St. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

CHALLENGES AND PROSPECTS OF ADOPTION OF IFRS IN ETHIOPIAN FINANCIAL INSTITUTIONS

BY

AMANUEL DEJENE

ID No. SGS/0465/2009A

MAY, 2018

ADDIS ABABA, ETHIOPIA

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A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (GM CONCENTRATION)

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APPROVED BY BOARD OF EXAMINERS

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DECLARATION

I, the under signed, declare that this thesis is my original work, prepared under the guidance of my advisor Dr. Abebaw Kassie. All sources of materials used for this thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other learning institutions for the purpose of earning any degree.

Name | Signature

St, Mary’s university, Addis Ababa | May, 2018

ENDORSEMENT

This thesis has been submitted to St. Mary's university, school of Graduate studies For examination with my approval as a university advisor.

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Advisor Signature

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ACRONYMS AND ABBREVIATIONS

AABE	Accounting and Auditing Board of Ethiopia
GAAP	Generally accepted accounting principles
IFRS	International financial reporting standards
IASB	International accounting standards board
IAS	International accounting standards
ACCA	Association of chartered and certified Accountants
FASB	Financial accounting standards board
EPAAA	Ethiopian professional association of accountants and auditors
IASC	International accounting standards committee
IFAC	International financial reporting advisory council
ROSC	Report on the observance of standards and codes
SPSS	Statistical package for social science
FDI	Foreign Direct investment
ECX	Ethiopian commodities exchange
IPSAS	International public sector accounting standards
IFRIC	International financial reporting interpretation committee
ACS	Audit service corporation
OAG	Office of auditor general
EAFA	Ethiopian accounting and finance association
ASE	Accounting society of Ethiopia

Abstract

This study focuses on the adoption of international financial reporting standards (IFRS). Challenges and prospects of ifrs adoption in Ethiopian financial institutions. The study use both primary and secondary data. The primary data were collected through questioner and oral interview and secondary data were collected from companies' profiles, proclamations, and regulations. Stratified random sampling was employed for questioners and purposive sampling for interview. The data collected using the above instrument was analyzed by descriptive statistics like frequency distribution and percentile. IFRS was adopted officially in December, 2014 and the main objective of IFRS is to globalize the diverse business language being used by business communities all over the world. The main objective of the research is to a certain weather IFRS adoption is costly, to describe the benefits and challenges of IFRS adoption.

Finally the study displayed practical implication for government of Ethiopia and financial institutions to use proper application of all adopted standards. The study also suggest that rigorous IFRS capacity building program should be undertaken by the government, companies and training institutions in order to provide the needed man power for IFRS implementation.

Key Words: - International financial reporting standards, Adoption, financial institutions

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Ethiopia is one of the developing economies in the world. Foreign direct investment (FDI) is very essential for economic development. To make the climate of investment easy, it wants to integrate financial reporting with the rest of the world. So that foreign investors will understand the financial position of the companies. The needs to be in touch across the borders have increased with the increase in international trade. As a result, there is globalization of capital markets; Exchange of borrowed capital by companies will be possible across countries. Therefore, financial statements produced in one country are frequently used in other countries. This has raised the issue of harmonization of accounting policies, presentation and disclosure. Complete synchronization may not be possible due to economic, political, legal and cultural environmental countries. However, such digression can be abolished by standardization of accounting practices. This will result in issuance of accounting standards. Accounting standards can foster greater transparency and market discipline. In addition to appropriate accounting treatment of complex business transactions, accounting standards also helps the regulatory agencies in benchmarking the accounting accuracy. Accounting standards are being established both at national and international level the variety of accounting standards among the nations of the globe has been a problem for the harmonization of the business environment. In Ethiopia the accounting and auditing board of Ethiopia (AABE) was established in 2014 to perform the formulation of accounting standards. AABE (2015)

Currently there are two sets of accounting standards that are accepted internationally, namely the U.S Generally accepted accounting principles (GAAP) and international financial reporting standards (IFRS) issued by the international accounting standards board(IASB). Generally accepted accounting principles (GAAP) are diverse in nature but based on few basic principles as advocated by all GAAP rules. These principles include:-consistency, relevance, reliability and comparability. Generally accepted accounting principles (GAAP) insures that all companies are on the level of playing field and that the information they present is consistent, relevant, reliable and comparable. Thus, these moves by Ethiopian will harmonize its accounting standards which will lead to an internationally accepted accounting system for Ethiopian companies.

The accounting and audit board of Ethiopia (AABE) Plans a three phase transition period for all reporting entities over a period of three years. AABE (2015).the transition plan was prepared on the basis of proclamation number 847/2014 under article54/1.

Phase 1

(Mandatory Adoption of IFRS):-Significant public interest entities- **Financial institutions and public enterprises** owned by federal or regional governments. July 8, 2016 is recommended as the date for adoption of IFRS for all financial institutions and large public enterprises. The need for the choice of July 8, 2016 is to give sufficient period of 22 months over which to effectively transit to IFRS.AABE (2015).

Phase 2

Other public interest entities (ECX member companies and reporting entities that meet public interest entities) international public sector accounting (IPSA) for charities and societies, they issue report by July 8, 2017. That means statutorily be required to issue IFRS and IPSAs based financial statements respectively for the year ending July 7, 2018(AABE Nov, 2015)

Phase 3

Small and medium sized entities:-IFRS for SMEs shall mandatorily be adopted as at July 8, 2018. This means that all SMEs in Ethiopia will be statutorily required to issue IFRS based financial statements for the year ending July 7,2019.(AABE Nov,2015)

1.2 Statement of problem

Despite the importance of adopting and implementing IFRS such as a reduced cost of international trade via minimized in the need for complementary information, the development in the evolution of financial statements, reduction in uncertainties and cost of capital. Developing countries like Ethiopia faces many challenges during implementation, Adekoy and Ahmed (2011).

Adoption of IFRS in Ethiopia faces many problems that can significantly affect different stake holders in the economy and economic operation. According to Anoja,etal,(2013) challenges like low level of public awareness in wide variety of stake holders like:- Preparers and users of financial statements, regulators, educators and other stake holders. These stakeholders face many implementation problems to re align their systems. That will require training employees, educating users of financial statements on changes to financial statements. According to preeti etal (2015) the practice of fair value accounting can bring volatility and subjectively to the financial statements. There is also difficulty to shift from historical method to fair value method.

Adam (2009) explained that IFRS convergence would affect most of the items in the financial statement and as a result tax liabilities would also be changed, Because adjustments to fair value results in gains and losses which are reflected in the statement of profit and loss. It is debatable issue that weather this can be included in distributable profit.

A Complete transformation in tax laws is the critical challenge faced by the Ethiopian law makers to make tax authorities to recognize IFRS compliant financial statements preeti etal (2015).

According to IFRS foundation (2013), adopting IFRS is like starting family as it requires careful planning, commitment and complete understanding of its implications. There are three steps that new adopter of IFRS should pass through before adopting it. According to this guide the first step is making policy decision through building consensus among concerned stake holders. The second step is preparing a plan by building in targets and deadlines, making them public and help to identify obstacles that must be overcome. The third step is identifying the resource that we have on hand and what we need to implement the new standards (such as availability of local professionals at company level, source of finance, material and technical supports) these mile stones ensure to maximize key benefits and to minimize the challenges of IFRS adoption.

Abazee (2007) explained that implementation of IFRS requires careful planning and extensive public education; the allocation of resources; a legal and regulatory support system and institutional support with strong management systems. Unless various stakeholders are integrally involved in development plans and how they are affected, the adoption practice may not be successful. Many researchers has been tried to identify problems that may hinder the successful adoption of IFRS in Ethiopia but the progress of adoption is still very weak.

In Ethiopia, until recently there was no legal requirement for compliance with accounting and auditing standards, but only some directives prepared by ministry of finance and economic development (MOFED) And the now ministry of finance and economic cooperation(MOFEC) to require the acceptance of general accounting principle and auditing standards.(Report on observance of standard and codes (ROSC,2011). However, the financial reporting proclamation officially proclaimed by council of ministers through regulation No.332/2004 established the accounting and audit board of Ethiopia (AABEE) to oversight such initiatives. From these one ask following the adoption what are the key benefits that the nation will acquire from adopting IFRS.

Lack of previous standard setting institution, lack of organized financial exchanges, lack of regulated accounting professionals and lack of financial resources characterize Ethiopian economy. Ethiopia as a developing country does not have both organized local financial reporting standards and IFRS. From these it follows that we need to study the challenges that should be over come to benefit from the adoption of IFRS. In spite of numerous studies about the adoption of international accounting standards by developed and industrialized countries around the world .less attention has been given to developing countries like Ethiopia. There are scant articles about the adoption of accounting standards by developing countries in general. Hence, this study aims to fill the un availability of a study that addressed benefits of adoption of IFRS and challenge in the country. To this end the study aims to identify the benefits and challenges of adopting IFRS in Ethiopia in the case of financial institutions.

1.3 Research Objective/ Research Question

1.3.1 General objective

The General objective of the study is to assess the key challenges and prospects of IFRS adoption in Ethiopia, In case of financial institutions.

