in Ethiopia.

Then also on question of IFRS review consistency of existing laws and regulation framework of accounting and analysed as follows, 1.5% of them say strongly disagree, 1.5% says disagree , 20.9% respondent says neutral, and 49.3% says agree and remain 26.9% responds strongly agree. More than 76.2% of the survey results agrees adopting of IFRS in Ethiopia highly review consistency of existing laws and regulations framework of accounting.

Additionally the respondents gives their opinion also on IFRS improve the credibility of the accounting professionals in Ethiopia and analysed as follows, 6.0% respondent says neutral, and 64.2% says agree and remain 29.9% responds strongly agree. More than 94.1 % of the professional respondents highly agreed on this new standard of financial reporting has its own positive impact on improve the credibility of the accounting professionals.

Finally the sample respondents for this survey give the responds for the question of Adopting of IFRS helps to produce high quality financial report and harmonize all over the world , and the survey result shows 10.4% respondent says neutral, and 46.3% says agree and remain 43.3% responds strongly agree. Then when the results analyse , around 89.6 % of the total agrees adopting of IFRS highly helps to produce high quality financial report and brings or create harmonization or uniformity of financial reporting all over the world.

4.5. Challenges of IFRS Adopting and Implementation

Here this study tried to discuss the entire question regarding the challenges of adoption and implementation of IFRS in Ethiopia and the result shows survey that collected from financial professionals. Accordingly, regarding to the challenges of IFRS adoption and implementation in Ethiopia, the mean values for 6 questions and 3 questions were approximately 4 and 3 respectively, with the standard deviation less than one and around one, which indicates that the respondents perception were close to one another.

Table 4. 4: Challenges of IFRS adopting and implementation in Ethiopia

Questions	SA	A	N	D	SD	Sub total	Count	Mean	Standard Deviation
Do you agree on lack of competent accounting professionals in the country and specific	16	41	5	4	1	67		4.00	0.83
	23.9%	61.2%	7.5%	6.0%	1.5%		100.0%		

firms negatively influence IFRS adoption									
Do you think adoption of IFRS in Ethiopia is costly	15	35	7	10	0	67		3.82	0.95
	22.4%	52.2%	10.4%	14.9%	.0%		100.0%		
Do you think IFRS increases the complexity of financial reporting	9	26	12	17	3	67		3.31	1.13
	13.4%	38.8%	17.9%	25.4%	4.5%		100.0%		
Do you think lack of training for accounting professionals have negative impact on IFRS adoption in Ethiopia	29	33	2	3	0	67		4.31	0.74
	43.3%	49.3%	3.0%	4.5%	.0%		100.0%		
Do you think the shareholders financial background can affect the adoption process in Ethiopia	8	29	18	11	1	67		3.48	0.96
	11.9%	43.3%	26.9%	16.4%	1.5%		100.0%		
Did the size of the companies determines early adoption of IFRS	10	37	14	5	1	67		3.75	0.86
	14.9%	55.2%	20.9%	7.5%	1.5%		100.0%		
Having trained people in place greatly influence the adoption of IFRS	21	35	4	6	1	67		4.03	0.94
	31.3%	52.2%	6.0%	9.0%	1.5%		100.0%		
Do you think the business organizations are ready and complied with IFRS in Ethiopia?	8	18	11	25	5	67		2.99	1.20
	11.9%	26.9%	16.4%	37.3%	7.5%		100.0%		
Do you think globalization has forced to adopt IFRS in Ethiopian?	18	40	7	2	0	67		4.10	0.70
	26.9%	59.7%	10.4%	3.0%	.0%		100.0%		

Note: Strongly Disagree (SD=1), Disagree (D=2), Neutral (N=3), Agree (A=4), Strongly Agree (SA=5)

Source: SPSS Output

The respondents for the question of lack of competent accounting professionals in the country and specific firms negatively influence IFRS adoption, and they give their opinion on it like this. 1.5% of them strongly disagree, 6.0% of them disagree on the idea, 7.5% of them are neutral, 61.2% of them are agreed on the idea and remain 23.9% of the respondents idea says strongly agree on the idea. Based on the above percentage of the respondents around 85.1% of the survey result for this question believes that lack of accounting professional in the country and lack of specific firms have a very big negative impact on the adoption and implementation of IFRS in Ethiopia.

