ST. MARY`S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

IFRS IMPLEMENTATION READINESS IN ETHIOPIA: THE CASE OF PRIVATE COMMERCIAL BANKS

BY

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JUNE, 2017

ADDIS ABABA, ETHIOPIA

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ID: MBAAF/0412/2008A

A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MBA IN ACCOUNTING AND FINANCE

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DECLARATION

I, Abel Abayneh hereby declare that "IFRS implementation readiness in Ethiopia: the case of private commercial banks" is my own work, that it has not been submitted for any degree or examination at any other institution of higher learning in Ethiopia, and that all references have, to the best of my knowledge, been correctly reported. This study is being submitted for the partial fulfillment of master degree in Accounting and Finance at St Mary`s university graduate studies.

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Date_______________________

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Date_____________________

ACKNOWLEDGMENTS

First and foremost, I thank the Almighty God for his support and protection in all aspects of my life.

It is an accepted fact that nothing constructive could be achieved alone. I would like to express my sincere gratitude to my advisor Habtamu Berhanu (Phd), for his guidance and valuable suggestion. I also appreciate the support given by the staffs of all private banks head offices' administrators and managers except Abyssinia bank S.C and Debub global bank S.C for their willingness and cooperation by providing the questionnaire to IFRS implementation team of their bank and staffs of AABE.

At last but not least, I would like to thank W/ro Nardos Hirui for her continuous encouragement and constructive suggestions, my family and friends for their unconditional support.

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LIST OF ACRONYMS

AABE	**Accounting and Auditing Board of Ethiopia**
AdIB	**Addis International Bank**
AISG	**Accounting International Study Group**
EU	**European Union**
GAAP	**Generally Accepted Accounting Principles**
IAS	**International Accounting Standard**
IASB	**International Accounting Standard Board**
IASC	**International Accounting Standard Committee**
IFRS	**International Financial Reporting standard**
IFRS	**International Financial Reporting standard**
ISA	**International Standards for Auditors**
IT	**Information Technology**
LIB	**lion International Bank**
MoFED	**Ministry of Finance and Economic Development**
NBE	**National Bank of Ethiopia**
ROSC	**Reports on Observance of Standards and Codes**
SIC	**Standard Interpretation Committee**
SME	**Small and Medium Enterprise**
SPSS	**Statistical Package for the Social Scientists**
TR	**Technical Release**
UK	**United Kingdom**
UNCTAD	**United Nations Conference on Trade and Development**

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ABSTRACT

International Financial Reporting Standards (IFRSs) have been implemented by many countries to bring uniform accounting standard around the globe. Organizational readiness for change is an important factor in successful implementation of new policies, programs, and practices. And IFRS implementation is considered as organizational change of policy, program and practices. Hence this study is conducted to assess the readiness of Ethiopian private commercial banks to implement IFRS. Specially to study how the banks value the implementation, change efficacy of the banks and the contextual factors that affect these banks during the implementation of IFRS. In order to achieve its objective of the study gathered primary and secondary data from the entire private banks of Ethiopia through open and close ended questionnaires. In addition to that AABE representative has been interviewed. And during the research mixed approach or the hybrid of the quantitative and qualitative approaches were used. The researcher also adopted a descriptive method of research design which helps to describe the major findings of the study by taking the research questions into consideration. The data were analyzed through help of statistical package for social science and micro soft excel software. The findings revealed that the Ethiopian private banks give high value for the implementation and the contextual factors of the banks support the implementation of IFRS in Ethiopia. On the other hand the banks have doubt on the change efficacy, especially on the availability of expertise, skill and time to the implementation. Finally, based on the findings the study brought conclusion and recommendations for all private banks and other stakeholders on IFRS implementation. The key recommendations are to increase skill and expertise by facilitating more training, not only for phase 1 but also for the next phases as per AABE road map.

Key Words: AABE, Change efficacy, Change valance, Contextual factor, IFRS, Readiness

Chapter One

1. Introduction

1.1. Background of the study

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

IFRSs are a set of accounting principles that is rapidly gaining acceptance on a worldwide basis. They are published by the London-based International Accounting Standards Board (IASB). The objective of the IASB is to develop a single set of high quality, understandable, enforceable and globally accepted financial reporting standards that bring transparency, accountability and efficiency to financial markets around the world. Those standards serve the public interest by fostering trust, growth, and long term financial stability in the global economy (IFRS Foundation, 2015). IFRS are more focused on objectives and principle-based. They purport to be a set of rules that ideally would apply equally to financial reporting by both private and public companies worldwide. The adoption of IFRS as issued by the International Accounting Standards Board (IASB) is expected to result in the application of a common set of financial reporting standards all over the world countries' that require or permit application of IFRS (Hoyle B., et al., 2009, Baker E. et al., 2009 and Larsen E. 2008).

Cross border investors require harmonized accounting and financial reporting practices in order to make decisions based on worldwide standards. Having a single set of global accounting, reporting and disclosure standards would possibly meet this requirement. Many countries have taken to this phenomena of global accounting standards and this is evidenced by the 140 out of 196 (71%) countries in the world that have already adopted International Financial Reporting Standards, as established by global research of IFRS(2016).

Ethiopia cannot afford staying out of the global market system. It ought to take full advantage of the wealth and financial opportunities promised by globalization and to do so would require adopting and using global standards. Thus, Ethiopian Government has taken the initiative to change the practice of accounting and its manner of reporting. Accordingly, the House of People's Representative of the Federal Democratic Republic of Ethiopia enacted Financial Reporting Proclamation No. 847/2014 with the underlined objectives as stated in Article 1 of the proclamation

- To establish a sound, transparent, and understandable financial reporting system applicable to entities in both private and public sectors.
- To have a uniform financial reporting law that enhance transparency and accountability by centralizing the hither to decentralized financial reporting structures of Ethiopia
- To support various building blocks of the economy and to reduce the risk of financial crises, corporate failure and associated negative economic impacts,
- To ensure that the provision of financial information meets internationally recognized reporting standards.

The application of IFRS will provide a robust set of rules common to all companies, thus constraining the phenomenon of 'creative accounting'—whereby the figures in the annual accounts are manipulated to influence investors' behavior (Jordan, 2004).

Organizational readiness for change is an important factor in successful implementation of new policies, programs, and practices (Weiner, 2014). And he develops a theory of organizational readiness for change determinants. The determinants are change valence, change efficacy and contextual factors that indicate how ample the organization in the country are ready to adopt the upcoming change. Accordingly this paper tries to assess the readiness of IFRS implementation in Ethiopian private banks and implications in reference to literatures, international best practices and in turn provide recommendations and insight potential research areas for further study

1.2. Statement of the Problem

Subsequent to the effects of globalization and the World Bank & IMF joint study the Ethiopian accounting system (ROSC, 2007), now Ethiopia has already embarked on adopting IFRS formally in the counties accounting system by issuing proclamation No.847/2014 for financial reporting and regulation No. 332/2014 "for the establishment and determination of the procedure of the accounting and auditing board of Ethiopia" (Yitayew, 2016).

As per the World Bank report (ROSC, 2007), significant gaps were indicated in the countries experience with their report. The gaps specified in this report are in the basic qualifications or preconditions of IFRS adoption. The policy recommendations provided by the World Bank are preconditions that are required to be implemented to institutionalize the Ethiopian financial reporting infrastructures and set up the regulatory frameworks in the context of IFRS adoption to integrate Ethiopia into the global economic system (Yitayew, 2016).

Despite of the fact that Ethiopia has significant gaps in its financial reporting infrastructures and legal frameworks which are basic preconditions of IFRS adoption, the Ethiopian IFRS adoption agenda has come to effect with the issuance of the financial reporting proclamation and regulation and the establishment of the board which is in charge of coordinating the implementation of IFRS and regulating the financial reporting practices of the country (Yitayew, 2016).

Following that AABE plans three phase transition over three years period as it is authorized by the House of People's Representative of the Federal Democratic Republic of Ethiopia in proclamation No.847/2014. To this effect, AABE has drawn its strategic road map that indicates the phase of implementation for IFRS. The first phase requires to fully implementation the full version of International Financial Reporting Standard (IFRS) in all public interest entities including commercial banks. According to road map of AABE, mandatory reporting date of IFRS for all financial institutions and large public enterprises is July 7, 2017.

Thus, Banks are required to start preparation for transiting would need to convert its closing balance at July 7, 2015 to IFRS- based figures which then become the opening balances as at

July 8, 2015 for IFRS- based financial statements as at July 7, 2016.This provides opening balances for July 8, 2016 which is the IFRS full financial statements as at July 7, 2017 (with 2015/16 as comparative year). Within these years, all the required changes in business process, information Technology, contractual obligations, etc. necessary for effective IFRS- based financial statements must be fully effected to give true, fair and complete IFRS- based financial statement. Most importantly banks are required for IFRS based accounting starting from July 8, 2017 and to comply with IFRS based financial statements for the year ending June, 2018 (AABE Road Map, 2016).

According to (Weiner, 2014) organizational readiness for change is an important factor in successful implementation of new policies, programs, and practices. Consequently it is very essential to make sure that the readiness of organizations who are on the way to implement new international accounting standard. As of the AABE road map the first phase to implement IFRS in the country are banks. So the readiness of banks for the upcoming implementation is currently the hot issue. But till now there is no any research has been conducted concerning the new accounting standard implementation readiness in Ethiopian private commercial banks. That is why it is needed to determine the Ethiopian banks readiness. Therefore, this study tried to assess the readiness of IFRS implementation in Ethiopian private commercial banks.

1.3. Research Questions

1- How the banks are confident in their collective capabilities to organize and execute the courses of action required to implement IFRS?

2- How the banks value IFRS implementation by committing themselves to perform the required courses of action and to avoid distracters?

1.4. Objectives of the Study

1.4.1. General Objective

The general objective of the study is to assess the readiness of Ethiopian private commercial banks to implement IFRS.

1.4.2. Specific Objectives

Under the general objective stated above, the research has the following specific objectives:

- To assess the change efficacy of private banks in Ethiopia
- To assess the value that Ethiopian private banks give for IFRS implementation
- To evaluate the availability of resources for IFRS implementation in Ethiopian private banks
- To examine the task knowledge in Ethiopian private banks concerning IFRS implementation

1.5. Significance of the Study

The primary significance of this study is for the government. On the first hand, the research has provided summarized information about the readiness of banks to implement IFRS according to the AABE's deadline. Secondly the study recommended careful considerations on the available time taken for the implementation. Beside this, the conclusion will help AABE and the banks to enhance training for the sake of enough skilled personnel and expertise. In addition to that the recommendations of the researcher will help the companies to analyze how they would be ready on the next phase. Finally, methods and techniques applied in the research also enhance the researchers' know-how.

1.6. Scope of the Study

This study has mainly focused on measuring the readiness of Ethiopian private banks to implement IFRS. In doing so, the entire Ethiopian private commercial banks are examined and the analysis has done for only the current year 2017. Therefore the study is limited on the banking sector and from the bank sector only focused on the private banks in Addis Ababa. And also from the entire population only 43 respondents were selected. The result of the paper, therefore, covered the all private banks IFRS implementation team members. And this study could not give guarantee to the quality and safety of IFRS but it only assess how the banks are ready to implement it.