1.3.2 Specific objectives

The paper specifically deals with the following specific objectives:-

- To describe the benefits of IFRS adoption in Ethiopian financial institutions.
- To identify the key challenges that hinder the adoption process in financial institutions.
- To evaluate whether the increased challenges of adoption of IFRS outweigh the benefits derivable from its implementation.

1.3.3 Research questions

The focus of this research paper is to describe the implementation challenges and future prospects of IFRS among the Ethiopian financial institutions. And it also answers the following questions

- What are the benefits of IFRS adoption?
- What are the key challenges that hinder the adoption process?
- Is the benefit of adopting IFRS out way the challenges?

1.4 Significance of the study

The adoption of IFRS is to support the various building blocks of the economy and to reduce the risk of financial crisis, corporate failure and associated negative economic impacts; it is necessary to insure that the provision of financial information meets internationally recognized reporting standards.

The study can also be used as an initiation for those who are interested to conduct a detailed and comprehensive study regarding the implementation of IFRS in Ethiopia. In general, the study identifies challenges that affect the implementation of IFRS and its prospects and recommends ways out.

The studies will have many advantages for all practitioners and academicians by providing useful in formations about IFRS and issues related to its adoption. Specifically, the higher responsible body and the management of companies are more concerned to be aware of the perceived and actual benefits of IFRS and on how to adopt these international standards most efficiently. Knowing this can better help managers to allocate appropriate budget for training and its application and also it helps managers to better aware their employees by showing the actual benefits.

1.5. The scope of the study

The general aim of the study is to assess the challenges and prospects of adoption of IFRS in Ethiopia limiting its Scope to financial institutions adopting this standard. This study focused on the benefits out of the adoption of IFRS and challenges as well. The study's time delimitation is 2017/2018. IFRS for SME and IPSAS is out of the scope of the study. The study was also delimited to banks and insurance companies as it gathers data from the two sectors only. The two sectors are purposely selected by the researcher because it very difficult to cover the entire population at a time in the study due to time and resource limitations. The researcher also gets the required data easily from the two sectors.

1.6 Limitation of the study

Banks and insurance companies are purposely selected by the researcher because it is very difficult to cover the entire population at a time in the study due to time and resource limitations. Lack of researches and articles in the area of such topic was the main challenge of this study; hence the research emphasizes studies conducted in other countries context, in order to address the challenges and prospects of adopting IFRS in Ethiopia.

1.7 Organization of the paper

This study is organized in to five chapters. The first chapter states the general introduction of the study. Chapter two presents the literature review regarding the research area of international financial reporting standards and its adoption and therefore will set out the theoretical foundations for the research. The third chapter outlines the research methodology. The research results will be presented in chapter four. The last chapter draws conclusions and implications and wind up the report by highlighting future research areas

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Introduction

The expansion of international trade and the accessibility to foreign stock and debt market has given energy to increasing the debate on whether or not there is need to be a global set of accounting standards.

As companies compete globally for scarce resources, investors and creditors as well as multinational companies are required to bear the cost of reconciling financial statements that are prepared using national standards. It was argued that a common set of practices will provide a ‘’ level playing field” for all companies worldwide (Murphy, 2000)

2.1 Theoretical literature

2.1.1 IFRS Governance structure

In March, 2001 the IASC foundation was formed as a not for profit corporation incorporated in the USA. In July 2010, it changed its name to the IFRS foundation, the ISAC foundation is the parent entity of the IASB. IASB IS an independent, privately funded accounting standard setter based in London. From April 2001 to date, the IASB assumed accounting standard setting responsibilities from its predecessor body the international accounting standards committee (IASC) from 1973-2000 Kiros and Wogayehu (2017)

2.1.2 Foundation for international financial reporting standards (Trustees)

The IFRS foundation is a non-profit organization which raises funds for operation of IASB from various international sources like worlds capital market, relevant regulatory bodies, and levies for listed and non-listed companies across the world.

Geographically and professionally varied executors who are publically accountable for to a monitoring board over seas the IFRS foundation. The foundation is supported by external IFRS advisory council and an IFRS interpretation committee to offer guidance where divergence in practice occurs and through, open, participatory and transparent due process including engagement with investors, regulatory, business leaders and the global accountancy profession at every stage of the due process (Ibid)

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

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

In constructing these standards the IASB makes use of the expertise of various committees such as the IFRS interpretation committee as well as the IFRS advisory council.

2.1.3 The IFRS Interpretation Committee and the IFRS Advisory Council

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

IFRS advisory council provides advice to international accounting standards board (IASB) and the trustees. Approximately 40 members advice on agenda and priorities. (IFRS:2011)

Group	Role	Date formed
IFRS foundation(trustees)	Oversea responsibilitys the work of IASB, the stracture and strategy, and has fund raising	March, 8,2001
Monitoring board	Overseas the IFRS foundation trustees, participates in the trustee nomination, and approves appointments to the trustees	1 Feb,2009
IASB	Sole responsibility for establishing IFRS	April, 2001
IFRIC	Develops interpretations for approval by the IASB and undertakes under tasks at the request of the IASB	April1,2001
Working groups	Expert task forces for individual agenda projects.	Formed as needed
IFRS advisory council	Advises IASB and IFRS foundation.	June 25,2001
Accounting standards advisory forum	Accounting on the technical standard setting activities of the IASB	Feb 1,2013

Table 2.1: IFRS Governance structure

2.2 Historical back ground of Accounting in Ethiopia

Accounting and its key concepts appear to have a long history in Ethiopia, kinfu,(1990) as cited in (Alemgena bekele,2016) provides an account of the development of accounting in the country and argues that the keeping of records in various forms might have existed in ancient Ethiopia as early as the 3rd century A.D. during the axumite kingdom of nations. The start of modern accounting in the country, nevertheless, is traced to the beginning of the 20th century.

According to kinfu, the keeping of formal records of of government activities started in the 19th century when emperor menelik established finance and Guada(Treasury) ministry which was to keep records of the kings treasury. Kinfu also indicates that modern financial accounting in the private sector started in Ethiopia in 1905 when the bank of Abyssinia was established. The bank was established as a branch of the bank of Egypt, which was in turn administered under the British financial system (Mihret etal, 2012)

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

Pre -1974 two important developments in the history of accounting in Ethiopia took place in the 1960s. In 1960 the commercial code of Ethiopia was proclaimed which was followed by the formation of the office of Auditor General (OAG) in 1961. The commercial code contains Accounting and external auditing provisions, which serve as a legal bases for financial reporting and external audit of companies (Argaw, 2000, kinfu,1990, ROSC,2007) As cited in Tesfu (2012)

From 1974 to 1991 a military Government come to power in Ethiopia and declared a socialist ideology. Most people agree that this period was a time when the development of accounting and auditing appears to have been held back. Nonetheless, an important land mark in the history of accounting and auditing in this period was the formation of the audit service corporation (ASC) by proclamation 126/1977 Government of Ethiopia, 1977 Tesfu (2012)

After 1991, a country shifted back to a free market economic order, a number of public enterprises were privatized which resulted in a new corporate governance structure that would be expected to enhance the importance of financial reports. Change of government and the type of government are important influences on the development of the accounting profession. After the establishment of Peoples democratic republic of Ethiopia (PDRE) the power and the function of the Auditor general were formulated and revised by proclamation 13/1988.

In addition to this three professional associations, i.e. the Ethiopian accounting and finance association (EAFA), The Ethiopian charter of internal auditors (IIA) and the accounting society of Ethiopia (ASE) has been established Tesfu(2012), mihiretetal (2012).

Though IFRS was developed in 1973 by professional accountants in different countries, its transition to Europe came in 2005. It has been undertaken over the years. Currently, Ethiopia is in the progress of adopting it.

2.3 Reasons for Harmonizing International Accounting Standards

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

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

Though there are differences in the accounting standards between countries, equity holders, and financial analysts need to be clear about the nature and degree of the differences. Moreover, foreign companies that list their shares on the domestic stoke exchange of another country would be required to provide sound and reliable financial information by the regulators of the stoke exchange in the domestic country which meets the local standards. International grantors such as World Bank would like wise, need harmonized accounting standard to facilitate easy mobility to facilitate the comparison of the performance of their borrower countries. Tesfu (2012)

Secondly, multinational companies are required to prepare a consolidated financial statement so as to reflect the overall activities of the parent company and the subsidiaries under its wings. If accounting standards were harmonized it would be a great relief to accountants and it facilitates easy mobility of accountants from one subsidiary to another subsidiary in different country. Tesfu(2012)

Finally, international accountancy firms are also much interested in harmonizing accounting standards. In that it helps them in regulating their large client base. Tax authority would also benefit from the harmonization of international accounting standards in that "dealing with foreign incomes by differences in the measurement of profit in different countries" (Gyasi, 2009). Big change has occurred from 1975- 2000 through Globalization of capital markets pacter, (2010)

2.4 Empirical evidence

Kaushikdatta (2009) did study entitled of similarities and differences a comparison of IFRS, US GAAP and Indian GAAP in the year of 2009. The main objective of this study recognizes that there are indeed many advantages arising from convergences to various stake holders. Kaushikdatta (2009) Santukumardas , did study entitled of "Indian accounting standards and IFRS In the year of 2014. The major objective of this study is to thus, global accounting standards would remove frictional element to capital flows and lead to wider and deeper investment in markets with IFRS is also in the interest of the industry since compliance with them would be able to create greater confidence in the mind of investors and reduce the cost of raising foreign capital, Santukumardas (2014).