For the second question of the challenges about adoption of IFRS in Ethiopia is costly, and the respondents give their views as follows. 14.9% of them disagree on the idea, 10.4% of them are neutral, 52.2% of them are agreed on the idea and remain 22.4% of the respondents idea says strongly agree on the idea. From the above results of the survey, around 74.6% of the respondents share the idea on adoption of IFRS in Ethiopia is costly.

For the third question of the challenges on the adoption and implementation of IFRS in Ethiopia is increases the complexity of financial reporting, and the respondents give their views as follows. 4.5% of them strongly disagree, 25.4% of them disagree on the idea, 17.9% of them are neutral, 38.8% of them are agreed on the idea and remain 13.4% of the respondents idea says strongly agree on the idea. From this survey results, less than 52.2% of the professionals responds idea shows adoption of IFRS will increase complexity of the financial reporting but it is not significant.

For the fourth question of the challenges on the adoption and implementation of IFRS in Ethiopia, lack of training for accounting professionals have negative impact on the adoption process, and the respondents give their views as follows. 4.5% of them disagree on the idea, 3.0% of them are neutral, 49.3% of them are agreed on the idea and remain 43.3% of the respondents idea says strongly agree on the idea. For this survey study on the question of regarding lack of training for accounting professionals around 92.6% the respondents idea shares or agrees on this issues , that means before adoption of IFRS in Ethiopia the professionals must get training and courses on it, but without this pre-training on it is difficult to adopt the standards.

For the fifth question of the challenges on the adoption and implementation of IFRS in Ethiopia, the shareholders financial background can affect the adoption process in Ethiopia, and the respondents for this question gives their opinion as follows. 1.5% of them strongly disagree, 16.4%

of them disagree on the idea, 26.9% of them are neutral, 43.3% of them are agreed on the idea and remain 11.9% of the respondents idea says strongly agree on the idea. The survey result of this question shows the shareholders financial background doesn't have direct relation with adoption process of IFRS in Ethiopia and the results shows the impact is not significant on the implementation process.

The next question for the challenges of adoption of IFRS in Ethiopia is size of the company. The respondents gives their own opinion on it as follows. 1.5% of them strongly disagree, 7.5% of them disagree on the idea, 20.9% of them are neutral, 55.2% of them are agreed on the idea and remain 14.9% of the respondents idea says strongly agree on the idea. Based on the survey result the researcher tries to analyse the responds and around 70% of them agreed on the size of the company have their own role to early adoption of IFRS in Ethiopia.

The respondents for the question of trained people in place greatly influence the adoption of IFRS gives their responds as follows. 1.5% of them strongly disagree, 9.0% of them disagree on the idea, 6.0% of them are neutral, 52.2% of them are agreed on the idea and remain 31.3% of the respondents idea says strongly agree on the idea. The results show around 84.5% of the respondents agreed trained people have greatly influence the adoption process if IFRS.

On the question of business organizations are ready and complied with IFRS in Ethiopia, and the professional respondents give their suggestion, on it as follows, 7.5% of them strongly disagree, 37.3% of them disagree on the idea, 16.4% of them are neutral, 26.9% of them are agreed on the idea and the remain 11.9% of the respondents idea says strongly agree on the idea. The result shows currently the business organizations are not ready to comply with IFRS and around 38.8% of the respondent's believes on it.

Finally this survey study prepare the question about globalization has forced to adopt IFRS in Ethiopia, and the respondents given their own opinion on it as follows, 3.0% of them disagree on the idea, 10.4% of them are neutral, 59.7% of them are agreed on the idea and the remain 26.9% of the respondents idea says strongly agree on the idea. Generally for the question of globalization factor for adoption process has more than 86.6% of the respondents agree on globalization has directly positive relation with new standards including adoption of IFRS.

4.6. Correlation Analysis

As we know in Ethiopia or other country government take the ultimate responsible for IFRS implementation to empirically examine the relationship the paper undertake Pearson correlation test between government policy and adoption of IFRS. To undertake the test, the paper computes some selected questions as a proxy for government policy and adoption of IFRS respectively.