1.7. Limitation of the study

The study does not include the readiness of IFRS implementation on Audit firms who audit the private banks in Ethiopia for the upcoming accounting year. It was important because they have to be ready to audit the financial statements based on IFRS. In addition to that as the research title is new for our county, there is limited availability of secondary data concerning IFRS readiness in Ethiopian context. And the study would have been far better if the entire IFRS implementation team members were questioned and also interviewed. Lack of operating budget and organized data were also some of the limitations during the course of the study. However, necessary effort has been made so as to achieve the above stated objectives.

1.8. Organization of the Study

The organization of the final report of the study has organized in five chapters. The first chapter deals with introduction, statement of the problems, objectives of the study, research questions, significance of the study, and scope and limitation of the study. In the second chapter, different literature that relates to the topics of the study has been reviewed and present. In the third chapter, the research design including the population and sampling procedure, data and data collection instrument, data analysis, research method adopted, techniques used in data collection and analysis has been presented. Then, the fourth chapter has discussed on the results and analysis of the findings of the study. Finally, the fifth chapter provides the conclusion and recommendation for the study according to the findings.

Chapter Two

2. Literature Review

2.1. Introduction

This section of the research assesses related literature with International Financial Reporting Standards (IFRS) and issues related with the adoption of IFRS are presented. The literature review consists of the general overview of IFRS, theory of organizational readiness for change, IFRS implementation phase, about the newly establish board (AABE) and other empirical studies to look for IFRS readiness case study experience in different countries. And after all, the gap between the literatures and current Ethiopian condition will be discussed.

2.2. Overview of IFRS

Struggles have been completed to condense accounting variances across nation state, because of the problems related with universal accounting diversity. The ultimate objective of decreasing accounting diversity is to have all companies around the world follow one set of international accounting standards (Hoyle. et al., 2009, Baker et al., 2009). The merging of accounting standards in the universal condition has become much attention in the academic and professional accounting literature (Prather-Kinsey, 2006). Likewise, Hail, Leuz and Wysocki(2010) pointed out that the adoption of IFRS would be relevant in reducing cost of capital, allocating capital and providing greater market liquidity. They further argued that convergence to IFRS is likely to have cost advantage in financial reporting in a way that multinational companies will not need to report by using more than one set of accounting standards for businesses operating in transnational environments .

In the contrary, the opponents of the adoption of IFRS pointed out that inconsistency in the implementation of the standards and poor enforcement mechanisms may lower financial reporting quality and lead to greater managerial discretion. They further argued that adoption of IFRS is just one of the factors among several factors such as institutional, legal and cultural that affects the quality of financial reporting across different national boundaries (Jermakowicz & Gornik-Tomaszewski, 2006).

The first move towards accounting standards convergence can be traced back to 1966 when the Accountants International Study Group (AISG) was proposed to be formed by the professional accountancy bodies in Canada, the United Kingdom and the United States in order to develop comparative studies of accounting and auditing practices. Subsequently, the AISG was founded in 1967. After discussions and approval by the three AISG countries and representatives of professional accountancy bodies in Australia, France, Germany, Japan, Mexico and the Netherlands, the IASC was established in 1973 with the aim of issuing a single set of high quality and globally accepted International Accounting Standards (IASs). Between the years 1973-2000, the IASC issued 41 International Accounting Standards (IASs). In 1997, Standing Interpretations Committee (SIC) was established to consider continuous accounting issues. In 2001, the International Accounting Standards Board (IASB) was established to replace IASC and subsequently to take responsibility of issuing International Financial Reporting Standards (IFRS).

IFRSs are the key elements of economic reporting infrastructures that provide standardized format for reporting economic gains and losses. Since January 1, 2005, the European Union has mandated all listed companies in the European Union to produce their financial statements in accordance with International Financial Reporting Standards (IFRS). Subsequent to European Union regulation of the adoption of IFRS in the listed companies of the EU member countries, the global financial reporting system has been transformed significantly with unprecedented number of countries and enterprises around the world adopting international financial reporting standards as a basis for the preparation of financial statements (UNCTAD, 2008).

Now, the adoption of IFRS is a global phenomenon with numbers of countries in Europe, Australia, Asia, Africa and others are adopting IFRS as a means for preparing their financial reports. Accordingly, the adoption of IFRS across countries is considered as a means of increasing cross border comparability, reporting transparency, increasing capital flow, increasing capital market efficiency and minimizing information asymmetry (Ball, 2006).

2.3. Theories of Organizational Readiness for Change

Organizational readiness for change is a multi-level, multi-faceted construct. As an organization-level construct, readiness for change refers to organizational members' shared resolve to implement a change (change commitment) and shared belief in their collective capability to do so (change efficacy). (Weiner, 2009)

Organizational readiness for change varies as a function of how much organizational members value the demands, resource availability, and situational factors. When organizational readiness is high, organizational members are more likely to initiate change, exert greater effort, exhibit greater persistence, and display more cooperative behavior. The result is more effective implementation (Weiner, 2009). This means organizational readiness for change is from an organizational member who is committed to implement an organization change and confident in their collective ability to do so.

In simple language organizational readiness connotes a state of being psychologically and behaviorally prepared to take action (i.e., willing and able) (Bandura, 1997). And as of Bandura's notion change commitment to change refers to organizational members' shared resolve to pursue the courses of action involved in change implementation. When Weiner BJ wrote his reason to emphasize shared beliefs and collective capabilities he said that he emphasized because implementing complex organizational changes involves collective action by many people, each of whom contributes something to the implementation effort. Because implementation is often a 'team sport' problems arise when some feel committed to implement but others do not. This is also true for IFRS implementation.

Though commitment based on 'want to' motives reflects the highest level of commitment to implement organizational change, Herscovitch and Meyer observe that organizational members can commit to implementing an organizational change because

- They want to (they value the change)
- They have to (they have little choice)
- They ought to (they feel obliged)

One of the several discussions about organizational readiness for change is that, the two facets of organizational readiness for change—change commitment and change efficacy—are conceptually interrelated and they are empirically correlated (Weiner 2009). As Bandura 1997 notes, low levels of confidence in one's capabilities to execute a course of action can impair one's motivation to engage in that course of action. Likewise, as Maddux 1995 notes, fear and other negative motivational states can lead one to underestimate or downplay one's judgments of capability.

Organizational members could be very confident that they could implement an organizational change successfully, yet show little or no motivation to do so. The opposite extreme is when the organizational member show higher motivation but could have no confidence to do so. Organizational readiness is likely to be highest when organizational members not only want to implement an organizational change and but also feel confident that they can do so. Moreover consistent leadership messages and actions, information sharing through social interaction, and shared experience including experience are circumstances that can generate a shared sense of readiness (Klein 2000).

2.3.1. Intra Organizational Variability

According to the past trend of IFRS it is usual to update its policy or principles any time. This is a big challenge on implementation process, the companies plan could only be on the current principles but if change occurs after they plan, the companies should modify it. Intra organizational variability like IFRS past trained can affect the readiness. Intra organizational variability in readiness perceptions indicates lower organizational readiness for change and could signal problems in implementation efforts that demand coordinated action among interdependent actors (Weiner 2009).

2.3.2. Determinants and Outcomes of Organizational Readiness for Change

2.3.2.1.Change Valence

The more organizational members value the change, the more they want to implement the change, or, put differently, the more resolve they will feel to engage in the courses of action involved in change implementation. Change valence is a parsimonious construct that brings some theoretical coherence to the numerous and disparate drivers of readiness that change management experts and scholars have discussed (Cole 2006).

Organizational members might value a planned organizational change because they believe some sort of change is urgently needed. They might value it because

- They believe the change is effective and will solve an important organizational problem.
- They value the benefits that they anticipate the organizational change will produce for the organization, patients, employees, or them personally.
- It resonates with their core values.
- Manager's, opinion leader or peers support it.

In fact it may not be necessary that all organizational members value an organizational change for the same reasons. Change valence resulting from disparate reasons might be just as potent a determinant of change commitment as change valence resulting from commonly shared reasons (Weiner 2009). For organizational readiness, the key question is: regardless of their individual reasons, do organizational members collectively value the change enough to commit to its implementation?

In the case of readiness for international financial reporting standard implementation in Ethiopian private banks the change valence is for example initiation, persistence and cooperative behavior of the team member with the management and other authorized bodies. It means the more the initiation, persistence and cooperation the more would be the readiness of banks.

2.3.2.2.Change Efficacy

As of Gist and Mitchell 1992, Efficacy is a 'comprehensive summary or judgment of perceived capability to perform a task'. In formulating change efficacy judgments, organizational members acquire, share, assimilate, and integrate information bearing on three questions

- Do we know what it will take to implement this change effectively
- Do we have the resources to implement this change effectively
- Can we implement this change effectively given the situation we currently face?

Implementation capability depends in part on knowing

- what courses of action are necessary
- what kinds of resources are needed
- how much time is needed
- and how activities should be sequenced

In addition to that the organization member assess whether the organization has the human, financial, material, and informational resources necessary to implement the change well. Finally, they consider situational factors such as, for example, whether sufficient time available to implement the change well or whether the internal political environment supports implementation. Knowledge about resources helps organizational members to enhance readiness for change.

To wind up IFRS implementation readiness by counting with change valence it is determined by change efficacy for example by measuring availability of sufficient time, knowledge, human resource and other useful resource for the implementation of IFRS.

2.3.2.3.Contextual Factors

Various discussions by different scholars rose about the conditions that affect organizational readiness for change. Some of the conditions are

- Organizational culture for innovation, risk taking, and learning supports organizational readiness for change (Jones and Jimmieson, 2005)
- Flexible organization policy & procedure and good working environment or relationship support organizational readiness for change(Kanter, 1984)
- Positive past experience with change can also enhance organizational readiness for change (Armenakis, 1993)

In addition to the above discussions (Weinter, 2009) agreed on those factors of organizational culture, organizational flexibility and past experience would affect the change valance and change efficacy judgment. And the researcher also agreed that those all mentioned factors affect organizational readiness for change.

2.3.2.4.What Outcomes Result From Organizational Readiness for Change?

We are on the way of studying readiness for change. But the question is how and why it is going to be studied. One suggestion is that when organizational readiness for change is high, organizational members are more likely to initiate change like instituting new policies, procedures, or practices; they exert greater effort in supporting the change and exhibit greater persistence in the face of obstacles or setbacks during implementation (Gist, 1992).

In addition to this theory other suggests when organizational readiness is high, organizational members will exhibit more pro-social, change related behavior like action supporting more than the job expects (Herscovitch, 2002). And he also conceptualizes organizational readiness as a configure property and theorizes about the determinants and outcomes of intra organizational variability in readiness perceptions (Klein, 2000).