Preeti etal (2015 in their study of "challenges and prospects of Indian accounting system" they come up with the conclusion of mandatory IFRS adoption improves information comparability across countries. The main objectives of their study were to study the prospects of international financial reporting standards will affect the Indian corporate. In addition they aim to investigate the implication of importance of IFRS in the present situation and the process of adopting IFRS. In the course of their study the data source they used were purely secondary and was collected through various web sites and journals as well as published books. Preeti etal (2015)

Irvine and Lucas (2006) in their study of “challenges facing adoption of IFRS in the UAE” they suggest that the UAE in embracing globalization and adopting IFRS will need to develop appropriate regulatory systems to overcome cultural issues relating to secrecy and of fraud . The main objectives of the study were aimed to analyze the challenges facing adoption of IFRS in UAE.

IFRS has been adopted in Nigeria but only fraction of companies has implemented with dead line for the others to comply. The aim of his study was to investigate the effect IFRS adoption on foreign direct investment and Nigerian economy.

The study conducted in Nigeria focusing on the adoption process of international financial reporting standards (IFRS) on developing economy with particular reference to Nigeria He investigate implementing IFRS in Nigeria faces challenges of the development of legal and regulatory frame work, awareness campaign and training of personnel. okpala (2012)

Rong- Ruey Dun (2006) in his study called “adopting IFRS: Implications for accounting educators” come across with the result that in determining the cost of acquisition, marketable securities issued by the acquirer are measured at their fair value which is their market price as at the date of exchange transactions, provided that undue fluctuations are narrowness of the market price un reliable indicator. During his study he used the seminar approach.

Chunhui Liu did the research with the title of “are IFRS and the US GAAP already comparable?” in the year of 2009. The main purpose of the study is to the literature on changes in the difference between IFRS and US GAAP and their value relevance. The study founded to value differently to the market Harris and Muller (1999).

Mahender K.sharmaid (2013) did work in the field of “IFRS and India- its problems and challenges in 2013. The main objective of this study is to analyze the information available on IFRS adoption process in India. It also focuses on the IFRS adoption procedure in India and the utility for India and in adopting IFRS.

Bhattacharjee (2009) did study entitle of “problems of adoption and application of international financial reporting standards (IFRS) In Bangladesh in the year of 2009. The main objective of this study is prospects of IFRS adoption and their impact on the financial reporting environment of Bangladesh considering the underlying institutional and economic factors.

Srivastava etal (2012) did study entitled of “IFRS in india: challenges and opportunities” in the year of 2012. The main objective of this paper is an attempt to find out up to what extent IFRS has been adopted by the organizations, what challenges and opportunities companies are facing regarding IFRS, and what are the measures that can be taken to make the process smooth and flawless. The paper focuses on the awareness and adoption of IFRS in India.

Hibbard (2012) did a study on the title of “Global implementation of IFRS” He highlighted the strengths and weaknesses of IFRS adoption and suggested ways to improve the convergence process in the future. The main objective of his study focuses on the adoption of international financial reporting standards (IFRS) in the United States, European Union and Newzealand. Case study was a methodology used.

Negash (2012) in his work entitled “IFRS and environmental accounting” he investigates the sustainability of reports produced by companies contained both information and propaganda the credibility of published sustainability reports is unclear. The size and adequacy of the contribution of the companies towards sharing the cost of decommissioning rehabilitation and restoration of the environment are not disclosed. The main objective of his paper was is to examine weather international financial reporting standards (IFRS) can be used for monitoring environmental degradation. Using qualitative and case study research methods: the financial statements of three environmentally sensitive companies were studied.

According to Laga (2012) in his research called “obstacles of adopting and implementation of IFRS in Libya” he revealed that many necessary steps should be taken to overcome such obstacles which include strengthen professional accountancy body (LAAA) to improve the status of profession, revision of curriculum for educating and training of professional accountants to gain exposure to international developments in the profession including IFRS application. Exploratory and descriptive research approach with purely secondary data was used in the process.

In the study entitled “international financial reporting standards (IFRS) adoption in Africa: the influence of Anglo neo colonialism” studied by Nnadi (2012) examine the British influence on the IFRS adoption in their former African colonies, in comparison to other European colonizers. He investigate that most British colonies of Africa seem to follow their colonial ruler in adopting IFRS , a trend that shows the subtle influence of Anglo imperialism in the region through the system of financial reporting. The Franco German block has lesser influence on their former colonial countries and hence, the low IFRS adoption rate in the block.

Okpala (2012) in the study “adoption of IFRS and financial statements effects: the perceived implications on FDI and Nigerian economy” he investigate that IFRS has been adopted in Nigeria but only fraction of companies has implemented with dead line for the others to comply. In the study population consists of quoted companies, stratified random sampling method and structured questionnaires were used.

Adoption of financial reporting standards in developing countries: the case of Nigeria. The study focuses on the adoption process of international financial reporting standards (IFRS) on developing economy, with particular reference to Nigeria. In his study he investigated that in implementing IFRS Nigeria will face challenges including the development of legal and regulatory frame work , awareness campaign and training of personnel. Madawaki (2012) review approach, review of secondary data such as publications, documentary materials, conferences, training and education materials.

“A new institutional analysis of IFRS adoption in Egypt: a case study of loosely coupled rules and routines” is a study by kholeif in 2009, he examined the symbolic use of international financial reporting standards (IFRS) in an Egyptian state owned company. The study revealed that the company faced conflicting institutional demands from outside. The central agency for accountancy required the company to use the uniform accounting system (as state owned enterprise) and the Egyptian capital market authority required the company to use IFRS (as partially private sector company registered in the stock exchange).

Gyasi (2010) in his study called “adoption of international financial reporting standards in developing countries: the case of Ghana” he revealed that external environments such as legal and education that affect the adoption of the international financial reporting standards in developing countries. The main objective of the study was to analyze how developing countries and in particular Ghana adopted the international financial reporting standards. In the study he employed both qualitative and quantitative methods questionnaires were used to gather existing data on companies adopting IFRS.

The results of the study called “do IFRS provide better information about intangibles in Europe?” suggests that the book value of other intangible assets of European listed firms is higher under IFRS than the local GAAP and has more informative value for explaining the price of share and stock market returns. European investors, however consider the financial information conveyed by capitalized good will to be less relevant under IFRS than with local GAAP Sahut etal (2011).

Qu etal(2012) in their work entitled “does IFRS convergence improve quality of accounting information? Evidence from Chinese stock market” they find that earnings per share, relative to book value of equity, is a stronger explanatory factor of market return in both the pre and post IFRS convergence periods. The main objective of this study aims to examine whether the 2007 IFRS converged Chinese GAAP has improved the quality of accounting information for investors in the share market in china. Multiple regression method was employed using data from 309 listed Chinese companies and statistical analysis was used to interpret data.

2.5 Factors Influencing adoption of international financial reporting standards (IFRS)

Arsen etal (2007) in their journal article entitled “critical factors of IFRS adoption in the US” investigate the behavioral factors that affect early adoption of IFRS in the US. The objective of the paper was to employ theory of planned behavior. Ajzen, 1991) to empirically investigate the determinants of early adoption of IFRS in the united states. Specifically the paper investigates whether attitude, subject norm, and perceived control of IFRS adoption significantly influences the intention of IFRS early adoption. They found that an accountants decision to adopt IFRS in a function of subjective norm and perceived behavioral control, which is consistent with theory of planned behavior. However, attitude towards the IFRS adoption is not a significant factor.

Armstrong etal (2007) found that investors expected net benefits to IFRS adoption in Europe associated with increases in information quality, decreases in information quality, decreases in information asymmetry, more rigorous enforcement of the standards and convergence. They find (1) an incrementally positive reaction for firms with lower quality pre adoption information which is more pronounced in banks, and with higher pre adoption information asymmetry, consistent with investors expecting net information quality benefit s from IFRS adoption. (2) An incrementally negative reaction for firms domiciled in code law countries consistent with investors concerns over enforcement of IFRS in those countries. (3) a positive reaction to IFRS adoption events for firms with high quality pre adoption information, consistent with investors expecting net convergence benefits from IFRS adoption. Gordon(2008) listed the benefits from adaptation of IFRS over the world to include : better financial information for share holders and regulators, enhanced comparability, improved transparency of results, increased ability to secure cross border listing, better management of global operations and decreased cost of capital.

Negash (2008) examined the IAS adoption effect on the Jonahs burg listed firms using a version of the ohlson model (book value plus earnings and dividends) he applied a four year window period to examine value relevance of accrual accounting information in pre liberalization (integration) perspective and concluded that the value relevance. Furthermore the results indicated that the relationship between yearend equity prices and accrual accounting variables could no longer be explained by linear models.