Table 4. 5: Correlation analysis between government policy and adoption of IFRS

		Correlations	
		Adoption of IFRS by Ethiopia Companies	Government Policy
Adoption of IFRS by Ethiopia Companies	Pearson Correlation	1	.207*
	Sig. (1-tailed)		.046
	N	67	67
Government Policy	Pearson Correlation	.207*	1
	Sig. (1-tailed)	.046	
	N	67	67

The above table illustrates that the Pearson correlation test of government policy and adoption of IFRS in Ethiopia. The result indicates that government policy has a positive significant relationship on adoption of IFRS with 20% correlation coefficient and less than 5% level of significance. This implies that government proper co-ordination, encouragement of companies and designing of appropriate guidance facilitate early adoption of IFRS.

4.7. Hypotheses testing

In this section, the researcher tried to test the hypothesis of some selected questions with the adoption of IFRS which is proxied by one representative question. Accordingly, five hypotheses are derived and tested with Chi-Square test by applying the SPSS.

Hypothesis I:

Adoption of IFRS will not increase transparency of financial report in Ethiopia

Table 4. 6: Chi-Square Test Result for Hypothesis I

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.920 ^a	6	.001
Likelihood Ratio	15.735	6	.015
Linear-by-Linear Association	5.996	1	.014
N of Valid Cases	67		

As the above result reveals that, both the Pearson Chi-Square and Likelihood Ratio test P-value are less than 0.05. As the result, the stated null hypothesis can be rejected and we can accept the alternate hypothesis. Therefore, can conclude that at 95 % confidence level, adoption of IFRS will increase transparency of financial report in Ethiopia.

Hypothesis II:

Adoption of IFRS will not improve efficiency of financial report in Ethiopia

Table 4. 7: Chi-Square Test Result for Hypothesis II

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.084 ^a	6	.009
Likelihood Ratio	17.043	6	.009
Linear-by-Linear Association	12.312	1	.000
N of Valid Cases	67		

The result indicates that, both the Pearson Chi-Square and Likelihood Ratio test P-value are less than 0.05. As the result, the stated null hypothesis can be rejected and we can accept the alternate hypothesis. Therefore, can conclude that at 95 % confidence level, the adoption of IFRS will improve efficiency of financial report in Ethiopia.

Hypothesis III:

Adoption of IFRS does not make external financing easier in Ethiopia

Table 4. 8: Chi-Square Test Result for Hypothesis III

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.596 ^a	4	.159
Likelihood Ratio	9.362	4	.053
Linear-by-Linear Association	2.924	1	.087
N of Valid Cases	67		

As the above result shows that, the Likelihood Ratio test P-value are less than 0.10. As the result, the stated null hypothesis can be rejected at the 90% confidence level and we can accept the alternate hypothesis. Therefore, can conclude that at 90 % confidence level, the adoption of IFRS does make external financing easier in Ethiopia.

Hypothesis IV:

Adoption of IFRS does not promotes cross border investment in Ethiopia

Table 4. 9: Chi-Square Test Result for Hypothesis IV

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.415 ^a	4	.034
Likelihood Ratio	12.616	4	.013
Linear-by-Linear Association	7.170	1	.007
N of Valid Cases	67		

As the above suggests that, both the Pearson Chi-Square and Likelihood Ratio test P-value are less than 0.05. As the result, the stated null hypothesis can be rejected and we can accept the alternate hypothesis. Therefore, can conclude that at 95 % confidence level, the adoption of IFRS does promote cross border investment in Ethiopia.

Hypothesis V:

Adoption of IFRS does not improve the credibility of the accounting professional in Ethiopia

Table 4. 10: Chi-Square Test Result for Hypothesis V

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.087 ^a	4	.088
Likelihood Ratio	11.474	4	.022
Linear-by-Linear Association	4.203	1	.040
N of Valid Cases	67		

As the above result reveals that, the Likelihood Ratio test P-value are less than 0.05 in which the stated null hypothesis can be rejected at the 95% confidence level and we can accept the alternate hypothesis. As the result, can conclude that at 95% confidence level, the Adoption of IFRS will improve the credibility of the accounting professional in Ethiopia.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presents summary, conclusions and recommendations of the results. It has four parts; the first part presents summary of the study results and discussions. The second part presents conclusions of the study. The third part presents recommendations given by the researcher based on the finding from the survey results and finally, the last part presents possible future research areas that will use as bench mark for the next researcher by the area of adoption and implementation of International Financial Reporting Standard (IFRS) in Ethiopia.