(Weiner, 2009) theory of organizational readiness for change article in 2009 noted the characteristics for the instrument or measurement of readiness for organizational change as follows

- Some means of focusing respondents' attention on a specific impending organizational change, perhaps by including a brief description of the change in the survey instrument and by mentioning the change by name in the instructions for specific item sets.
- Group referenced rather than self-referenced items that focus on group commitment and capabilities.
- Items that only capture change commitment or change efficacy
- Efficacy items that are tailored to the specific organizational change, yet not so tailored that that the instrument could be used in other circumstances without substantial modification.

Organizational change is not changing the organization itself but it is changing the policy, procedure, practice or trends of the organization. Implementing IFRS is transition of accounting standard from the previous local standard to the global accounting standard (Pacter, 2015). This means the organizational change is accounting policy change or in other word IFRS implementation is considered as organizational change.

According to Weiner BJ‘s forth characteristics noted that the researcher use his measurements of readiness for organizational change by adding few modification and adding some other IFRS related contents for the current research. As the researcher have also mentioned earlier there are change experts who study about the issue. Depending on their theories and suggestions this research outcome will be effective.

2.4. Previous Accounting and IFRS Practice In Ethiopian Financial Institutions

- The analysis of 10 years annual reports of 40 companies has shown that four organizations have started preparing their financial statements in accordance with IFRS in 2002/03 and increased gradually from time to time. By 2013/12, the number of corporates using IFRS has reached 18 (16 are using the full IFRS while the remaining 2 are using IFRS for SME) as per the accounting policy of the companies disclosed to their annual reports (Teferi, 2016).

- There is a lack of appreciation of the role of quality financial reporting by the business community. Stakeholders indicated that there is lack of appreciation of good quality financial reporting by the business community. Most people in the business community are not aware of the importance of good quality financial reporting and for what purpose it would serve. The reason behind would be as a nation Ethiopia does not have its own national accounting standards; the accounting and auditing practices are fragmented and are inconsistent among organizations (ROSC, 2007).

- There are no extra requirements for banks and insurance companies for preparation of their annual financial statements Banks and insurance companies are subject to regulatory laws and directives issued by the National Bank of Ethiopia, but there are no extra requirements in these laws or directives for preparation of annual financial statements in accordance with IFRS. The applicable requirements for preparation of annual financial statements for banks and insurance companies are those provided in the Commercial Code. The Commercial Code has no requirement for compliance with any defined accounting standards. Banks and insurance companies are public interest entities which should be subjected to high standards of financial reporting (ROSC, 2007).

- The Income Tax Law requires taxable income of businesses to be determined on the basis of financial statements prepared according to generally accepted accounting standards. The Income Tax Proclamation No. 286/2002 states that taxable business income shall be determined per tax period on the basis of the profit and loss account, or income statement, which shall be drawn in compliance with generally accepted accounting standards. The problem in this case is that ‘generally accepted accounting standards’ is not defined, and there are no accountings standards set or adopted in the country (Teferi, 2016).

2.5. Recent Ethiopian Financial Reporting Proclamation

The Financial Reporting Proclamation No. 847/2014 has eight chapters where the first chapter provides for general Provisions. The second chapter contains the provisions concerned with establishment of the Accounting and auditing Board of Ethiopia or simply “Board”. The third chapter encompasses provisions that prescribe the financial and auditing standards to be used in Ethiopia. The fourth chapter deals with procedure for adopting, adapting and amending standards. The fifth chapter provides for licensing and accreditation of Professional Auditors and Accountants. The six chapter deals with standards of practice for auditors(consisting of Auditors’ Report and Opinion, Period of time for Giving Opinion, Material irregularities, Independence of auditor, Conflict of Interest of Auditors, and Professional misconduct by Auditors). The seventh chapter contains provisions related with enforcement of the proclamation and lastly, the eighth part of the proclamation comprises provisions that deal with miscellaneous issues (such as conflict of interest, confidentiality, power of the Council of Minister to issue Regulations and that of Board to issue directives, Transitory Provisions and repealed and inapplicable laws) (Teferi, 2016).

2.5.1. The Accounting and Auditing Board of Ethiopia (AABE)

The board shall be accountable to the Ministry of Finance and Economic Development (Art.3/2/ of Regulation 332/2014). According to the Article 5 of the 332/2014, the board shall have the following objectives:

- Promoting high quality reporting of financial and related information by reporting entities;
- Promoting the highest professional standards among auditors and accountants;
- Promoting the quality of accounting and auditing services;

- Ensuring that the accounting profession is used in the public interest; and
- Protect the professional independence of accountants and auditors.

According to Article 4(2) of the proclamation No.847/2014, the Accounting and Auditing Board of Ethiopia (AABE) shall have the following; inter alia, powers and duties to:

- Issue standards and directives relating to financial reporting and auditing and ensure compliance therewith;
- Conduct inquiry or investigation and impose administrative sanction in accordance with the provisions of the proclamation where appropriate on public interest entities and public auditors to enforce compliance with financial reporting and auditing standards; and
- Cooperate with, or become a member or an affiliate of, any international body, the objectives or functions of which are similar to or concerned with those of Board.

The Board is also empowered to monitor the Financial Statements and Reports. Accordingly, the board may review the financial statements and reports filed with it to determine whether the financial statements and reports are in compliance with the requirement of the proclamation. Public interest entities are required under article 5(2) of the proclamation (2014) to comply with international financial reporting standards. However, article 5(3) of the Proclamation No.847/2014 gives the mandate for AABE to specify, in the financial reporting standards, the minimum requirements for recognition, measurement, presentation, and disclosure in annual financial statements, group annual financial statements or other financial reports which every public interest entity or Small or Medium Enterprise shall comply with, in the preparation of financial statements and reports.

2.5.2. Time Frame for Implementation of IFRS in Ethiopia

Pursuant to its authority vested in proclamation No.847/2014 article 5(3); Regulation 332/2014, the Accounting & Auditing Board of Ethiopia (AABE) plans a three phase transition over a period of three years for reporting entities in Ethiopia. To this effect, AABE has drawn its strategic road map that indicates the phase of implementation for IFRS. All public interest entities including commercial banks are grouped under phase-1 and required to fully implement the full version of International Financial Reporting Standard (IFRS). According to road map of AABE, July 8, 2016 is recommended as the date for adoption of IFRS for all financial institutions and large public enterprises. These companies required to convert their closing balances at July 7, 2015 to IFRS based figures which then become the opening balances as at July 8, 2015 for IFRS-based financial statements as at July 7, 2016. This provides opening balances for July 8, 2016 which is the first IFRS full financial statements as at July 7, 2017 (AABE road map, 2016).

Thus, Banks are required to start the process commencing July 1, 2016. This means banks are statutorily required to prepare opening balance sheet as of July 8, 2015 (by converting July 7, 2015 balance sheet into IFRS), to convert July 7, 2016 financial statements into IFRS base to make them comparable. Most importantly banks are required for IFRS base accounting starting from July 8, 2017 and to comply with IFRS based financial statements for the year ending June, 2018 (AABE road map, 2016).

2.6. Works for First Time Implementation

In general, IFRS1 applies when the bank adopts IFRS for the first time as its basis of accounting by an explicit and unreserved statement of compliance with IFRS. IFRS 1 requires disclosures that explain how the transition from previous accounting practice to IFRS affected the bank's reported financial position, financial performance and cash flows.

While the standard contains a general requirement that an entity must comply with each IFRS effective at the reporting date when it first adopts IFRS, and that these standards have to be retrospectively applied to all financial statements for previous periods, there are exemptions in specified areas where the cost of compliance would exceed benefits to users. As outlined in IFRS 1, the initial transition to IFRS involves: (LIB road map, 2016).

2.7. Phases for IFRS Implementation

For ease of completion the IFRS implementation project phases are proposed to be broken down into the following three key phases (LIB road map, 2016).

2.7.1. Assessment

The Assessment phase is essential in identifying what the major IFRS impact areas are for the bank and agreeing the way forward on a “right first time” basis. It starts with the high level identification of the key areas of impact and an assessment of the likely degree of complexity the bank is likely to face in converting to IFRS (LIB road map, 2016).

Having made an assessment of where the organization is now and the position it needs to get to, a master conversion plan and budget can be developed for the conversion process. This includes formulating additional objectives and benefits, such as streamlining financial reporting processes or improving timeliness, which the organization wants to derive from the conversion (LIB road map, 2016).

2.7.2. Design

The second phase is about mobilizing the organization for closing the gaps identified in the Assessment phase. These might include, for example, a redevelopment of the reporting package, a transition program for the harmonization of local GAAPs, a plan for enhancing or speeding up the consolidation process, planning and implementing the necessary system changes, as well as developing a detailed training program for financial and operational staff. This phase also involves developing a detailed timeline for a dry-run, data collection, testing pre-implementation analysis. A rigorous project management plan is also essential (LIB road map, 2016).

2.7.3. Implementation

This is where the plans are finally put into action and the businesses start to make IFRS part of their day-to-day operations.

The training program needs to be rolled out so that everyone understands the new accounting regime, how to use the reporting packages and how to account for events and transactions under IFRS. The data-gathering process also needs to start at this point, including at least, a one-year parallel run to produce internal IFRS numbers for comparative purposes. At the same time, a mechanism should be established to make sure that technical questions about IFRS not covered in the accounting manual can be addressed and immediate guidance is available on the project's organizational aspects (LIB road map, 2016).

Finally, all the information gathered has to be consolidated to produce IFRS financial statements. Since it is unlikely that this process will work perfectly the first time, dry-runs of the procedures should be carried out. This will enable weaknesses to be identified, which can be eliminated before the bank “goes live” with IFRS.

2.8. Consultancy and Internal Auditors in IFRS Implementation

2.8.1. Need for Consultancy in IFRS Implementation

Though, the bank has formed hierarchal team for conversion of IFRS at various level including from work group, core team, steering committee up to Board level as indicated in the above section, a consultant is required to facilitate the adoption process by assisting the core team for the purpose on the approach and implementation of work plan. The consultant ensures appropriateness of the approach to the local conditions and designs methodologies so that the adoption process could be completed in the time table given by the Accounting and Auditing Board of Ethiopia. Some of the expected deliverables of the consultant includes;

i. Situational assessment report on the Bank’s accounting practice and financial reporting;

ii. Report on accounting issues and implications for first time adoption of IFRS;

iii. The Gap in the Bank’s Accounting policies, procedure and financial statement presentations against IFRS and alternative accounting policies and procedures;

iv. IFRS based financial statements for the fiscal year 2015/16 and 2016/17 including the disclosure;

v. The training programs indicating the areas, expected time and location which are subject to management review and revision, if necessary.

2.8.2. Roles of Internal Auditors in IFRS Implementation Process

Conversion to IFRS should be managed like any other large scale project, sufficient time must be incorporated into the project plan, proper resources must be secured, and key players must be involved for critical decision making. While the IFRS project will be go live in the Finance area, internal auditing must be a key player in this important initiative because of its pervasive impact on the bank's internal control system. Accordingly, internal auditors should participate in the diagnosis and the inventory of processes impacted by IFRS convergence. Particularly internal auditors should review those processes which need re-engineering to assess the extent of necessary changes and whether internal controls are re-designed effectively and efficiently to address the new risk associated with the new process. Thus, the involvement of internal auditors in the Bank's IFRS project is highlighted below (IFRS transition, 2004).