2.6 Challenges of IFRS adoption

The principal impeding factors in the adoption process of IFRS in Europe , America and the rest of the world are not necessarily technical but cultural issues, mental models, legal impediments educational needs and political influences (obazee,2007). According to rong-ruey duh (2006) ,the implementation challenges include: timely interpretation of standards

,continuous amendment to IFRS accounting knowledge and expertise possessed by financial statement users, preparers, auditors and regulators and managerial incentive (ball&wu 2000). The historical differences in accounting thought, context and practice make harmonization and moving from one tradition to another difficult.

The main challenges of adoption of IFRS observed globally are being discussed here under.

- **Fair value accounting:-**the use of fair value accounting can bring volatility and subjectively to the financial statements it is very difficult to arrive at the fair value and valuation experts also feel difficulty to shift from historical method to fair value method. Moreover adjustments to fair value results in gains and losses which are reflected in the income statements. Whether this can be included in computing distributable profit is also distributable profit is also debatable issue. According to preeti etal (2015)and as per face value accounting banks and other entities would require to adopt mark to market valuation of financial assets and investment property. Rong-Ruey Duh (2009)
- **Taxation: -** IFRS convergence would affect most of the items in the financial statements and consequently the tax liabilities would also undergo a change. According to Dr.preeti et al (2015) in their study address that the taxation laws should address the treatment of tax liabilities a rising on convergence from GAAP to IFRS. They also added great changes in the tax laws in order to make tax authorities to recognize IFRS compliant financial statements. it is extremely important that the taxation laws recognize IFRS compliant financial statements otherwise it would duplicate administrative work for the companies Drmahendark.sharma,(2013).
- **Training: -** according to laga (2012) one of the biggest hurdles in implementing IFRS is that lack of training facilities and academic courses on IFRS in Libya. IFRS foundation already offering on line IFRS program, Diploma and certificate courses for its members, chartered accountants and to interested parties. But there exists a large gap between trained professionals required and trained professionals available. According to laga (2012) on his paper focused on the practical obstacles that will face the process of implementing of international financial reporting standards (IFRS)with particular reference to Libya , he revealed that many necessary steps should be taken to overcome such obstacles which include strengthen professional accountancy body to to improve the status of profession,

revisions of curriculum for educating and training of professional accountants to gain exposure to international developments in the profession including IFRS application.

- **Auditing:-**preetietal (2015) explained that another affected sector is the audit firms who have to audit the fair value accounting as per the IFRS without adequate guidance at present this audit firms are doing the audit as per the cost concept accounting.

2.7 Prospects of international financial reporting standards

IFRS standards would enable comparability of financial information, will boost investor confidence, by enabling companies to raise capital at lower costs. It will provide better access to the global capital markets and reduction in the cost of capital leading to overall economic growth preeti etal (2015).

Implementation of IFRS –countries accounting standards would help in bringing excellence in financial reporting, as this standards are based on the premise that the financial statements should be transparent and should faithfully represent the actual financial position and performance of the entity Abbas etal(2008).

Fair value approach, historical costs will be replaced by fair values in several balance sheet items which will enable the entities to know its true worth. By providing transparent and comparable financial information, reporting as per these standards will provide force to cross boarder acquisitions, will enable partnerships and alliances with foreign entities and lower the cost of integration in post-acquisition period's   preeti etal (2015)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The methodology used to conduct the study is described in this chapter. It describes the types of methods selected for data collection and analysis and the reasons for why these methods were chosen in comparison to the other alternative methods. The chapter consists of three sections. The first two sections present the research approach and the research design of the study. The third section is about data analysis methods and the final section outlines the data management of the study.

3.2 Research approach

The methods of data collection, methods of data analysis, interpretation, methods of communicating findings, validation and the questions to be addressed are refers to as research approach.

According to Creswell (2003) there are three approaches that are used in conducting a given research. These are quantitative qualitative and mixed research approach. Quantitative research approach primarily focuses on the construction of quantitative data and quantitative data is systematic record of numbers constructed by researcher utilizing the process of measurement and imposing structure (Kent, 2007).the quantitative research approach employ measurement that can be quantifiable while qualitative cannot be measured(Bryman& Bell,2007). In mixed research approach the researcher draw freely from both qualitative and quantitative assumptions Creswell (2009). In this paper the researcher used mixed research approach; to neutralize limitations of applying any of a single approach. 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.

To see the adoption challenges and prospects of IFRS in Ethiopia mixed method design was used. The rationale of using mixed approach is to gather data that could not be obtained by adopting a single method and for triangulation. When we use the word quantitative to describe quantitative dissertations, we do not simply mean that the study will draw on quantitative research methods or statistical analysis techniques. Quantitative research takes a particular approach to theory, answering research questions, setting up a research strategy, making conclusions from results and so forth Creswell (2003)

3.3 Research Design

The study has intent to assess the challenges and prospects of adoption of IFRS in Ethiopian financial institutions. The research work follows the descriptive research work where the reasons and challenges was find out to follow the IFRS procedures and also provide an insight on the future prospects by following the convergence process. To do so, the survey design methods are employed. According to Fowler (1993) survey research is a means of gathering information's using questionnaires and interviews. Its purpose is to generalize a sample to a population so that inferences can be made and it is also economical and rapidly rotate in data collection (Creswell, 2003). This survey was conducted by means of self-administered questionnaire which was distributed to finance officers (Finance managers, division heads or directors) and accountants of companies which adopt IFRS. Questionnaire is a common place instrument for observing data beyond the physical reach of the observer leedy (1989)

3.4 Population and Sampling technique

Sampling is a process of choosing, from much a large population, a group about which the researcher wishes to make statements so that the selected part will represent the total group leedy (1989). The population to be considered in this study was financial institution such as banks and insurance companies registered in Ethiopia. There are 17 authorized banks out of which 15 are private banks while two of them are governmental. Likewise there are 17 authorized insurance companies of which one is governmental as of June 30, 2017. According to Cohen et al (2005) covering the entire companies in the study makes the study difficult. Therefore the researcher decided to draw 73 respondents of the whole target population for investigation. The sampling technique used in the study was convenience sampling for questionnaires and purposive sampling for interview. Convenience sampling is used to obtain those people most conveniently available. One of the major advantages of using convenience sampling is that it may represent an effective and efficient means of obtaining the required information. Cohen etal(2005) The researcher distributes 73 questioners to people most conveniently available in banks and insurance companies to request the required information. Purposive samplings for interview individuals who have direct contact with the adoption process are purposely selected. Since the aim of the study is to make theoretical inferences from the results of the study that are suitable for further empirical investigation in any other context. The target population for the study comprised of finance staffs of the selected banks and insurance companies. It includes finance managers, division heads, Accountants, Audit managers, senior auditors and auditors.

The other sampling technique for this study is purposive sampling technique which is used to identify some of key informants from the organization. Accordingly, 18 selected company employees were selected in consultation with company managers purposively employed purposively because of those employees are the major parts in involving in the adoption included in the study as sources of information. Purposive sampling technique was process and they have enough information about the challenges and prospects of IFRS adoption in their respective company.

3.5 Data Source

This study used primary data only. Primary sources of data include interview and questionnaire.

3.6 Data Collection Tools and Procedure

3.6.1 Questionnaire

Questionnaire**s** were distributed to finance officers (Finance manager, Division heads or Division directors), Auditors and accountants in the samples who are deemed to be knowledgeable about IFRS and provide important perspective on its implementation and adoption challenges. The response is expected to help understand the factors that could explain the implementation, adoption challenges and prospects of international financial reporting standards both for companies and for the country at large. The research evidence was gathered by using both close ended and open ended questionnaires. Mixed questionnaires have many merits. The most important of this advantage is its considerable flexibility (Mc nabb, 2005).With regard to the close ended questions the respondents were asked to indicate their level of agreement on a five point likert scale with the ratings of strongly disagree , somewhat disagree, neither disagree nor agree, somewhat agree, strongly agree, with respect to open ended questionnaires. The respondents were asked to provide open ended responses to questions that require opinion.

3.6.2 Interview

Semi structured interview with financial managers, audit directors, IFRS adoption consultants was conducted. Questions on the interview checklist will be constructed base on the review of literature. In the process of preparing, testing and using the instruments, the following procedures were followed.

a) The questionnaires and the interview guides were developed based on literature review relevant to the issue and specific objectives.
b) Both tools were judged for their validity using professionals in the area.
c) Finally the study questionnaires and interview were administered both by the researcher and the assistants.

3.6.3 Document Review

The researcher understood the key facts of the organization by reviewing the documents that are help full for the study. The documents was reviewed by referring most relevant information from authorized documents and different reports, annual reports, legislations, directives, articles, journals, websites, published books and other documents related to the adoption and importance of IFRS was used. The document reviews are used to triangulate the data collected by the questionnaires and interviews.

3.7 Data Management

The collection of data was checked by the principal investigator (the student researcher) on daily bases for any incompleteness and/or inconsistency. When there is any incompleteness or in consistency appear correction will be made by returning back to those data collectors for which incompleteness appears. Data entries were attempted by a pre designed data base by statistical package for social scientists (SPSS). The data bases were created based on data type and size. The researcher conducted visual checks; data lists and data cleaning were given consideration as it is the means for identifying the errors.