5.2. Summary of major findings

In this chapter the results of findings has been listed, explained and discussed based on the analysis done on the data collected. The results of the study are discussed by showing the different sources results: questionnaire results, and interview results. The Data collected using questionnaires were analysed through descriptive statistics, frequency distribution, Correlation and chi-square tests analysis. The discussion attempted to accomplish the objectives of the study, and answer the research questions. The regulatory body's coordination, the benefits of IFRS adoption to different stakeholders, the prospects of adoption and implementation of IFRS and the related challenges to adoption and implementation of IFRS in Ethiopia has been analysed in the chapter and also the survey results additionally tested and improved by the above five research hypothesis using chi-square test and results described as follows: the results can conclude that at 95 % confidence level, adoption of IFRS will increase transparency of financial report in Ethiopia, can conclude that at 95 % confidence level, the adoption of IFRS will improve efficiency of financial statement report in Ethiopia, can conclude that at 90 % confidence level, the adoption of IFRS does make external financing easier in Ethiopia, can conclude that at 95 % confidence level, the adoption of IFRS does promote cross border investment in Ethiopia and finally can conclude that at 95% confidence level, the Adoption of IFRS will improve the credibility of the accounting professional in Ethiopia.

5.3. Conclusions

This study examined the adoption and implementation of International Financial Reporting Standards (IFRS), regulatory bodies coordination, its benefits, the challenges of adopting International Financial Reporting Standards, and prospects if IFRS adoption and implementation

in Ethiopia with particular reference to companies which adopted this standard. Four research questions were developed and tested in this study. The first question is to understand the adoption level of IFRS in Ethiopia. The second question is to understand the compliance related activities expected from Ethiopia for adoption and implementation of IFRS. The third question is the pros and cons of adopting IFRS in Ethiopia. The last question is the challenges faced by the stakeholders and prospects to adopt and implement IFRS in Ethiopia in the process of adoption of IFRS.

The study used interview with regulatory body's directors and chief finance officers and self-administered questionnaire to senior auditor, finance head and chief accountants of the randomly selected sample organizations. Questionnaire data were analysed using descriptive statistics, correlations, and chi-square test analysis and data from interview were interpreted qualitatively.

The results of the survey relate that IFRS adoption and implementation launched by national level on April 26, 2016 at ECA (Economic Commission of Africa) in Ethiopia due to the greater benefits it has compared to the associated problems. On the other hand the entities which are required to use IFRS in preparing their financial reports since 2018 for public interest companies but not applying all the standards as a first implementation level partial of them. In other words there is a serious compliance problem with IFRS in Ethiopia. The results show that the introduction of IFRS in Ethiopia will result in a number of important benefits for a wide range of stakeholders. The benefits of effective and efficient financial reporting will accrue to companies. Since similar economic transactions are accounted for similarly by eliminating different methods of accounting for the same transactions, adoption of IFRS leads to improved comparability and reliability of financial statements.

Adoption of IFRS has also the benefit of more transparent financial statements to companies which in turn reduce the agency problem between management and shareholders as increased transparency causes managers to act more in the interests of the shareholders. 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.

Investors will benefit, amongst others, more confidence in the information presented in financial statements which they can understand and use. For management, the adoption of IFRS will create improved management information for decision making and enables better risk management. Similarly, other stakeholders such as regulatory bodies and accounting professionals would benefit

from improved regulatory oversight and greater credibility and improved economic prospects for the accounting profession. The main challenges in the process of adopting IFRS include significant cost of adoption of IFRS, and necessary training for accounting professionals, lack of guidance creates risks for different local or national interpretations of IFRS and increases the risk for handling in interpretation of financial statements.