According to Audit implication of IFRS transition guidance published in 2004 about audit implication of IFRS transition with the technical complexity of IFRS, the tight transition timescales and the apparent lack of current preparedness, there will be an increase in risk for the review of interim information and the audit of 2005 financial statements of listed companies. The adoption of IFRS brings new challenges for management and auditors. The review of interims typically places greater reliance on techniques which will be difficult to apply in an environment where there is limited history and where other material, such as management accounts, may be prepared on a different accounting basis. With the adoption of new accounting policies and accounting estimates, there is an increased risk of error. In this context it should be noted that IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires entities to correct all material prior period errors by restating the relevant amounts in the prior period financial statements. This will potentially result in more restatements of financial statements than we have been accustomed to in the UK as FRS 3 Reporting financial performance requires restatements for material adjustments only where they arise from the correction of fundamental errors, a subtle but potentially significant difference in wording. The APB, with whom the Faculty has liaised in preparing this TR is currently drafting guidance on the effect of the introduction of IFRS and the requirements of auditing standards.

The guidance in the Technical Release aims to help auditors to both assess and comment on their clients' transition process and their state of IFRS preparedness. Accordingly it provides auditors with guidance in three key areas:

• What auditors should expect management to be doing?

• What auditors should expect audit committees to be doing; and

• What the auditors themselves need to consider.

Each section includes key questions that auditors might wish to consider.

2.9. Empirical Evidences on IFRS Implementation Readiness

2.9.1. Previous Case Studies of IFRS Implementation in Ethiopia

According to analysis of annual reports of corporates in Ethiopia, for the first time in 2002/03 government entities use the term IFRS in their annual report. On the other hand IFRS Foundation(2013, p5) note that implementation of IFRS involves policy decision to adopt, planning and making all necessary resources required available to handle all the changes that will result changes in system, procedures, and operation. But according to (Teferi, 2016) Ethiopian companies started using IFRS without passing though these steps. Professionals from audit entities and the newly established Board also confirmed these organizations started to use IFRS without making adequate and necessary preparedness.

In addition to that the Ethiopian government was not interested to adopt IFRS officially in 2008 when the proclamation was enacted and postponed the adoption for another time. Similarly after four years Article 26(1) of a proclamation to provide for Insurance business proclamation No. 746/2012 stipulated "National Bank may direct insurers to prepare financial reports in accordance with international reporting standards, regardless of the change" (Teferi, 2016).

After all, Ethiopian Government has taken the initiative to change the practice of accounting and its standard of reporting. Accordingly, the House of People's Representative of the Federal Democratic Republic of Ethiopia decreed Financial Reporting Proclamation No. 847/2014 with valuable objectives as stated in Article 1 of the proclamation. Ethiopia has officially mandated IFRS adoption in 2014 and subsequently established the AABE, which has taken its office as a new accounting regulatory organ of the country under the umbrella of the MoFED. The board has already designed and approved five years IFRS implementation strategic plan for which the effects are expected to be realized within the years to come and that the reporting entities are expected to be compliant with IFRS based financial reporting until 2019 deadline (Yitayew, 2016).

According to (Teferi, 2016) further recommendation the board members should seriously discharge the historical responsibility vested to them by identifying and determining the key dates and the date of transition (i.e. prepare road map) to IFRS. Moreover he recommended the board to develop its own IFRS training plan for finance personnel and to recognize the importance of professional accountancy institution in developing and enforcing accounting and auditing standards, and monitoring the accountancy professionals, the board should work toward its establishment and provide continuous support to the institution even after its establishment.

2.9.2. Case Studies on Other Countries Experience

Readiness is defined as the capability for the full application of change, and familiarity is understood in terms of the entity's knowledge and competence in using IFRS (Jourdan, 2004).

According to (UNCTAD, 2008) report, the case studies showed a number of challenges in the practical implementation of IFRS; one of the main difficulties encountered in the practical implementation process was the shortage of accountants and auditors who are technically competent in implementing IFRS and ISAs.

The Canadian executive research report on 2010 also shows that small and medium-sized companies are not as far along in their conversions and indicate issues with resources and the lack of dedicated personnel who are available to focus on the IFRS transition. The survey shows that only a minority of these companies are at the 60% completion level. With less than five months remaining, these companies may be challenged to meet the coming deadline and need to make IFRS a priority.

In addition to that the Hungarian case study conducted on 2015 IFRS implementation readiness focuses on whether all stake holders are ready on planning to adopt IFRS, and whether they had good understanding the broader impacts of an IFRS conversion process across the accounting, IT, business planning and other functions of the organization (Ernst, 2015). This means the researcher analyzes the knowledge of professionals and the change valance of the respondent.

Nigerian case study analysis is the other to clearly indicate that the presently constituted audit committee in Nigeria is statistically significantly/technically weak in understanding and interpreting IFRS based result which Nigerian government has mandated with effect from 2012. The findings could also indicate the state and the position of the audit committee members under GAAP which means audit committee members have not fully grasped GAAP based financial reporting before the adoption of IFRS or all the while, the right and knowledgeable people could not find their ways into the audit committee (Ojeka, 2013).

Based on Hungarian understanding of the proposed adoption of IFRS locally, respondents identified the following significant key challenges in completing their IFRS conversion projects (Ernst, 2015):

- Ensuring resources receive relevant IFRS training
- Implementation of IT systems and business processes
- Obtaining sufficient support from expert IFRS consultants
- Managing the IFRS conversion process in conjunction with other competing business issues

2.10. Summary and Literature Gap

On literature review section of the paper it is tried to address most related issues with readiness to IFRS implementation in Ethiopian Private commercial banks. This section tries to cover the overall concept of IFRS, previous accounting practice in Ethiopia, Ethiopian proclamation about IFRS, about IFRS implementation stakeholders and phases of implementation, about the theory of organizational readiness for change, and its measurements in accordance with different researchers and related empirical evidences.

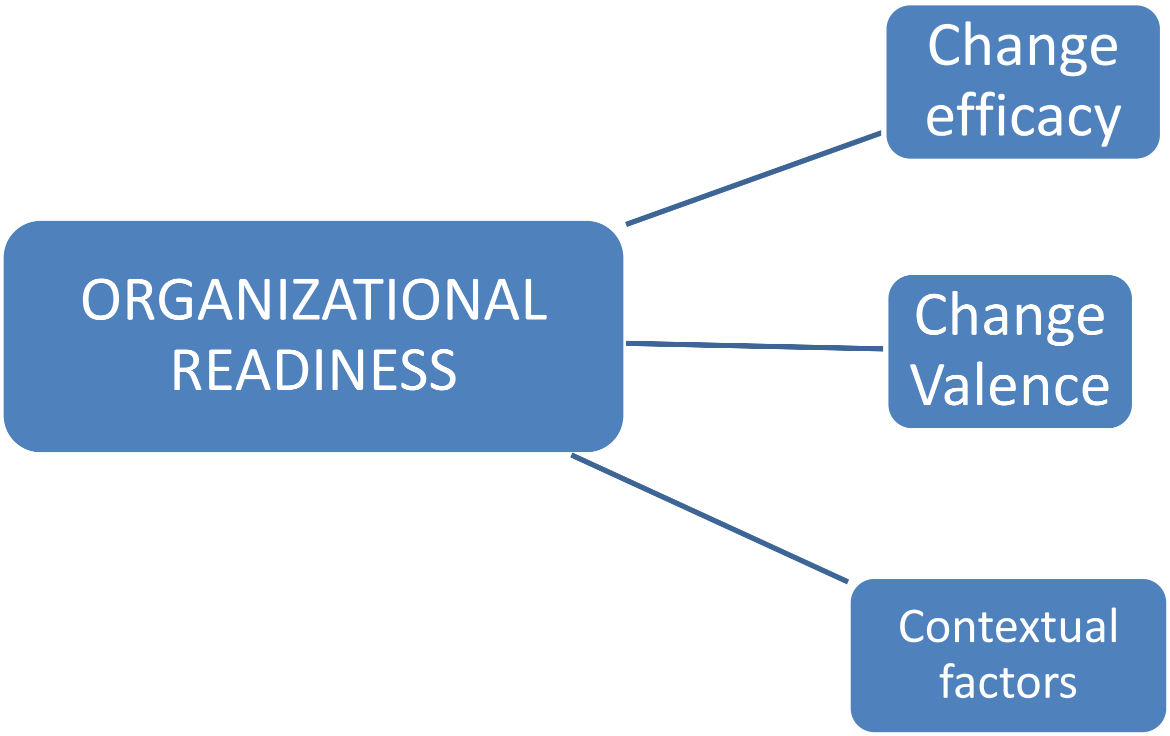
In relation to the theory of measuring readiness for organizational change, it is tried to meld with IFRS implementation in Ethiopian private banks. That is because IFRS implementation is articulated as change in accounting policy of the organization which means it is organizational change. Therefore the theory of organizational readiness measurement for change can measure IFRS implementation readiness via measuring organizational change valence, change efficacy and contextual factors as discussed.

Regarding to countries other than Ethiopia there are different empirical studies conducted concerning IFRS implementation readiness. But there viewpoints were different. In most of the case studies it is observed that they were concerned about the readiness of resource, budget, knowledge of auditors and professionals. And according to Jordan (2004) case studies IFRS readiness in Greece provide some insights into the relationship between the characteristics of SMEs and the experience, educational level, and knowledge of IFRS among accountants.

However no studies were conducted to assess IFRS readiness of Ethiopian private banks for 2017 implementation deadline. Previous studies such as Teferi (2016) did not indicate the banks readiness to implement IFRS. He tried to assess how the overall Ethiopian companies IFRS adoption progress are came till 2016, whereas this paper tries to assess IFRS implementation readiness in Ethiopian private banks.

2.11. Conceptual framework

Figure 1. Conceptual framework



Chapter Three

3. Methodology

3.1.Introduction

This chapter describes the methodology used in order to conduct the study. It describes the types of methods that are used for data collection and analysis and the reasons for why these methods were chosen in comparison to the other alternative methods. The chapter consists of five sections. The first section presents the research approach and the next section is research design of the study. The third section outlines the population and sampling techniques for this study. The forth and the fifth sections present the data collection instruments and data analysis methods respectively.

3.2.Research Approach

There are three research approaches that are available. Those are qualitative, quantitative and mixed the hybrid of the quantitative and qualitative approach. The quantitative approach is for only number matters or for specific and only one answer whereas the qualitative deals with subjective matters. Hence each individually limits the research to meet the expected result. But according to Creswell (2009) the mixed research approach uses separate quantitative and qualitative methods as a means to offset the weaknesses inherent within one method with the strengths of the other method. By considering and convinced by the scholars the researcher used both the quantitative and qualitative research approach, which is the concurrent mixed approach.