3.8 Method of Data Analysis

Data collected using questionnaires were analyzed through descriptive statistics, frequency distribution and percentile, using statistical package for social scientists (SPSS). It helps to describe what the data looks like, how broadly they are spread in terms of one aspect to the other aspect of the same data (leedy, 1989). The SPSS is used to find out percentages and, frequencies, as main means of summarizing the data. Data collected from the interview and reviews of documents were interpreted qualitatively. In analyzing the data from interviews narrative approaches including quotations from respondents was used.

After the accomplishment of this all process the analysis of data were started to draw important conclusions that reflect the researcher’s interest of inquiry.

CHAPTER FOUR

DATA ANALYSIS RESULTS AND DISCUSSIONS

This chapter presents the data analysis, the research findings or results. The researcher gives discussion on the findings and also gives some interpretation of results. In order to present findings and the discussion about the challenges and prospects of international financial reporting standards (IFRS) in financial institutions, the researcher uses different form of tables and figures and qualitative analysis done in prose.

4.1 Response rate, Demographic and personal profile of respondents

4.1.1 Response rate

A total of 73 questionnaires were distributed to head office of financial institutions in Addis Ababa. All questionnaires were filled and returned. Data for the analysis in this study were collected from the sample financial institutions in Addis Ababa head office finance and internal audit department. The respondents were finance managers, internal auditors, internal audit managers, division heads, Accountants and other officials. These selected financial institutions were registered under national bank of Ethiopia. A response rate of 100 percent was achieved. Micro finance institutions are purposely excluded from this research, because of covering the entire population in the study makes difficult.

Table 4.1 Response rates of respondents

Status	Number of questionnaires	Percent
Completed	73	100%
Incomplete	0	0%
Total	73	100%

Source: Survey Result (2018)

4.1.2 Gender

The majority of sample respondents are male 41(56.2%) while the remaining 32(43.8%) are female. The respondents represented both gender, while males dominating it.(see figure 4.2) this was expected because of financial institutions has more male employees in their accounts and audit department.

Table 4.2 Gender distribution of respondents

Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Female	32	43.8	43.8	43.8
Male	41	56.2	56.2	100.0
Total	73	100.0	100.0	

Source: Survey Result(2018)

4.1.3 Academic level of respondents

As far as education is concerned, 15.1% of the sampled respondents were diploma holders while 23.3% of the respondents completed their master's program and the rest 61.6%of the respondents are qualified by bachelor degree from colleges and universities (See Table 4.3) This figures are also significant because educational status determines an individuals or groups awareness on tackling problems and in creating opportunities in relation to their knowledge , attitude and skill.

Academic level

	Frequency	Percent	Valid Percent	Cumulative Percent
Diploma	11	15.1	15.1	15.1
Master's degree	17	23.3	23.3	38.4
Bachelor's degree	45	61.6	61.6	100.0
Total	73	100.0	100.0	

Source: Survey Result (2018)

Table 4.3 Educational status of respondents

4.1.4 Age of respondents

Regarding the age category, 24.9% of the respondents were aged less than 25 years which are most probably fresh graduates for bachelor degree holders except those who are up grading themselves from bottom level education. The majority of the sampled respondents or 43.8% were aged in between 25-34 years which are youngsters and productive age group. And the other is matured and productive age group which yields 20% of the sampled respondents are aged in between35-44 years. The other age group is in between 45-54 which are matured and mostly reach at higher managerial positions; according to the research data they yield 1.5% of the sampled population. Finally 1.4% of the sampled population were above 54years.which are approaching to be retired. 1.4% is not willing to write their age on the questionnaire.

Table 4.4 distribution of respondents by age category

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 25 years	18	24.7	25.0	25.0
	25-34 years	32	43.8	44.4	69.4
	35-44 years	20	27.4	27.8	97.2
	45-54 years	1	1.4	1.4	98.6
	Over 54years	1	1.4	1.4	100.0
	Total	72	98.6	100.0	
Missing	System	1	1.4		
Total		73	100.0		

Source: Survey result (2018)

Table 4.4 distribution of respondents by age category

4.1.5 Occupational status

All of the respondents were directly or indirectly involved in the IFRS adoption activities. Among the respondents about 12.3% were finance managers, 28.8% accountants, 11% internal audit managers, 26% of the respondents were division heads in finance department, and 12.3% were internal auditors while 8.2% were other professionals which has direct contact with IFRS implementation.

Table 4.5 Occupational category of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Finance Manager	9	12.3	12.5	12.5
	Accountant	21	28.8	29.2	41.7
	Internal audit manager	8	11.0	11.1	52.8
	Division Head	19	26.0	26.4	79.2
	Other Specify	6	8.2	8.3	87.5
	Internal auditor	9	12.3	12.5	100.0
	Total	72	98.6	100.0	
Missing	System	1	1.4		
Total		73	100.0		

Source: Survey Result (2018)

4.1.6 Work Experience of the respondents

In studying the benefits and challenges of IFRS, the experience of the respondents plays a significant role. The participants’ exposure to both previous GAAP and IFRS enables them to quickly pinpoint the major benefits that were realized or could be realized in their perception. Further, they easily indicate the key challenges faced and techniques of overcoming them from their sample experience. Accordingly, the researcher gathered the data and summarized under table 4.6 below

Table 4.6 Experience of respondents

Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No experience	4	5.5	5.6	5.6
	< 5 years	22	30.1	31.0	36.6
	5 to 10	27	37.0	38.0	74.6
	10 to 15	13	17.8	18.3	93.0
	above 15	5	6.8	7.0	100.0
	Total	71	97.3	100.0	
Missing	System	2	2.7		
Total		73	100.0		

Source: Survey result (2018)

As it is shown in table 4.6 above, the majority of the respondents (37.0%) have a work experience of 5 to 10years, followed by respondents with less than 5 years' experience while 10 to 15 years' experience seizes 17.8% of the sampled population and the least number of experiences is that of above 15 years. This indicates that the financial institutions finance and audit department employees are relatively a mix of well experienced and exposed to both previous standard GAAP and IFRS. In addition, due to the nature of accountancy profession the more employees are experienced, the more they refine their proficiency. This could yield them the ability to easily assimilate themselves with the new standard as they could build on what they profess the new requirements. In contrary, having seasoned professionals by itself could cause a challenge as experience and age are negatively correlated with change acceptance. However according to the respondents' financial institutions give frequent training opportunities to their employees to advance with new ideas and innovations.

4.2 Adoption and practice of IFRS in financial institutions

Accounting and audit board of Ethiopia (AABE) established and took the responsibility to guide and dictate the implementation of IFRS. In Ethiopia mandatory adoption of IFRS is scheduled in three phases, accordingly financial institutions are scheduled in phase one for phase one adopters hamle, 1,2009EC is recommended as the date for adoption of IFRS for all financial institutions and large public enterprises in Ethiopia (AABE, 2014).An entity that starts preparation for transiting would need to convert its closing balances at sene 30, 2008 E.C (June,30 2016) to IFRS based figures which then become the opening balance as at Hamle,1,2008E.C(July,2016) for IFRS based financial statements as at sene30,2009E.C(June,2017) this provides opening balance for Hamle 1,2009E.C(July,1,2017) which is the first IFRS full financial statements as at sene 30,2010 E.C(June,2018) with sene 30,2008/2009(2016/2017) as comparative year. However the commencement for preparation towards transiting to IFRS by them is hamle1,2007 E.C(july,2015).

According to the survey result (2018) 95% of respondents respond that IFRS implementation is started at a project level in 2017/2018 while 5% of the respondents respond that it is not yet started. Especially the internal audit department respondents respond that it is not yet started.

Therefore, the researcher observe that there is information Gap in between departments and not been practiced according to AABE’s national program. For all the respondents GAAP is considered as the previous standard. According to the survey result the respondents prefer IFRS than the previous standard. The reasons for their preference were:

- ✓ IFRS permits international capital to flow more freely and it encourages cross boarder investment.
- ✓ IFRS shows the up to date economic status of an entity.
- ✓ IFRS eases consolidation activity for multinational companies.
- ✓ Fair value presentation, impairment of loss/gain recognition
- ✓ In depth disclosure/ notes to financial statements

According to the respondents the major challenge for the applicability of IFRS were implementation guidance given was not by professionals but, the trainers, instructors were more of theoreticians than practitioners.

The perception towards adoption of IFRS by Ethiopian companies, the benefits and the challenges of adopting it will be analyzed below.