The hypothesis test results also shows the adoption of IFRS in Ethiopia by many aspects have positive view like: can conclude that at 95 % confidence level, adoption of IFRS will increase transparency of financial report in Ethiopia, can conclude that at 95 % confidence level, the adoption of IFRS will improve efficiency of financial statement report in Ethiopia, can conclude that at 90 % confidence level, the adoption of IFRS does make external financing easier in Ethiopia, can conclude that at 95 % confidence level, the adoption of IFRS does promote cross border investment in Ethiopia and also can conclude that at 95% confidence level, the Adoption of IFRS will improve the credibility of the accounting professional in Ethiopia.

Finally, this survey study has been conducted to critically examine the factors that could influence the adoption of IFRS in Ethiopia. The Pearson correlation and chi-square test analysis have been used for the study and the result tells that about capital market, professional bodies, education level, and company size have significant effect on the adoption of IFRS in Ethiopia.

5.4. Recommendations

- The researcher suggest that the concerned regulatory bodies and others concerned professional as well governmental bodies should strictly follow the application of all the standards. If these standards are adopted and not applied, they become valueless.
- The adoption of IFRS in Ethiopia should be supported by all stake holders. In other words a hard IFRS capacity building program should be teamed by all regulatory bodies, different firms among different sectors and training institutions up to higher universities to enhance the accounting professional must be familiar with the standard as well as to bring the expected uniformity of financial reporting in the globe and at the same time enhance the firms also to have uniform financial languages all over the world even if it prepared by different continents.
- Based on the respondent's opinion gathered from the survey results, the absence of capital market (financial market) in Ethiopia has a higher negative impact on the quality of financial report. Because the presence of the capital market in the country improve the

competence among the professionals and also bring quality and uniformity for the financial reports and facilitate the businesses credibility in the globe. So as a researcher advised all the concerned bodies in Ethiopian decide to open the door for capital market will support the implementation of IFRS.

- lack of proper coordination from regulatory bodies, the survey result shows the coordination among the regulatory bodies, accounting professionals, business consultants, and all stakeholders is not satisfactory .Therefore all the concerned bodies for adoption and implementation of IFRS in Ethiopia have to form unity and coordination for better performance of adoption and implementation of IFRS process in Ethiopia.
- The government policy to implementation of the IFRS, most of the respondents agreed before the implementation IFRS in Ethiopia the curriculum must be amended and the courses and short term training must be started by the university level and the students also get confident on it.
- Before implementation of IFRS in Ethiopia need some interpretation guidelines must be prepared that will give clarification.
- Additional suggestion about the *local investor's awareness*, all the stakeholders have expected to change the awareness of the local investors and get a little bit clue about the standards.
- Finally, the findings expose that there are numerous factors that impact adoption of IFRS in Ethiopia. The study found statistically insignificant relationship between socio-economy barriers and adoption of IFRS in Ethiopia.

5.5. Future Research Areas

The International Financial Reporting Standards (IFRS) is a broader scope of accounting which cannot be dealt with in its whole in one study alone. This study focused on the regulatory body's coordination for implementation, benefits from adoption and implementation of IFRS, challenges that faced through the process of adoption and implementation of IFRS and prospects of IFRS adoption and implementation 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.

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Appendices

Appendices

Appendix (A): Questionnaire

Solomon Mengesha Wakjira (MBA student)
St. Mary University
School of Graduate Studies
Department of Accounting and Finance

Dear sir/madam

The aim of this questionnaire is to search for information regarding the adoption and implementation of International Financial Reporting Standards (IFRS) in Ethiopia. The questionnaire will be distributed to all Senior Auditors, Finance Head and Chief accountants of randomly selected companies. The information you provide in response to the items in the questionnaire will be used as part of the data needed for a study on 'Adoption and implementation of International Financial Reporting Standards (IFRS) in Ethiopia'.

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

Your honest and thought full response is invaluable

Thank you for your participation

Kind regards

Solomon Mengesha

In this questionnaires the researcher is looking for your specific insights toward the adoption and implementation of IFRS in Ethiopia. Please kindly indicate the appropriate scale for your opinion by ticking (√) on the spaces that indicate your choice from the options that range from ‘**Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A) and Strongly Agree (SA)**’.