3.3.Research Design

There are three research designing techniques. Those are explanatory, descriptive and exploratory research design. From the three the researcher used a descriptive method of research design which helps to describe the major findings of the study by taking the research questions into consideration.

3.4.Population and Sampling Methods

There are 16 private Banks in Ethiopia. And the population is the team members of IFRS implementation that are found in Ethiopian private commercial banks and Accounting and Auditing Standard Board of Ethiopia. Because they are the only person who are responsible for the implementation so the banks readiness could be measured by the organizational members who run the implementation. The researcher has distributed 3 questionnaires to each of the entire private banks in Ethiopia. The respondents were selected judgmentally from IFRS implementation team members who were mostly in a managerial or supervisory position. In addition to that two AABE representatives have been interviewed. The respondents therefor represent all private banks in Ethiopia. From thus banks and the board the researcher has collected 41 responses of questionnaire from the all private commercial banks in Ethiopia and 2 interviews from AABE. Two of the private banks told the researcher that they didn't still start the implementation process so that they can't give replay for the questionnaire. And from the entire distributed questionnaire one is not collected. While sampling, respondents with educate knowledge on the research issue (i.e. IFRS implementation team members) either the chief finance officer, chief internal auditor, Chief IT officer, Chief risk management officer and any other member or the representatives of finance, internal audit, IT, risk management and any other related department personnel have been questioned from each bank.

3.5.Data and Collection Instruments

The researcher used both primary and secondary data for the research. The primary data is considered as a major source of information as it was directly gathered from the respondents through questionnaires and interviews. On the other hand, the researcher used books, articles in the web sites and other published & unpublished materials for the research. Furthermore, previous research works (indirectly related with the research) and the bank`s internal written documents were reliable source of secondary data for the researcher.

3.5.1. Questionnaire

The researcher has distributed Questionnaires to the IFRS implementation team members of all private commercial banks in Ethiopia. The researcher selected those respondents because it is believed that they have direct relationship with the implementation. And they are the persons who are going to implement the change. The questionnaires included both open and close ended questions. Since mixed questionnaires have many merits and the most advantage of this is considerable flexibility (McNabb, 2005). Then the response brings comment of the officers about the readiness of the organization.

With regard to the close- ended questions, the respondents 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.

With regard to the open- ended questionnaires the respondents gave open response for respective questions. And the responses are considered as their opinion. Finally all questionnaires have been prepared in English because it is believed that all respondents can easily understand the language.

3.5.2. Interview

The researcher has interviewed the respondent by using semi structured question. This helps the interviewer to add any other question from the respondent's answers. So this technique makes the response clear and useful for measurement. The interviewees were the representative of AABE related with IFRS implementation.

3.6.Data Analysis Method

As explained in the preceding part, the study designed in mixed method. To this end, both qualitative and quantitative analyses analysis techniques were used. Data that are collected by using questionnaire were analysed through frequency distribution Statistical Package for the Social Scientists (SPSS). It helps to describe what the data look like, where there center (mean), percentage, frequency and standard deviation is. And the choices on the questionnaire indicated as high, moderate and low according to Kessuwan and Muenjohn (2010), the points found between 1.00-2.49 mean grade considered as low level of readiness in which an point have, points found between 2.50-3.49 mean point considered as the point have moderate level of readiness and points found between 3.50-5.00 mean score means the points have high level of readiness to implement IFRS.

3.7. Research Reliability and Validity

3.7.1. Reliability

Reliability is concerned with the question of whether or not a result is stable (Bryman and Bell,2007). And also George and Mallery (2003) provide the rules of thumb that indicates “>= 0.9 – Excellent, >=0 .8 – Good, >=0 .7 – Acceptable, >= 0.6 – Questionable, >= 0.5 – Poor, and <= 0.5 – Unacceptable” (p. 231) to measure the consistency of the questionnaire. Hence the Cronbach’s alpha coefficient this thesis questionnaire is 0.87 which indicates it is good.

3.7.2. Validity

Validity refers to the degree to which a study accurately reflects or assesses the specific concept or construct that the researcher is attempting to measure. Content validity will show the extent to which the survey items and the scores from these questions are representative of all the possible questions about the readiness of IFRS implementation in Ethiopian private banks. The questionnaire has been tested through a pilot test, and also examined by the assigned advisor. This helped to assess whether the survey questions seem relevant to the subject it is aimed to measure, if it is a reasonable way to gain the needed information, and if it is well-designed.

Chapter Four

4. Data analysis and interpretation

This chapter explains the information gathered from the survey through the use of questionnaires and interview. The responses of respondents have been analyzed and results have been presented in the form of tables and figures. The results are presented with two parts; the first part demographic characteristics of the respondents, while the second part presents data analysis and interpretation part of the paper.

4.1.Demographic characteristics of respondents

In this section there are 4 questions about the Gender, Age, educational level and job position of the respondents is discussed.

4.1.1. Distribution of respondents by Gender

Table 4.1: Distribution of respondent by Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	38	92.7	92.7	92.7
	Female	3	7.3	7.3	100.0
	Total	41	100.0	100.0	

Source: Own Survey Data, 2017

Based on the data on table 4.1 from 41 respondents 38 were male that represent 92.7 percent of the respondents. And the remaining 3 were female that represent 7.3 percent. That indicates the majority number of respondents were male.

4.1.2. Age distribution of the respondent

Table 4.2: Distribution of Respondent by age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30	13	31.7	31.7	31.7
	31-40	22	53.7	53.7	85.4
	41-50	6	14.6	14.6	100.0

Source: Own Survey Data, 2017

The researcher divides the age of respondents in to five groups. The first age group was from age 20– 30. And there were 13 respondents from the entire population that represent 31.7 percent out of the respondents. The 22 respondents were aged from 31- 40 that represent 53.7 percent from the second group. The third group was from 41- 50. Out of the total respondents 6 were from this group that represents 14.6 percent. And there was no any respondent from the remaining two groups that is above age of 50. According to table 4.1 the higher numbers of respondents were fall on the age between 31 and 40. However the lower numbers were between the age of 41 and 50. And there was no respondent above age of 50. Based on the age group data majority of the IFRS team members were early adult to adult years.

4.1.3. Educational level distribution of respondents

4.3 Educational level distribution

		Frequency	Percent
Valid	First Degree	18	43.9
	Masters	21	51.2
	Above Masters	2	4.9
	Total	41	100.0

Source: Own Survey Data, 2017

Educational level was categorized in to four levels. From the entire respondents 18 were attained first degree that represents 43.9 percent of the respondent in the first category. And 21 of the respondents were attained degree of masters that represent 51.2 percent of the respondents. The remaining 2 respondents were attained above master's degree that represents 4.9 percent from the respondents. That means there is no any respondent only in educational level of diploma. This indicates that most of the respondents have master's degree.

4.1.4. Respondent's distribution by Job position

Table 4.4: Distribution of respondents by Job position

Level		Frequency	Percent
Job position	Senior Accountant/Officer	11	26.83
	D. Manager	20	48.78
	VP/Director	8	19.51
	IFRS Team Members	2	4.88

Source: Own Survey Data, 2017

Based on table 4.4 eleven respondents were Senior Accountants or officers that represent 26.83 percent of the entire respondents. And 20 were Division Managers that represent 48.78 percent of the respondents. The remaining 8 and 2 were Directors and IFRS implementation team members respectively. The table indicates that the majority of the respondents were in the managerial position that truly represents the respective banks.

4.2. Determinants of readiness for IFRS implementation

4.2.1. Change efficacy

Table 4.5: Capability to implement IFRS

Statements	Level	Frequency	Percent	Mean	Std. Deviation
We can keep the energy going in implementing IFRS	Disagree	1	2.4	4.10	0.66
	Neutral	4	9.8		
	Agree	26	63.4		
	Strongly Agree	10	24.4		
We can manage the politics of implementing IFRS	Strongly Disagree	1	2.4	3.32	0.93
	Disagree	7	17.1		
	Neutral	14	34.1		
	Agree	16	39.0		
	Strongly Agree	3	7.3		

Statements	Level	Frequency	Percent	Mean	Std. Deviation
We can support our bank employees as they adjust to IFRS	Disagree	9	22.0	3.49	0.98
	Neutral	8	19.5		
	Agree	19	46.3		
	Strongly Agree	5	12.2		
We can get people invested in implementing IFRS	Strongly Disagree	1	2.4	2.90	0.89
	Disagree	14	34.1		
	Neutral	15	36.6		
	Agree	10	24.4		
	Strongly Agree	1	2.4		
We can coordinate tasks so that implementation goes smoothly	Disagree	5	12.2	3.66	0.88
	Neutral	10	24.4		
	Agree	20	48.8		
	Strongly Agree	6	14.6		
We can keep track of progress in implementing IFRS	Disagree	3	7.3	3.90	0.80
	Neutral	6	14.6		
	Agree	24	58.5		
	Strongly Agree	8	19.5		

Source: Own Survey Data, 2017

We can keep the energy going in implementing IFRS

From the entire respondents 63.4 % and 24.4% of them agreed and strongly agreed respectively that they can keep the energy going in implementing IFRS. And 2.4 % of the respondent disagreed. The 9.8% of the respondents were in between agreeing and disagreeing. The 4.1 mean also indicates that the average respondents are higher level or they agree. This gives hand to the private banks for the effective implementation of IFRS because the representatives are ready to keep the implementation.

We can manage the politics of implementing IFRS

According to the primary data collected 39 % of the respondents agree and 34.1% of them didn't still disagree but afraid they can manage the politics of implementing IFRS. And from the 19.5%

of respondents who think they can't manage the politics of implementing IFRS, 2.4% of them strongly think that they can't manage it. Though the responses are deviate in 0.93 the average indicates 3.32 which is moderate level. This indicate that the team members afraid that they can manage the politics of implementing IFRS.

We can support our bank employees as they adjust to IFRS

Based on the data on table 46.3% of respondents can support their bank employees as they adjust to IFRS, 12.2% of them can strongly support the employees but 22% of them can't. The remaining 19.5% lay between agreeing and disagreeing. The standard deviation of 0.98 indicates the competency of respondents to support is very different. There is no any respondent who strongly disagree. The result indicates that more than half of the respondents have the capacity to support and there are also few members that have lower capacity to support their bank employees as they adjust to IFRS.

We can get people invested in implementing IFRS

Based on the table 34.1% of the respondents disagree that they can get people invested in implementing IFRS and also 2.4% of them strongly disagree. However 26.8% of the respondents can get people invested in implementing IFRS. From those respondents 2.4% can strongly get people invested in implementing IFRS. The remaining 36.6% of the respondents neither agree nor disagree. The mean 2.9 also indicates that the average of respondents have moderate level capacity to get people invested in implementing IFRS.