4.3 Adoption of IFRS by Ethiopia companies

Table 4.7 Adoption of IFRS by Ethiopia companies

S. N	**Description**		**Strongly disagree (S.D)**	**Dis agree (D)**	**Neutral (N)**	**Agree (A)**	**Strongly Agree(SA)**
1	Adoption of IFRS improves the efficiency of financial reporting	Freq.	1	3	18	26	25
		percent age	1.4%	4.1%	24.7%	35.6%	34.2%
2	Adoption of IFRS is costly	Freq.	1	2	7	32	31
			1.4%	2.7%	9.6%	43.8%	42.5%
3	Financial statements based on IFRS are reliable and comparable	Freq.	1	1	7	35	28
		percent age	1.4%	1.4%	9.6%	47.9%	38.4%
4	IFRS adoption results in reduced cost of capital	Freq.	3	5	26	26	12
		percent age	4.1%	6.8%	35.6%	35.6%	16.4%
5	It provides greater reporting transparency	Freq.	1	1	6	37	25
		percent	1.4%	1.4%	8.2%	50.7%	34.2%

		age					
6	The adoption of IFRS improve effectiveness of financial reporting	Freq.	2	0	7	38	25
		percent age	2.7%	0%	9.6%	52.1%	34.2%
7	Adoption of IFRS achieves the objectives of financial reporting	Freq.	1	1	13	45	13
		percent age	1.4%	1.4%	17.8%	61.6%	17.8%
8	Adoption of IFRS improves the efficiency of financial reporting	Freq.	1	4	12	34	22
		Percent age	1.4%	5.4%	16.4%	46.6%	30.1%

Source: Survey result (2018)

The results of the above table indicate that the majority of the respondents (35.6%)agree while 34.2% strongly agree and 24.7% of respondents are neutral on the perception that adoption of IFRS improves the efficiency of financial reporting. 1.4% of the sampled respondents strongly disagree while 4.1% disagree. Therefore according to the respondents IFRS improves the efficiency of financial reporting.

The outcome of the above table shows that 1.4%of the respondents strongly dis greed and 2.7%dis agreed while 9.6%becomes neutral. The largest number of respondents43.8%and 42.5%agree and strongly agree respectively on the costly of IFRS adoption.

The results of the table above shows that 47.9%agree, 38.4%strongly agree on reliability and comparability of financial statements based on IFRS. 9.6% neutral, 1.4% disagrees while 1.4% disagrees. Therefore, the results above shows that IFRS based financial statements are reliable and comparable.

Regarding the issue of adoption of IFRS results in reduced cost of capital, 35.6% agree, 35.6%perceives neutral and 16%strongly agree while 4.1% strongly disagrees. The greater amount of respondents remains neutral and the same respondents agree that adoption of IFRS results in reduced cost of capital. According to the survey result (2018) 50.7%and 34.2%

agree and strongly agree respectively in that IFRS provides greater reporting transparency. While 8.2%become neutral and 1.4%strongly disagree and 1.4%dis agree on the issue of financial transparency.

The outcome of the above table shows that the greater number of respondents (52.1%) and 34.2%agree and strongly agree on the effectiveness of financial reporting following IFRS adoption while 9.6%perceive as neutral and 2.7%strongly disagrees. Therefore according to the respondents adoption of IFRS increases the effectiveness of financial reporting.

The main objective of financial reporting is to present relevant and reliable financial information's to the users of financial information's. Accordingly 61.6% agree, 17.8%strongly agree and 17.8% perceives neutral in that IFRS achieves the objectives of financial reporting while 1.4% and 1.4% disagrees and strongly disagrees respectively.

According to survey result (2018) the majority of the respondents (46.6%) perceive that IFRS improves the efficiency of financial reporting and 30.1% agree, 5.4% disagree while 1.4% strongly disagrees. In most cases efficiency is also related to cost though adoption of IFRS is costly. It is very difficult to say IFRS improves the efficiency of financial reporting.

4.4 Benefits of adoption of IFRS

There could be plenty of benefits that may be associated with the use of IFRS. These may include reliability and comparability of financial information's, effectiveness of financial reporting, transparency and reduction in cost of capital.

In this regard the researcher gathers data regarding the benefits realized through IFRS adoption as summarized below by classifying the benefits as benefits of adopting IFRS for companies, benefits for investors, benefits of IFRS for management, benefits of IFRS for other stake holders.

4.4.1 Benefits of adopting IFRS for companies

Companies can benefit much from adopting IFRS, especially financial institutions in selecting foreign direct investment, consolidation of financial statements etc.

Table 4.8 Benefits of adopting IFRS for companies

S.N	Description		Strongly disagree (S.D)	Disagree (D)	Neutral (N)	Agree (A)	Strongly Agree (SA)
1	Financial statements based on IFRS are reliable and comparable	Freq.	**2**	**0**	**13**	**21**	**37**
		Percent	**2.7%**	**0**	**17.8%**	**28.8%**	**50.7%**
2	Adoption of IFRS improves effectiveness of financial reporting	Freq.	**2**	**1**	**14**	**27**	**29**
		Percent	**2.8%**	**1.4%**	**19.2%**	**37.0%**	**39.7%**
3	IFRS makes external financing easier	Freq.	**3**	**0**	**10**	**28**	**32**
		Percent	**4.11%**	**0**	**13.7%**	**38.4%**	**43.8%**
4	It provides greater reporting transparency	Freq.	**4**	**3**	**9**	**19**	**38**
		Percent	**5.5%**	**4.1%**	**12.3%**	**26%**	**52.1%**
5	It enables greater effectiveness of the internal audit	Freq.	**4**	**4**	**22**	**29**	**14**
		Percent	**5.5**	**5.5**	**30.1**	**39.7**	**19.2**
6	Reduced cost of	Freq.	**2**	**7**	**28**	**26**	**10**
	Capital	Percent	**2.8%**	**9.6%**	**38.4%**	**35.6%**	**13.7%**

Source: Survey result (2018)

From the above table we can see that50.7% of the respondents strongly agreed that IFRS based financial statements are reliable and comparable, 28.8% of respondents has also agreed on reliability and comparability of financial statements while 17.8% of the respondents were neutral and 2.7% disagreed.

In the table 4.8 above it is indicated that 39.7% of of the respondents strongly agree on effectiveness of financial reporting following adoption of IFRS, 37%of respondents also agree on IFRS adoption improves the effectiveness of financial reporting and the remaining 19.% neutral, 1.4% disagree and 2.8% of the respondents strongly disagrees.

Concerning respondent’s perception on adoption of IFRS makes external financing easier, the table above shows that most of the respondents (43.8%) strongly agree that adoption of IFRS makes external financing easier, 38.4% of the respondents agree while 13.7% of the respondents were neutral the rest 4.11% strongly disagree. According to the above table description adoption of IFRS makes external financing easier or in other words adoption of IFRS would also enable companies to get funds from external capital providers.

Table 4.8 above displays that 52.1% of the respondents strongly agree on the perception that IFRS provides greater reporting transparency, while 26% of the respondents agree and 12.3% of the respondents were neutral the rest 5.5% and 4.1% of respondents strongly dis agree and disagree respectively.

IFRS also enables internal auditors to be more effective, on this perception the majority of the respondents (39.7%) agree while 19.2% strongly agree and 30.1% were neutral, the rest 5.5% and 5.5% of respondents disagree and strongly disagree. This result shows that IFRS brings the necessary notes to financial statements which will greatly contribute for the effectiveness of internal audit. IFRS also associated with reducing audit costs as the different segments and subsidiaries of the company uses same standard across the globe.

In addition, IFRS enables to reduce cost of capital, 13.7%of the respondents strongly agreed on the proposition that IFRS reduces cost of capital, 35.6% agreed and the majority of the respondents (38.4%) were neutral on the proposition.2.8%strongly disagreed and 9.6% dis agree on the proposition.

4.4.2Benefits for Investors

Among the users of financial statements investors are the prominent users of financial statements which enable them to decide correct and successful decision of their business.

Table 4.9 Benefits of IFRS for Investors

S. N	**Description**		**Strongly disagree (S.D)**	**Dis Agree (D)**	**Neutral (N)**	**Agree (A)**	**Strongly Agree (SA)**

1	IFRS provides better information for decision making for investors	Freq.	**1**	**1**	**11**	**21**	**39**
		Percent	**1.4%**	**1.4%**	**15.1%**	**28.8%**	**53.4%**
2	Investors will have more confidence in the information presented using IFRS	Freq.	**1**	**2**	**10**	**21**	**39**
		Percent	**1.4%**	**2.7%**	**13.7%**	**28.8%**	**53.4%**
3	Adoption of IFRS enhance transparency of companies through better reporting	Freq.	**1**	**2**	**16**	**27**	**27**
		Percent	**1.4%**	**2.7%**	**21.9%**	**37.0%**	**37.0%**

Source: Survey result (2018)

As shown in the above table the majority of the respondents believe that IFRS provides better information's for decision making for investors. Accordingly 53.4% strongly agree, 28.8% agree while 15.1% remain neutral and 1.4% and 1.4% respectively dis agree and strongly disagree.

As clearly shown on the above table above 53.4% of the respondents strongly agree that investors will have more confidence in the information presented using IFRS, 28.8% also agree and 13.7% remain neutral while 2.7% and 1.4% disagree and strongly disagree on the proposition.

Table 4.9 above shows that 37% of the respondents strongly agree on the perception that adoption of IFRS enhances transparency of companies through better reporting and 37% agree again while 21.9% were neutral the remaining 2.7%and 1.4% disagree and strongly dis agree respectively. Therefore the result above shows that adoption of IFRS enhances transparency of companies through better reporting.