A. Regulatory Bodies Coordination

S.No.	Questions	SD	D	N	A	SA
1	Is there absence of IFRS implementation guidance from whom concerned bodies					
2	Lack of proper coordination from regulatory bodies					
3	The absence of capital market in Ethiopia has negative impact on the adoption of IFRS					
4	Do you think the Ethiopian government encourage companies to adopt IFRS					
5	Do you believe socio-economy is one of the major barriers to adopt and implementation of IFRS in Ethiopia					

B. Benefits of Adopting IFRS

6	Do you believe adoption of IFRS achieves the objectives of financial reporting					
7	Do you think adoption of IFRS is better than using GAAP in Ethiopia?					
8	Adoption of IFRS can bring practical benefits for companies and other stakeholders					
9	Do you believe adoption of IFRS improve quality of financial reporting					
10	Do you think IFRS less burden for entities					

11	IFRS adoption improves the efficiency of financial reporting?					
12	IFRS adoption provides greater reporting transparency?					
13	Do you agree as IFRS improve comparability among companies?					
14	Implementation of IFRS are more important to public interest organizations than small and medium enterprises					

C. Prospects of IFRS Adoption and Implementation

S.No.	Questions	SD	D	N	A	SA
15	Do you agree Adoption of IFRS enables risk management					
16	Do you agree Adoption of IFRS makes external financing easier					
17	Do you agree Adoption of IFRS promotes cross border investment					
18	Do you agree IFRS strengthen professional accountancy regulatory body in Ethiopia					
19	Do you think IFRS review consistency of existing laws and regulations framework of accounting					
20	Do you agree IFRS improve the credibility of the accounting professional in Ethiopia					
21	Do you agree IFRS help to produce high quality financial report and harmonize all over the world					

D. Challenges of IFRS Adopting and Implementation

22	Do you agree on lack of competent accounting professionals in the country and specific firms negatively influence IFRS adoption					
23	Do you think adoption of IFRS in Ethiopia is costly					
24	Do you think IFRS increases the complexity of financial reporting					
25	Do you think lack of training for accounting professionals have negative impact on IFRS adoption in Ethiopia					
26	Do you think the shareholders financial background can affect the adoption process in Ethiopia					
27	Did the size of the companies determines early adoption of IFRS					
28	Having trained people in place greatly influence the adoption of IFRS					
29	Do you think the business organizations are ready and complied with IFRS in Ethiopia?					
30	Do you think globalization has forced to adopt IFRS in Ethiopian?					

Appendix (B): Interview Guide

Solomon Mengesha (MBA student)
St. Mary University
School of Graduate Studies
Department of Accounting and Finance

Dear sir/madam

The purpose of this interview is to discover information regarding the adoption and implementation of International Financial Reporting Standards (IFRS) in Ethiopia and to have sufficient response to the research problem in addition to questionnaires distributed to Senior Auditors, Finance Head and Chief accountants of companies which adopt IFRS. The interview will be made with Regulatory body's directors and chief finance officers of the randomly selected regulatory body's organizations. The information you provide in response to the items in the interview will be used as part of the data needed for a study on 'The Adoption and implementation of International Financial Reporting Standards (IFRS) in Ethiopia'.

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

Your honest and thought full response is invaluable

Thank you for your participation

Kind regards

Solomon Mengesha

Interviews Questions

1. Do you know what by mean IFRS?
2. Have you ever been work as a finance and accounting team in IFRS adopted company and what are the difference between current accounting systems?
3. What is the major reasons Ethiopia to adopt and implementation of IFRS?
4. What are the major challenges to implement IFRS in Ethiopia?
5. What are the ways through which these problems or challenges can be addressed? Please recommend your solutions to solve the problems.
6. What are the significance of adoption of IFRS in Ethiopia?
7. If you have any opinion on adoption and implementation of IFRS in Ethiopia

Appendix (C): Categories of participant organizations

Bodies of respondents

Industries	Number of Respondents	Percentage
Banks	13	19.41
Insurances	8	11.94
Audit and assurance firms	37	55.22
Regulatory bodies	9	13.43
Total	67	100