We can coordinate tasks so that implementation goes smoothly

As per the table above 48.8% of the respondents agree and 14.6% strongly agree that they can coordinate tasks to implement IFRS smoothly. However 12.2% of the respondents can't coordinate task. But there is no one who strongly disagrees. This indicates that majority of the respondents agree, that means the banks are ready to coordinate tasks so that implementation goes smoothly. And the high level of mean 3.66 also support this

We can keep track of progress in implementing IFRS

From the entire respondents 58.5% agree and 19.5 strongly agree that they can keep track of progress in implementing IFRS. 7.3% of the respondents have low improvement in IFRS implementation. And the remaining 14.6% of respondents neither agree nor disagree. The average of the response is higher level of 3.90 which mean most of them can keep track of progress in implementing IFRS. This indicates the banks readiness in implementing IFRS progressively is good.

Table 4.6: Knowledge about IFRS implementation schedule

Statements	Level	Frequency	Percent	Mean	Std. Deviation
We know how much time it will take to implement IFRS	Disagree	7	17.1	3.5610	0.97593
	Neutral	11	26.8		
	Agree	16	39.0		
	Strongly Agree	7	17.1		
	Total	41	100.0		
We know what resources we need to implement IFRS	Disagree	4	9.8	3.7317	0.77538
	Neutral	7	17.1		
	Agree	26	63.4		
	Strongly Agree	4	9.8		
	Total	41	100.0		
We know what each of us has to do to this implementation	Strongly Disagree	1	2.4	3.4390	0.83812
	Disagree	5	12.2		
	Neutral	11	26.8		
	Agree	23	56.1		
	Strongly Agree	1	2.4		
	Total	41	100.0		
The season is good for implementing IFRS	Strongly Disagree	3	7.3	3.0000	1.04881
	Disagree	9	22.0		
	Neutral	18	43.9		
	Agree	7	17.1		
	Strongly Agree	4	9.8		

Source: Own Survey Data, 2017

We know how much time it will take to implement IFRS

From the table 39% of the respondents know how much time it will take to implement IFRS and 17.1% respondents have very clear knowledge about the time that implementation takes. 17.1% of the respondents have no idea about the implementation time and 26.8% are in between. And higher level of mean which is 3.56. This indicate that though the majority have the knowledge about how much it takes to implement IFRS, there are 44 % respondents that have no clear knowledge that how much time takes to implement IFRS. This also supports the implementation.

We know what resources we need to implement IFRS

Table shows that 63.4% of the respondents know the needed resources to the implementation of IFRS and 9.8 % of the respondents know the resources exactly. However 9.8% respondents have no idea about the resources needed. The responses are deviated only by 0.77 means that the respondents have similar knowledge about the issue. This is therefore indicates that the banks know the resource that needs to implement IFRS.

We know what each of us has to do to this implementation

As of the table 56.10% of the respondents know their individual duty, 2.4% of them know it very clearly to implement IFRS. In contrast, 12.2% of the respondents haven't known about their respective duties. And 2.4 % of the respondents have no any idea about what each of them to do to the implementation. The mean of 3.43 also shows moderate level or the majority of respondents know what each of them to do to the implementation. This implies that the banks have knowledge about individual stakeholder's duty but it is not enough to make them know.

The season is good for implementing IFRS

The table shows 43.9% of the respondents neither agree nor disagree that it is good season for implementing IFRS. 17.1% of respondents think the season is good and 9.8 % of the respondents strongly feel the season is good but 29.3% of the respondents are not comfortable with the implementation season. The majority or 73.2% of the respondent's feel the season is not good for implementing IFRS. This reduces the banks readiness because of discomfort on the season of implementation.

Table 4.7: Resource to implement IFRS

Statement	Level	Frequency	Percent	Mean	Std. Deviation
We have the equipment we need to IFRS implementation	Disagree	10	24.4	3.29	0.93
	Neutral	12	29.3		
	Agree	16	39.0		
	Strongly Agree	3	7.3		
We have the expertise to implement IFRS	Strongly Disagree	4	9.8	2.44	0.87
	Disagree	21	51.2		
	Neutral	10	24.4		
	Agree	6	14.6		
We have the time we need to implement this change	Strongly Disagree	6	14.6	2.20	0.87
	Disagree	26	63.4		
	Neutral	5	12.2		
	Agree	3	7.3		
	Strongly Agree	1	2.4		
We have the skills to implement IFRS	Strongly Disagree	3	7.3	2.54	0.92
	Disagree	21	51.2		
	Neutral	10	24.4		
	Agree	6	14.6		
	Strongly Agree	1	2.4		
We have enough budget we need to implement IFRS	Strongly Disagree	1	2.4	3.39	1.07
	Disagree	10	24.4		
	Neutral	7	17.1		
	Agree	18	43.9		
	Strongly Agree	5	12.2		
We have enough man power we need to implement IFRS	Strongly Disagree	2	4.9	2.90	1.14
	Disagree	18	43.9		
	Neutral	7	17.1		
	Agree	10	24.4		
	Strongly Agree	4	9.8		

Statement	Level	Frequency	Percent	Mean	Std. Deviation
We get enough training we need to implement IFRS	Strongly Disagree	3	7.3	2.73	0.98
	Disagree	17	41.5		
	Neutral	9	22.0		
	Agree	12	29.3		
We have enough written material used to implement IFRS	Strongly Disagree	1	2.4	3.54	1.03
	Disagree	6	14.6		
	Neutral	11	26.8		
	Agree	16	39.0		
	Strongly Agree	7	17.1		

Source: Own Survey Data, 2017

We have the equipment we need to IFRS implementation

Based on the table 39% of the respondents have equipment they need to implement, 7.3% of the respondents have enough equipment they need. 24.4 percent of the respondents have no equipment they need. 29.3 % of respondents are between agreeing and disagreeing. The mean of 3.29 shows moderate level, which indicate equipment needed to implement IFRS are available but not enough.

We have the expertise to implement IFRS

According to the table 51.2% of the respondents disagree that they have the expertise to implement IFRS, 9.8 strongly disagree and 24.4% of the respondents neither agree nor disagree just in between. Only 14.6% agree they have the expertise. There is no anyone who strongly agrees they have the expertise. The mean also shows 2.44 that tell the average is approaching to disagree or lower level. That indicates there is a problem of expertise to implement IFRS in Ethiopian private banks it is also supported by (UNCTAD, 2008) that says shortage of experts like accountants and auditors happen at the time of first IFRS implementation.

We have the time we need to implement this change

Based on the table 63.4% of respondents have no time they need to implement IFRS, 14.6% of them are very tight to implement IFRS. 12.2% are also didn’t agree that they have time they need, only 7.3% agree and 2.4% strongly agree that they have time to implement IFRS. The mean of 2.2 also shows that the average of respondents approach to 2 or disagree that they have time to implement the change. That indicate the time given by AABE to implement the change is not enough.

We have the skills to implement IFRS

As per the table above 51.2% of the respondents have skill, 7.3% strongly disagree that they have the skill to implement IFRS. 24.4% of the respondents didn't still agree that they have the skill. Only 14.6 are equipped and 2.4% are well equipped. The mean of 2.54 is least moderate level means that the average of the respondents disagrees that they have the skill. This indicates that there is a skill gap to implement IFRS. The reason for the recommendation of (Teferi, 2016) that AABE should facilitate training was because of the skill gap.

We have enough budgets we need to implement IFRS

As per the table shows 43.9% of respondents have enough budget and 12.2% of the respondents strongly agree that they have enough budget, 17.1% of the respondents level their budget neutral. And from the entire respondents 24.4% of them disagree and 2.4% of them strongly disagree that they have enough budget. However the mean shows the average of respondents have enough budget. It indicates that the most of banks have enough budget but some of the banks have no enough budget to implement IFRS.

We have enough man power we need to implement IFRS

The table shows 43.9% of the respondents have no enough man power, 4.9% have few personnel for the implementation. 24.4% of the respondents have enough man power and 9.8% of the banks have extremely enough man power they need to implement IFRS. 17.1% of the respondents neither agree nor disagree. The mean of 2.9 is moderate level because some of the banks have enough man power and the majority has no enough manpower. The standard deviation also shows the variability between banks in assigning enough man power for the implementation is higher. So the result indicates that Ethiopian private banks have huge variability in assigning enough manpower to implement IFRS. And also it indicates that more than half of the banks have no enough man power.

We get enough training we need to implement IFRS

Based on the table 41.5% of the respondents didn’t get enough training, 7.3% didn’t get training they need to implement IFRs. From the whole respondents only 29.3% get enough training and 22% of them didn’t still agreed that they get enough training they need to implement IFRS. There is no any respondent who strongly agree that he have enough training. The mean of 2.73 also indicate moderate level that the average number of respondents didn’t get enough training they need to implement IFRS. This implies training is a barrier for the effective implementation of the change.

The table shows that from the entire respondents 39% have enough material, 17.1% of the respondents have more than enough written material used to implement IFRS. 14.6% of the respondents have no enough written material and 2.4% of the respondents have no any written material that used to implement IFRS. There are also 26.8% who neither agree nor disagree that they have enough written materials. Hence the majority of the respondents have enough written material though a few have not. This indicates the banks collect materials that used to implement IFRS.

4.2.2. Change Valence

Table 4.8: Commitment to implement IFRS

Statement	Level	Frequency	Percent	Mean	Std. Deviation
We are committed to implement IFRS	Neutral	4	9.8		
	Agree	21	51.2		
	Strongly Agree	16	39.0	4.2927	0.642
We are determined to implement IFRS	Neutral	3	7.3		
	Agree	22	53.7		
	Strongly Agree	16	39.0	4.3171	0.6098
We are motivated to implement IFRS	Disagree	1	2.4		
	Neutral	6	14.6		
	Agree	21	51.2		
	Strongly Agree	13	31.7	4.122	0.7481
We will do whatever it takes to implement IFRS	Neutral	7	17.1		
	Agree	23	56.1		
	Strongly Agree	11	26.8	4.0976	0.6635
We need to implement IFRS	Disagree	1	2.4		
	Neutral	5	12.2		
	Agree	20	48.8		
	Strongly Agree	15	36.6	4.1951	0.7489

Source: Own Survey Data, 2017

We are committed to implement IFRS

Based on the table from the entire respondents 51.2% are committed and 39% of the respondents are strongly committed to implement IFRS. 9.8% of the respondents neither agree nor disagree. There is no any respondent who disagree or strongly disagree. The mean also shows 4.29 that approach to agree and strongly agree or generally higher level. And all are almost relatively the same in commitment. This implies that all banks are committed to implement IFRS.

We are determined to implement IFRS

From the table 53.7% of the respondents are determined to implement IFRS, 39% are strongly determined and still 7.3% of the respondents didn't disagree that they are determined to implement the change. There is no anyone who is not determined to implement the change. The standard deviation of 0.61 also shows the variability of the respondents is low so that it is the indication of all bank IFRS implementation team members are determined to implement the change. The higher level responses the indicator of easy implementation process because they gave value for it.

We are motivated to implement IFRS

As per the table above from the entire respondents 51.2% are motivated, 31.7% of them are very motivated to implement IFRS. 2.4% of the respondents are not motivated and 14.6% are neither motivated nor demotivated. This indicates that the team members are motivated to implement IFRS which help the bank to implement the change effectively.