4.4.3 Benefits of IFRS for management

At any level of the company managers are decision makers but in order to decide up on the matters of business, they need relevant information that help them in the course of decision making. Among this relevant information's financial information's are relevant and core information.

Table 4.10 Benefits of IFRS for management

S.N	Description		Strongly disagree (S.D)	Disagree (D)	Neutral (N)	Agree (A)	Strongly Agree (SA)
1	Enables better risk management	Freq.	**3**	**2**	**8**	**32**	**28**
		Percent	**4.1%**	**2.7%**	**11%**	**43.8%**	**38.4%**
2	IFRS improves management information of decision making	Freq.	**3**	**0**	**7**	**27**	**36**
		Percent	**4.1%**	**0%**	**9.6%**	**37.0%**	**49.3%**
3	IFRS promotes cross boarder investment	Freq.	**4**	**0**	**8**	**26**	**35**
		Percent	**5.4%**	**0%**	**11%**	**35.6%**	**47.9%**

Source: Survey result (2018)

Survey result (2018) as it described on table 4.10 shows that the majority of the respondents (43.8%) agree and perceive that IFRS enable managers to manage risk better, 38.4% strongly agree and 11% were neutral where as 2.7% disagree and 4.1% strongly disagree.

Further, 49.3% strongly agree and 37% agree while 9.6% remain neutral regarding the perception that IFRS improves management information of decision making. The rest 4.1% strongly disagree.

As clearly shown on the above table 47.9% strongly agree, 35.6% agree and 11% neutral while 5.4% strongly disagree on the perception that IFRS promotes cross border investment and it eases consolidation of financial statements for multinational companies.

4.4.4 Benefits of IFRS for other stakeholders

Other stake holders in the adoption of IFRS are the regulatory bodies in our case national bank of Ethiopia, the tax authority, professional associations and etc can benefit from the adoption of IFRS.

Table 4.11 Benefits of IFRS for other stakeholders

S. N	Description		Strongy disagree (S.D)	Disagree (D)	Neutral (N)	Agree (A)	Strongly Agree (SA)
1	IFRS adoption improves regulation over sight and enforcement	Freq.	**2**	**4**	**14**	**32**	**21**
		Percent	**2.8%**	**5.5%**	**19.2%**	**43.8%**	**28.8%**
2	IFRS provides greater credibility and improved economic prospects for the accounting profession	Freq.	**4**	**0**	**12**	**36**	**21**
		Percent	**5.5%**	**0%**	**16.4%**	**49.3%**	**28.8%**
3	It provides better reporting and information on new and different aspects of the business	Freq.	**0**	**4**	**15**	**37**	**17**
		Percent	**0**	**5.5**	**20.5%**	**50.7%**	**23.3%**

Source: Survey result (2018)

According to the survey result (2018) as indicated on table 4.11 43.8%of the respondents agree that IFRS adoption improves regulation over sight and enforcement, 28.8%strongly disagree and 19.2% were neutral while 5.5% and 2.8% disagree and strongly disagree respectively.

Also 28.8% and 49.3%strongly agree and agree on the idea that IFRS enables improved economic prospect for accounting profession and 16.4% of the respondents remain neutral and 5.5%of the respondent strongly disagree. From the perception of the respondents IFRS enables improved economic prospect for the accounting profession.

The above table shows that 50.7% of the respondents agreed on the proposition that IFRS provides better reporting and information on new and different aspects of business, 23.3%of the respondents strongly agreed on the proposition. And5.5% was disagreed while 20.5% remain neutral. This implies that IFRS provides better financial reporting and credibility

4.4.5 Challenges of IFRS Adoption

There are plenty of inhibiters encountered in adopting IFRS. The most prominent ones may include adoption cost, complex financial reporting framework, and lack of implementation guidance, lack of awareness and training institutions. Accordingly the researcher gathered the data presented to identify and analyze the challenges encountered in IFRS adoption in the table 4.12

Table 4.12 Challenges of IFRS Adoption

S.N	Description		Strongly disagree (S.D)	Disagree (D)	Neutral (N)	Agree (A)	Strongly Agree(SA)
1	The adoption of IFRS is costly	Freq.	1	1	9	23	39
		Percent	1.4%	1.4%	12.3%	31.5%	53.4%
2	FRS increases the complexity of financial reporting	Freq.	4	5	15	20	29
		Percent	5.5%	6.8%	20.5%	27.4%	39.7%
3	There is lack of IFRS implementation guidance	Freq.	1	3	11	37	21
		Percent	1.4%	4.1%	15.1%	50.7%	28.8%
4	IFRS brings about increased volatility of earnings	Freq.	1	7	35	21	9
		Percent	1.4%	9.6%	47.9%	28.8%	12.3%
5	Tax driven nature of previous standards is a challenge for IFRS adoption.	Freq.	3	3	18	25	24
		Percent	4.1%	4.1%	24.7%	34.2%	32.9%
6	Lack of availability of competent specialists	Freq.	2	2	10	37	22
		Percent	2.8%	2.7%	3.7%	50.7%	30.1%
7	Need for training	Freq.	4	0	14	32	23
		Percent	5.5%	0%	19.2%	43.8%	31.5%
8	Lack of proper instructions from regulatory bodies	Freq.	2	1	14	31	25
		Percent	27%	1.4%	19.2%	42.5%	34.2%

9	Problem with the IT system in handling the transition of IFRS	Freq.	2	2	8	29	32
		Percent	2.7%	2.7%	11.0%	39.7%	43.8%
10	Problem with IFRS's use of fair value accounting	Freq.	2	1	9	20	41
		Percent	2.7%	1.4%	12.3%	27.4%	56.2

Source: Survey result (2018)

The majority of the respondents (53.4%) strongly agree that IFRS is expensive to adopt and 31.5% agree while 12.3%remain neutral the rest 1.4% and1.4% disagree and strongly disagree respectively on the perception that adoption of IFRS is costly.

As indicated on the table above 39.7% of the respondents strongly agrees on the proposition that IFRS increases the complexity of financial reporting while 27.4% agree and 20.5% remain neutral the rest 6.8% and 5.5% disagree and strongly disagree respectively.

Concerning lack of implementation guidance 50.7%agree and 28.8% strongly agree, 15.1% remain neutral while 4.1%strongly disagree and 4.1% agree on the perception that lack of IFRS implementation guidance. This implies there is a problem of IFRS implementation guidance.

According to own survey result (2018) the respondents strongly agree by 12.3% and 28.8%agree while the large number of respondents(47.9) remain neutral on the perception that IFRS increases volatility of earnings.

As it can be seen from the above table 34.2% of the respondents agree on the proposition that tax driven nature of the previous is a challenge for to transform to IFRS version.

Lack of competent and specialist is a great challenge for the adoption of IFRS in that 50.7% of the respondents agree while 30.7% of the respondents strongly agree and 3.7% remain neutral while small number of respondents 2.7% and 2.8% disagree and strongly disagree.

As we all know training is critical capacity building technique. Accordingly the need for training and competent and professional trainers never matches each other. The survey result reveal that 43.8%and 31.5% agree and strongly agree on the perception that need for training is a challenge for the adoption of IFRS while 19.2% remain neutral and 5.5% strongly disagree. This implies that the need for training is high while training providers are limited.

The survey result reveals that 42.5% agree and 34.2% strongly agree while 19.2% remain neutral the rest 1.4% and 2.7% disagree and strongly disagree respectively on the perception that lack of proper instruction from regulatory bodies can be a great challenge for adoption of IFRS.

Currently all most all financial institutions have their own financial transactions handling system soft ware which can be set as a default by the previous standard. The challenge to transform from historical method to fair value method is a challenge for companies in relation with IT service. Accordingly own research data of (2018) reveal that 43.8%of the respondents strongly agree and 39.7%agree while 11.0% remain neutral and 2.7% disagree and again 2.7% strongly disagree.

Similarly, the respondent result reveal that since the fair value accounting incorporates more information into financial statements than historical costs it is a major challenge for developing countries like Ethiopia. Since some conditions in developing countries like Ethiopia are not favorable for implementing fair value accounting such as achieving observable market prices and accurate estimates of liquid market prices that cannot be materially influenced by managers due to less perfect market liquidity. Therefore IFRS use of this accounting method can be a challenge. According to preety et al Adjustments to fair value results in gains and losses which are reflected in the income statements. Whether this can be included in computing distributable profit is also debatable issue. My own research data reveals that 56.2% strongly agree and 27.4%agree and 12.3% remain neutral while 1.4% and 2.7% disagree and strongly disagree respectively on the perception that IFRS use of fair value accounting is a challenge that can hinder the adoption of IFRS in Ethiopia.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The objective of the study was to analyze the benefits and key challenges of IFRS adoption in Ethiopian financial institutions. This chapter presents the conclusions drawn from the summaries of the major findings in achieving the research objectives and the recommendation of the study. It has three main parts; the first part presents conclusion of the study, the second part presents recommendation and finally the last part presents possible future research areas.