We will do whatever it takes to implement IFRS

According to the data collected 56.1% of the respondents do whatever it takes, 26.8% of respondents strongly committed to do whatever it takes and 17.1% of the respondents didn't disagree. That means all respondents are willing to do whatever it takes to implement IFRS. The result indicates the banks efficacy to do whatever it takes to implement IFRS is higher.

We need to implement IFRS

The table shows 48.8% of the respondents need the implementation, 36.6% of the respondents need it strongly to implement the change and only 2.4% of the respondents need not to implement the change. The mean is 4.19 that approaches to positive it means that most of the respondents need the implementation or higher level. The result indicates IFRS implementation is needed in the entire private banks in Ethiopia so that the readiness would be higher.

Table 4.9: Value given for IFRS implementation

Statement	Level	Frequency	Percent	Mean	Std. Deviation
We feel IFRS implementation is compatible with our values	Disagree	8	19.5	3.49	0.98
	Neutral	11	26.8		
	Agree	16	39.0		
	Strongly Agree	6	14.6		
We believe IFRS implementation will benefit our country	Strongly Disagree	2	4.9	3.78	0.99
	Disagree	2	4.9		
	Neutral	7	17.1		
	Agree	22	53.7		
	Strongly Agree	8	19.5		
We believe it is important to implement IFRS	Disagree	4	9.8	3.93	0.96
	Neutral	8	19.5		
	Agree	16	39.0		
	Strongly Agree	13	31.7		
We feel that implementing IFRS is a good idea	Disagree	1	2.4	3.34	0.80
	Neutral	8	19.5		
	Agree	18	43.9		
	Strongly Agree	14	34.1		

Source: Own Survey Data, 2017

We feel IFRS implementation is compatible with our values

The table shows 39% of the respondents feel IFRS is compatible with their values, 14.6% of the respondent’s value is strongly compatible with IFRS, and 19.5% of respondents feel IFRS implementation is not compatible with their value. The mean shows 3.49 and standard deviation of 0.98. This is the indication moderate level that most of the banks run the implementation easily because there value may not be changed however some of the private banks should fit their value with IFRS.

We believe IFRS implementation will benefit our country

Based on the table 53.7% of the respondents believe the implementation will benefit Ethiopia, 19.5% of the respondents strongly agree and only 9.8% of the respondents disagree and strongly disagree. IF the majority of the respondents believe IFRS will benefit the country it is obvious that their readiness will increase.

We believe it is important to implement IFRS

As per the table 39% and 31.7% of the respondents agree and strongly agree that implementing IFRS is important. Only 9.8% of the respondents believe it is not important. 19.5% of the respondent neither agree nor disagree. The average response is 3.93 mean which is higher level with the standard deviation of 0.96. This indicates IFRS get believed it is important so it is possible to say the banks give value for the implementation.

Table 4.10: Significance to implement IFRS

Statement	Level	Frequency	Percent	Mean	Std. Deviation
We believe this change will work	Neutral	11	26.8	3.88	0.64
	Agree	24	58.5		
	Strongly Agree	6	14.6		
We see this change as timely	Disagree	6	14.6	3.39	0.86
	Neutral	17	41.5		
	Agree	14	34.1		
	Strongly Agree	4	9.8		
We know what it takes to implement this change	Strongly Disagree	1	2.4	3.34	0.85
	Disagree	4	9.8		
	Neutral	19	46.3		
	Agree	14	34.1		
	Strongly Agree	3	7.3		
We feel that implementing IFRS is a good idea	Disagree	1	2.4	4.10	0.80
	Neutral	8	19.5		
	Agree	18	43.9		
	Strongly Agree	14	34.1		

Source: Own Survey Data, 2017

We believe this change will work

The data collected on the table shows that 58.5% of the respondents believe this change will work. 14.6% of the respondents strongly believe this change will work. And 26.8% of the respondents neither agree nor disagree, they are still not negative. The mean of 3.88 as indicated in the table shows higher level or more than average respondents agree that the change will work. This gives energy to the banks for the implementation.

We see this change as timely

Based on the table 41.5% of the respondents neither agree nor disagree, 34.1% of the respondents see the change is timely and 9.8% of the respondents prefer this time as timely. However 14.6% of the respondents see the change is not timely. As indicated in the table the mean is 3.39 that shows moderate level or the average response of the respondents agree the implementation is timely. The result implies majority of the team members see the implementation timely. This gives hand to implement IFRS definitely.

We know what it takes to implement this change

According to the table 34.1% of the respondents know what it takes, 7.3% of respondents strongly know what it takes and only 2.4% of the respondents strongly know nothing, 9.8% of the respondents disagree that they know what it takes to implement IFRS. However the average number of respondents knows what it takes to implement IFRS but there are also more than half of the respondents didn't agree they know what it takes. This indicates knowledge of the IFRS implementation team members in Ethiopian private banks about what it takes to implement IFRS is not clearly informed. This will slow the implementation of IFRS

We feel that implementing IFRS is a good idea

The table shows 43.9% of the respondents feel the implementation is good idea, 34% of the respondents strongly agree and 19.5% of the respondents didn't still disagree it is a good idea. Only 2.4% of the respondents disagree that it is a good idea. The mean of 4.1 also indicate higher level that the average number of response is greater than agree. The 0.80 standard deviation is also indicate all respondents' responses are closely similar. The result implies that almost all respondents feel that implementation of IFRS is a good idea, which help the implementation positive.

4.2.3. Contextual factor

Table 4.11: Contextual factor of banks to implement IFRS

Statement	Level	Frequency	Percent	Mean	Std. D
Our banks culture for innovation helps us to make IFRS implementation process fast	Disagree	5	12.2	3.46	0.81
	Neutral	15	36.6		
	Agree	18	43.9		
	Strongly Agree	3	7.3		

Statement	Level	Frequency	Percent	Mean	S.D
Our banks experience of risk taking for new changes make IFRS implementation ease	Strongly Disagree	2	4.9	3.49	0.98
	Disagree	4	9.8		
	Neutral	11	26.8		
	Agree	20	48.8		
	Strongly Agree	4	9.8		
Our bank management support for new changes to implement IFRS is enough	Strongly Disagree	1	2.4	3.73	0.87
	Disagree	3	7.3		
	Neutral	7	17.1		
	Agree	25	61.0		
	Strongly Agree	5	12.2		
There is flexibility of organizational policy and procedure that support IFRS implementation in our bank	Strongly Disagree	1	2.4	3.56	0.81
	Disagree	3	7.3		
	Neutral	11	26.8		
	Agree	24	58.5		
	Strongly Agree	2	4.9		
There is good working environment in our bank that supports the implementation of IFRS	Disagree	3	7.3	3.83	0.80
	Neutral	8	19.5		
	Agree	23	56.1		
	Strongly Agree	7	17.1		
We think our bank is ready IFRS implementation	Strongly Disagree	2	4.9	3.85	0.96
	Disagree	1	2.4		
	Neutral	7	17.1		
	Agree	22	53.7		
	Strongly Agree	9	22.0		
We consider expected future change of IFRS during our bank conversion plan	Strongly Disagree	1	2.4	3.80	0.78
	Neutral	11	26.8		
	Agree	23	56.1		
	Strongly Agree	6	14.6		

Source: Own Survey Data, 2017

Our banks culture for innovation helps us to make IFRS implementation process fast

From the data collected as indicated on the table 43.9% of the respondents agree there bank culture for innovation help them to make IFRS implementation fast, 7.3% of the respondents also strongly agree and only 12.2% of the respondents bank culture for innovation is bad. But as of the recorded mean 3.4 the majority bank culture for innovation helps them to make the implementation fast because the mean showes higher level. This indicates the banks culture of innovation helps the change.

Our banks experience of risk taking for new changes make IFRS implementation ease

The response for the question that whether the experience of risk taking for new change make the implementation ease, 48.8% of respondent banks are risk taker for new change, 9.8% of the respondent banks are highly risk taker for new change. Only 4.9% the respondent banks are not risk takers for new change. The mean of 3.49 indicate the average respondent banks are risk taker for new changes. The recorded standard deviation also indicates more of the responses are flexible only in 0.98. This indicates the risk taking experience of the banks is good which help the implementation progress.

Our bank management support for new changes to implement IFRS is enough

The table shows 61% of the respondent banks management supports the implementation enough, 12.2% of the respondent banks strongly support the implementation. As per the table 7.3% of the respondent bank management does not support the implementation. However the mean of 3.73 indicate the average response approach to the bank management support the implementation. And the recorded standard deviation is 0.87. This shows higher management support for the implementation is good so that this helps to facilitate the implementation.

There is flexibility of organizational policy and procedure that support IFRS implementation in our bank

Based on the table 58.5% of the respondent’s organizational policy and procedure support the implementation, 4.9% also support strongly. Only 7.3% disagree and 2.4 % strongly disagree that the flexibility of organizational policy and procedure support IFRS implementation. And the recorded mean is 3.56. This indicates that the majority of respondent's organizational policy and procedure support the implementation highly.

There is good working environment in our bank that supports the implementation of IFRS

Based on the table 56.1% of the respondents agree and 17.1% of the respondents strongly agree that there is good working environment in their bank. And only 7.3% of the respondent disagrees. 19.5% of the respondents neither agree nor disagree. However the mean shows 3.83 averages that indicate the majority banks have higher level working environment that helps the implementation of IFRS.

We think our bank can ready to implement IFRS

The data collected shows 53.7 think there bank can ready to implement IFRS and 22% of the respondents strongly agree with it. 17.1% of the respondents think neither agree nor disagree that there bank can ready. This implies the majority of the banks can be ready enough to implement the new change.

We consider expected future change of IFRS during our bank conversion plan

As per the table 56.1% of the respondents consider expected future change and 14.6% strongly agree with it. Only the 2.4% strongly disagree that they consider expected future change. But 26.8% lay in between agree and disagree. The mean of 3.8 indicates the average is approaching to most banks consider expected future change of IFRS during their conversion plan or the expectation is higher. This helps the banks to upgrade the implemented policy during any change.

4.3. Open ended questions

How are you planning to monitor the future change or modification of IFRS?

As per the majority of respondents opinion they have done more than planning that they have already identifying the gap between the current practice and IFRS, they have prepared gap analysis. And also the other established project team for this purpose and some of them are planning to hire local or foreign consultant at the time of modification or change of policy. And also there are some respondents who haven't think about the issue. This indicates that the banks are ongoing to prepare policy and procedure because they have got input for it.

How are you going to disclose the impact of your IFRS conversion in your previous financial statement?

Based on the responses more than half of them are going to disclose the conversion after they wind up the implementation, as they have said winding the implementation will help them to clearly indicate the gap between the two reporting standards. The other said they haven't yet decided. And some of the banks have already disclosed the conversion to shareholders and other stakeholders by using the previous year financial statement report. This indicates that generally the banks are ready to disclose the conversion.

How does your bank measure the readiness of IFRS implementation?

According to most of respondents the banks measure the readiness by observing the availability of resources and training taken by the implementation team members and the stage were the team policy making. As per the opinion some of the banks have charge the control department to measure the readiness of the banks to implement IFRS. In addition to that the top management highly follows the IFRS implementation team periodically. Generally there opinion is as they would be ready for the implementation but not all of them, few of them think they are not ready enough as per the AABE road map when they measure the readiness.

4.4.Interview question

How is the AABE going on concerning IFRS implementation in private commercial banks?

The representative of the board told to the interviewer that after the establishment of AABE according to the proclamation 847/2014 they have done a lot of things including preparing a road map for the countries effective IFRS implementation, they are sensitizing the stakeholders to go with the road map and they are following the progress of the first phase.

Do you think that the private banks are going as per your road map?

As per the response of the board representative generally the banks ought to go with the road map. But all banks couldn’t be at the same point, some of them may delay but most of the banks are performing well they have no choice.

How do you measure the readiness of private banks to implement IFRS?

The respondent told to the interviewer that they measure the readiness of the private banks to implement IFRS by comparing the banks activity with the road map. How they are performing the action plan and how they value the implementation. Some of the banks send their staffs to foreign countries for training and most of the banks have establish IFRS implementation team this shows the banks readiness to the implementation.

What would be the penalty if the banks couldn’t make it?

According to the respondent the IFRS is the issue of globalization so that the banks have to implement even before the deadline. The implementation will benefit them than any other organization because if incase a foreign country banks will inter to our financial sector they would be out of the market without the implementation of IFRS. But if they make it the foreigners may also acquire the share of the banks to increase the capital of the bank or they may consolidate easily. So basically penalty is not needed, the banks have to make it for their own benefit. But as a rule for the accounting period 2017/18 the Audit report should be IFRS based, so if the banks couldn’t make it the issued report would be adverse report.

How are you supporting the private banks?

As per the representative response the board has no responsibility to support the private banks to implement IFRS. This is their own responsibility to train their staffs, to hire consultant and prepare policy according to IFRS so as to move with the road map time frame. The responsibility of the board is just to regulate. Though by taking in to consider the trained of the country they are supporting the banks by establishing the implementation follow up department, they even give training on different issues like asset valuation and others, they prepare a workshops so as to share different ideas with the entire banks.

Is there any deadline adjustment that the board is thinking on?

According to the board they haven't think about deadline adjustment because most of the banks are performing well and more that even if they couldn't prepare beginning balance sheet as of July 2017 they can make it other time and they can convert all account balance as per the beginning balance of July 2017, though this will make the conversion heavy on the banks. So they told that they have no any issue of deadline adjustment.

Chapter Five

5. Summary, Conclusions and Recommendations

The purpose of this last chapter is to present summaries of major findings and concluding remarks and forwarded possible recommendations. Thus, the first section presents the study's major findings summaries. The second section presents conclusions. Finally, the third section present discussions about recommendations.

5.1. Summary of findings

From the analysis, the researcher has tried to present the major findings on the descriptive analysis, the researcher observed that the response to the questionnaire items when analyzed in terms of individual questions were ranging from strongly disagree to strongly agree. This questionnaire was designed to the team members of IFRS in all private banks of Ethiopia and the interviewee was the representative of AABE. The summery contains the readiness of Ethiopian private banks according to the change efficacy, change valence and contextual factor of the banks.

Concerning on change efficacy of the banks, the analysis is subdivided in to capability to implement IFRS, Knowledge about IFRS implementation schedule and resource to implement IFRS. The capability of banks to implement IFRS and knowledge of implementation schedule indicates higher level efficacy. On the other hand the resource to implement IFRS indicates moderate level of change efficacy which shows the mean of 2.87. The analysis record shows the lower result from all section is this section which is about the issue of resource.

Based on the analysis the change valence of banks is also subdivided in to commitment to implement, value given for IFRS implementation and significance to implement IFRS. And all items of questions under commitment to implement section have mean above 4 which is the indication of higher level of commitment. The value given for the implementation shows also mean of 3.63 that also indicate higher level of change valance. The analysis also shows the banks have understood IFRS implementation is important highly. Generally the analysis indicates higher level of change valance.

Contextual factor of the banks are other determinant for the readiness of implementing IFRS. This shows the past experience of Ethiopian private banks to help innovation, change, to take risk for change, working environment and the expectancy of future change during the planning IFRS implementation. The analysis shows that the mean of mean of contextual factor of the banks is 3.71 that show past experience of the majority private banks help innovation and change is high.

Concerning the interview the AABE representative also told the banks give high value to the implementation that is why some of them have sent their staff's even to foreign countries and most of them train their staffs locally, and the majority of the banks establish IFRS project team. And also the representative added that the readiness of the private banks is measured according to the roadmap designed by the AABE. And he also said the private banks have to implement IFRS for their own benefit not for only to obey the directive or the low, because the banks themselves are beneficial during the full implementation of IFRS. If the banks couldn't perform the full implementation till 2018 July the penalty would be the issuance of adverse report of the auditors during the accounting period.

5.2. Conclusions

The conclusion section of this chapter present the summarized conclusion based on the analysis conducted in this study.

The capability of banks to implement IFRS and knowledge of implementation schedule will support the change highly. This indicates that AABE has clearly synthesizes the implementation schedule for all private banks and the banks have the ability to implement. However the resources are not available enough for the implementation. Especially the banks have doubt to implement on time, have no enough skill and expertise. In general it is known that there could be a shortage of enough skill and expertise for the first time implementation of IFRS according to UNCTAD study.

On the other hand the analysis indicates that Ethiopian private banks are highly committed to implement IFRS. This indicates that they are motivated and ready to do whatever it takes for the implementation. This increases the readiness of banks. And also the banks give high value for the implementation so that they establish IFRS implementation team and try to go with the framework. Significance of the implementation is also understood by the private banks. They think it is important for their bank as well as the country. In general the change valence of the banks is higher, so that it helps to increase the IFRS implementation readiness of Ethiopian private banks.

More over the banks take risk for the change. This is the indicator of the private banks can be ready for implementing IFRS. And also the banks working environment support the implementation. Based on the analysis the private banks also take in to consider that IFRS may be modified in the future. This will help the banks to make there selves ready for future modification, so that they prepare the banks policy accordingly. In general contextual factor of Ethiopian private banks support IFRS implementation and that can increase the readiness of IFRS implementation.

To windup based on the analysis majority of Ethiopian private commercial banks are ready to implement IFRS as per the roadmap of AABE. They give value for the change and the contextual factors mentioned help them to implement IFRS. The banks are also efficient but they think they have no enough skill and expertise as well as the time is tight to some extent.

5.3. Recommendations

In this section some constructive recommendations forwarded to the stakeholders of IFRS implementation based on the finding of the study.

- More training is needed so as to narrow the skill gap and to get more expertise on IFRS implementation not only for the private banks but also for the next phases scheduled by AABE.
- Though the time given by AABE was not enough to implement IFRS, the banks are trying to perform in a constricted time. This may result inaccuracy so that this should be considered in the next phases of IFRS implementation in the country.
- And if some of the banks couldn't perform according to the road map or if they could not prepare the beginning balance sheet based in IFRS, it is possible to give a chance to prepare the same kind even after July 2017 and to adjust them with in the accounting period 2017/18.

- Further study is recommended since the research area is not well conducted in this country and since the issue important. In addition to this, it is possible to have a wide range of study on readiness of external auditors and financial consultants in Ethiopian to go with IFRS.

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APPENDICES

APPENDIX -1

St. Mary`s University

Faculty of Business

Department of Accounting and Finance

Dear Respondents,

This questionnaire is prepared to gather pertinent data from Ethiopian private commercial banks IFRS implementation team members for the preparation of research entitled “IFRS implementation readiness in Ethiopian private commercial banks”. The research is conducted in a partial fulfillment of the requirements of master’s degree in Accounting and Finance. And I strictly assure you that your response will be used only for academic purposes, safely and confidentially treated.

Thank you for your cooperation.

General Direction

- Don`t write your name
- Put tick mark ☑ in front of your best option
- You can choose more than one option
- Give your answers for open-ended questions in the blank space.

Please indicate the following by marking (√) on the spaces in front of the response options:

Background Information

1. Gender: Male Female

2. Age: 20-30 30-40 41-50 51-60 Above60

3. Educational level: Above Master’s degree Masters First degree Diploma

4. Job Position ________________

Strongly agree (SA) , Agree(A) , Neutral(N) , Disagree(D) , Strongly disagree(SD)

Change efficacy		SD	D	N	A	SA
		1	2	3	4	5
5	We can keep the energy going in implementing IFRS					
6	We can manage the politics of implementing IFRS					
7	We can support our bank employees as they adjust to IFRS					
8	We can get people invested in implementing IFRS					
9	We can coordinate tasks so that implementation goes smoothly					
10	We can keep track of progress in implementing IFRS					
11	We know how much time it will take to implement IFRS					
12	We know what resources we need to implement IFRS					
13	We know what each of us has to do to this implementation					
14	We have the equipment we need to IFRS implementation					
15	We have the expertise to implement IFRS					
16	We have the time we need to implement this change					
17	We have the skills to implement IFRS					
18	We have enough budget we need to implement IFRS					
19	We have enough man power we need to implement IFRS					
20	We get enough training we need to implement IFRS					
21	We have enough written material used to implement IFRS					
22	The season is good for implementing IFRS					

Change Valance		SD	D	N	A	SA
		1	2	3	4	5
23	We are committed to implement IFRS					
24	We are determined to implement IFRS					
25	We are motivated to implement IFRS					
26	We will do whatever it takes to implement IFRS					
27	We need to implement IFRS					
28	We feel IFRS implementation is compatible with our values.					
29	We believe IFRS implementation will benefit our country					
30	We believe it is important to implement IFRS					
31	We believe this change will work					
32	We see this change as timely					
33	We believe IFRS implementation is cost-effective					
34	We believe IFRS implementation will make the accounting better					
35	We feel that implementing IFRS is a good idea					

Contextual factors		SD	D	N	A	SA
		1	2	3	4	5
36	Our banks culture for innovation helps us to make IFRS implementation process fast					
37	Our banks experience of risk taking for new changes make IFRS implementation ease					
38	Our bank management support for new changes to implement IFRS is enough					
39	There is flexibility of organizational policy and procedure that support IFRS implementation in our bank					
40	There is good working environment in our bank that supports the implementation of IFRS					
41	We think our bank is ready IFRS implementation					
42	We consider expected future change of IFRS during our bank conversion plan.					

43. How are you planning to monitor the future change or modification of IFRS?-

____

44. How are you going to disclose the impact of your IFRS conversion in your previous financial statement?

45. How does your bank measure the readiness of IFRS implementation?

THANK YOU!

APPENDIX -2

ST MARY UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MASTERS OF ACCOUNTING AND FINANCE

In depth interview questions for AABE representatives

1. How is the AABE going on concerning IFRS implementation in private commercial banks?
2. What are you expecting from the private banks to perform practically till July 8 2017?
3. Do you think that the private banks are going as per your road map?
4. How do you measure the readiness of private banks to implement IFRS?
5. What would be the penalty if the banks couldn't make it?
6. How are you supporting the private banks?