5.2 Conclusions

This research examined the adoption of international financial reporting standards (IFRS), its benefits, the challenges of adopting international financial reporting standards and adoption in financial institutions which adopt this standard. Four research questions were developed and tested in the study. The first question to describe the benefits of IFRS adoption the second question is to understand the practical challenges of adopting IFRS in financial institutions, thirdly to evaluate the benefits of adoption of IFRS as compared to its challenges. The study used document analysis (Annual reports, legislations, directives, and other documents and questionnaire to finance and internal audit staffs. Data acquired through questionnaire were analyzed using descriptive statistics.

The government of Ethiopia has expressed an initiative to interpret its financial statements with global standards. The government manifested its intention to adopt IFRS called "financial report proclamation of Ethiopia" obliges "public interest entities "to prepare their financial reporting in compliance with IFRS standards.

The result of the survey reveals that the benefits acquired by adoption of IFRS are greater as compared to the associated problems.

The adoption of IFRS needs clear road map with adequate time to make ready reporting entities. The road map and the time will help the companies to capture and consolidate the required data for preparing financial reports in compliance with international financial reporting standards. In other words there is a serious compliance problem with IFRS in Ethiopian financial institutions.

Adoption of IFRS has also the benefit of more transparent financial statements to company which in turn reduce the agency problem between management and share holders. Increased transparency causes managers to act more in the interest of the share holders.

Adoption of IFRS is also quit important for the reporting entities to show their current economic status, by using fair value measurement and it also eases consolidation activities for multinational companies.

Adoption of IFRS can also reduce cost of capital of firms through lower cost of information, reduction in bad earning, and great marketability of shares and reduce information asymmetry. It also enables management to better manage risk and provide the necessary in formations that better improve the decision of managers.

The other two main benefits that we look forward after adopting IFRS is that: IFRS makes external financing easier because the donor or the granter can easily follow the utilization of funds raised from them. Secondly it promotes cross boarder investment in that the investor and the investee countries can speak with the accounting language which can make agree or disagree easily.

The main challenges in the process of adopting IFRS include significant cost of adoption, need for training, the complex nature of some of IASB's standard and the lack of adequate implementation guidance. This lack of guidance creates the risk for manipulation in interpretation of financial statements.

The other key challenge is the tax driven nature of previous standard and problem with IFRS use of fair value accounting instead of historical cost is considered as a challenge because some conditions in developing countries like Ethiopia are not favorable for implementing fair value accounting such as achieving observable market prices and accurate estimates of liquid market prices due to lack of market for properties and stocks & etc.

Generally, the adoption of IFRS in Ethiopian financial institutions within specified of time will be difficult, due to lack of coordination by Various concerned bodies, different understanding among governing bodies, lack of trained professionals in the country, lack of the required data which is the major problem where in banks and insurance companies are facing currently.

5.3 Recommendations

As conclusions reveal since the benefits are longer lasting than the costs of adopting IFRS, companies adoption should be supported by all stake holders. In other words IFRS capacity building program should be embarked by all regulatory bodies, firms and training institutions in order to provide the needed man power for IFRS implementation.

The government has to arrange professional training and benchmarking for trainers abroad, to change the current man power problem to adopt IFRS. Especially trainers should be professionals and practitioners rather than theoreticians.

Financial institutions/companies has to analyze the whole process of adopting IFRS like the resource and facility required, data management of the company and other necessary conditions has to be fulfilled to adopt this new standard.

Finally, the findings reveal that there are numerous factors that impact adoption of IFRS in Ethiopian financial institutions. Based on the findings of the study, the government should support adoption of IFRS. Since the adoption of IFRS could attract foreign direct investment, which in turn may lead to economic growth and decrease unemployment.

5.4 Future Research Areas

The international financial reporting standard (IFRS) is a broader scope of accounting which cannot be dealt with in its entirety in one study alone. This study focused on the challenges and prospects that could explain the adoption of these standards in Ethiopia. However, it could be highly appropriate for future research to be conducted on the issue of disclosure and compliance with IFRS in Ethiopia. The impact of fair value on financial statements presentations. This would comprise the detailed applications of the adopted standards and how well companies in Ethiopia apply these standards. Factors affecting adoption of IFRS in Ethiopia, Even though the research found some important factors affecting adoption of IFRS, the researcher advocates more studies to be conducted in the financial reporting domain.

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APPENDIX

Section 1: ***Demographic Background***

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

1. Gender:
   ☐ Female ☐ Male

2. Academic level:

   ☐ Technical/vocational certificate ☐ Master's degree

   ☐ Diploma ☐ Bachelor's degree

   ☐ Other (specify) ....

3. Age:
   ☐ Less than 25 years ☐ 25-34 years ☐ 35-44 years

   ☐ 45-54 years ☐ Over 54 years

4. Current position in your organization
   ☐ Finance Manager ☐ Deputy Finance Manager ☐ Other Specify
   ☐ Accountant ☐ Division head

Section 2: ***Adoption and practices of International Financial Reporting Standards (IFRS) in your company.***

5. When did your company start using IFRS?
   Please state the year ____________________
6. Before the adoption of IFRS, What reporting standards did your company use?
   Please mention the previous standard _____________________
7. If you compare the previous standard to IFRS, which one is more preferable?
   Please underline your answer (A) previous standard (B) IFRS
8. What are the two main reasons for your preference?
   Please state your reasons:

   (I)____

(II)____

Section 3: ***Your perception towards factors that could affect the adoption of IFRS by Ethiopian companies and the benefits and challenges of adopting it.***

In this section the researcher is seeking your specific perceptions toward the adoption of IFRS by Ethiopian companies. Please kindly indicate the appropriate scale for your opinion by ticking (√) on the spaces that indicate your choice from the options that range from 'Strongly Disagree (SD), disagree (D), Neutral (N), Agree (A) to strongly Agree (SA)'.

A. Adoption of IFRS by Ethiopian Companies

	SD	D	N	A	SA
9. Adoption of IFRS improves the efficiency of financial reporting					
10. Adoption of IFRS is costly					
11. Financial statements based on IFRS are reliable and comparable					
12. IFRS adoption result in Reduced cost of capital					
13. It provides greater reporting transparency					
14. Adoption of IFRS improve effectiveness of financial reporting					
15. Adoption of IFRS achieves the objectives of financial reporting					
16. Adoption of IFRS improves the efficiency of financial reporting					

B. Benefits of adopting IFRS

1. Benefits of adopting IFRS to companies					
17. Financial statements based on IFRS are reliable and comparable					
18. Adoption of IFRS improves effectiveness of financial reporting					
19. IFRS makes external financing easier					
20. It provides greater reporting transparency					
21. It enables greater effectiveness of the internal audit					
22. Reduced cost of capital					
2. Benefits for Investors					

23. IFRS provides better information for decision making by investors					
24. Investors will have more confidence in the information presented suing IFRS					
25. Adoption of IFRS enhance transparency of companies through better reporting					
3. Benefits of IFRS for management					
26. Enables better risk management					
27. IFRS improves management information of decision making					
28. IFRS promotes cross border investment					
4. Benefits of IFRS for other stakeholders					
29. IFRS adoption improves regulation oversight and enforcement					
30. IFRS provides greater credibility and improved economic prospects for the accounting profession					
31. It provides better reporting and information on new and different aspects of the business					

C. Challenges of IFRS Adoption

32. Adoption of IFRS is costly					
33. IFRS increases the complexity of financial reporting					
34. There is lack of IFRS implementation guidance					
35. IFRS brings about increased volatility of earnings					
36. Tax driven nature of previous standards is a challenge for IFRS adoption					
37. Lack of availability of competent specialists					
38. Need for training					
39. Lack of proper instructions from regulatory bodies					
40. Problem with the IT system in handling the transition of IFRS					
41. Problem with IFRS's use of fair value accounting					

Section 4: *Company profile*

The following questions seek general information about your company. Please provide your response by ticking (√) or writing.

42. Identify they primary business of your company:

☐ Insurance ☐ Other

☐ Banking ☐ Service

43. What is the capital of your firm?

☐ Less than Br. 50,000,000.00 ☐ Br. 50 million to 100 million

☐ Br. 100 million – 500 million ☐ Above 500 million

Additional Comments

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________________________.

Interview Questions

1. What critical problems do you face during conversion process of IFRS?
2. What are the areas of Difference with the previous GAAP?
3. How IFRS be different from GAAP on areas of Measurement, recognition & Disclosure? What challenges do you face?
4. What challenges do you face in relation with fair value & tax system of the country?
5. What are the frequently asked questions during conversion/first time adoption?
6. How do you expect IFRS in bringing change & benefit for your company & challenges as well?
7. Do you think that All Auditors can have a better understanding of FIRS? If not what will be the Reason.

DECLARATION

I, the under signed, declare that this thesis is my original work, prepared under the guidance of my advisor Dr. AbebawKassie. All sources of materials used for this thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other learning institutions for the purpose of earning any degree.

______________________________ ____________________________________

Name Signature

St, Mary's university, Addis Ababa May, 2018

ENDORSEMENT

This thesis has been submitted to St. Mary's university, school of Graduate studies For examination with my approval as a university advisor.

__________________________ ________________________

Advisor Signature

St, Mary's university, Addis Ababa May, 2018