



**SCHOOL OF POSTGRADUATE STUDIES
DEPARTMENT OF ACCOUNTING AND FINANCE**

**ASSESSMENT OF BENEFITS AND CHALLENGES OF IFRS
IMPLEMENTATION (THE CASE OF ETHIOPIAN CONSTRUCTION
DESIGN AND SUPERVISION WORKS CORPORATION (ECDSWC))**

**BY
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**DECEMBER 2021 G.C
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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY COLLEGE,
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ADDIS ABABA, ETHIOPIA

ST. MARY'S UNIVERSITY COLLEGE
SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS

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DECLARATION

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

Aster Tsegaye Abateneh

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December 2021

ENDORSEMENT

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

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Advisor

St. Mary's University, Addis Ababa

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Signature

December 2021

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ACRONYMS

ACRONYM	DESCRIPTION
AABE	Accounting and Auditing Board of Ethiopia
BUDSWS	Building and Urban Design and Supervision Works Sector
CDSKO	Construction Design Share Company
ECDSWC	Ethiopian Construction Design and Supervision Works Corporation
ECX	Ethiopia Commodity Exchange
EU	European Union
FDI	Foreign Direct Investment
GAAP	Generally Accepted Accounting Practice
GIGEUCDSWS	Geotechnical Investigation Geotechnical Engineering Underground Construction Design and Supervision Works Sector
HPR	House of Peoples Representatives
IASB	International Accounting Standards Board
ICAG	Institute of Chartered Accountants Ghana
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
IT	Information Technology
NBE	National Bank of Ethiopian
RLTC	Research, Laboratory and Training Center
SIC	Standing Interpretations Committee
SGCIC	Surveying, Geospatial and Civil Informatics Center
SME	Small and Medium-Sized Entities
SPSS	Statistical Package for the Social Sciences
TDSWS	Transport Design and Supervision Works Sector
WEDSWS	Water and Energy Design and Supervision Works Sector

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ABSTRACT

This study aims to assess the benefit and challenges of International Financial Reporting Standards (IFRS) adoption in Ethiopian Construction Design and Supervision Works Corporation, by adopting a descriptive research type and a survey research design for the research design. In addition, a mixed or pragmatic research approach was applied. Furthermore, sampling for small population size is determined taking the whole finance department staff for interview and questionnaire distributions. The questionnaire data were analyzed using descriptive statistics and data from interview were interpreted qualitatively. Statistical analysis was undertaken on the resulting data through SPSS version 20 model and accordingly major outputs have been found. The followings are the findings from the analysis. Implementing IFRS in the ECDSWC will provide several significant benefits, including lower capital costs, increased transparency and understandability, easier foreign investment and financing, more consistent and appropriate financial statements, better information for decision-making, and an improved audit system. Therefore, the top management and decision maker of ECDSWC need to adopt IFRS financial reporting which increase the benefits of adoption of IFRS. Furthermore, employee in the corporation needs the knowledge, skills, and tools to do their duties. Regular training programs in the form of workshops and seminars need to be organized by management for employees and management staff as well as to improve their skills and knowledge. Beyond this, to enable a smooth implementation process, impact assessment, planning & designing, realization and data conversion should be recommended for effective implementation.

Keywords: *Financial Reporting Standards, Challenges, Financial Statements*

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

The globalization of business activities and the growing need for accounting information across borders as well as the observed diversity in national accounting practices emphasized the need for globally accepted financial reporting standards based upon clearly articulated principles. Adejoh (2014) noted that globalization of capital market and internationalization has come to stay. The need for harmonization and single set of consistent high quality financial reporting standard has gained widespread acceptance among policy makers, standard setters, and preparers of financial statements.

With the establishment of International Financial Reporting Standards (IFRS) and the effort at harmonization of accounting practice across national jurisdictions, the global trend in the past decade has been for jurisdictions to adopt IFRS directly or to converge local Generally Accepted Accounting Practice (GAAP) to IFRS. The ability of IFRS to meet the needs of the capital market has caused securities regulators to actively encourage this trend. Issued by International Accounting Standards Board (IASB), IFRS is currently accepted in more than 144 countries in the world (IASB, 2019).

The International Accounting Standards Board (IASB) was established in 2001 to develop International Financial Reporting Standards (IFRS). IFRS modeled as the global language of accountancy which is aimed to make the comparison and interpretation of the financial statements across the world easier. It includes International Accounting Standards (IASs) until they are replaced by any IFRS, and interpretations originated by the IFRIC or its predecessor, the former Standing Interpretations Committee (SIC). IFRS is a set of international accounting and reporting standards that will help to harmonize corporation financial information, improve the transparency of accounting, and ensure that investors receive more accurate and consistent reports. IFRS were adopted legally first time in 2005 by European Union. Other countries with developed capital markets have adopted or in the process of adopting IFRS in for reporting purpose (IASB, 2019).

In Ethiopia, some companies have started using IFRS voluntarily for the preparation of their financial statements since 2002/03 without making necessary preparedness. However nationally, Ethiopia has officially started since December 2014 outlined a roadmap for the adoption of the International Financial Reporting Standards (IFRS) through enactment of Proclamation (Alemi, 2016). In Ethiopia manifested by the issued Proclamation No. 847/2014 December 5, 2014, called “Financial Reporting Proclamation of Ethiopia” which obliges companies to follow IFRS in their financial statement presentation. The National Bank of Ethiopian (NBE) and the Securities and Exchange Commission also adopted this date for compliance and has issued guidance compliance circulars to ensure full implementation of IFRS in Ethiopia. There are no extra requirements for banks and insurance companies for preparation of their annual financial statements. Banks and insurance companies are subject to regulatory laws and directives issued by the National Bank of Ethiopia, but there are no extra requirements in these laws or directives for preparation of annual financial statements.

The Ethiopian Construction Design and Supervision Works Corporation (ECDSWC) was established in 2015 and has evolved into one of the leading engineering consulting companies in Ethiopia in the areas of engineering design, project study and management, supervision, quality assurance and consulting services. The Corporation is founded by unification of three Federal Government Public Enterprises which accomplished their works differently, i.e., Water Works Design and Supervision Enterprise (WWDSE), Construction Design Share Company (CDSCO) and Transport Construction Design Share Company (TCDSKO) (ECDSWC, 2020).

ECDSWC is a multi-disciplined engineering firm and has extensive experience in all engineering consultancy works and undertaken numerous project assignments in all over the country. The firm provides professional services in Study, Design, Construction Supervision and Management of Water and Transport Infrastructures, and Building and Urban Development. In addition, Surveying, Geotechnical Investigation and Geotechnical Engineering, and Laboratory Services are main areas of services the Corporation provides (ECDSWC, 2020).

International Financial Reporting Standards (IFRS) is gaining fast growing recognition around the world as countries and institutions such as capital market regulators, global banking regulators,

international development agencies, professional accountants and politicians all recognize the economic benefits embedded in the adoption of the standards (Botzem, S., 2014).

There were few studies on IFRS related issues in Ethiopia. For instance, Tesfu (2012) studied the benefits and key challenges of IFRS adoption in Ethiopia. Pasricha (2016) studied IFRS progress in some selected firms operating in Ethiopia. Mihret (2016) critically analyzed the process, issues, and implication of IFRS adoption in Ethiopia. These and other studies conducted on IFRS in Ethiopia mainly focused on the expected challenges and benefits of IFRS adoption, and also on the process and progress in IFRS adoption up to the year 2015/16. But to the knowledge of the researcher, there appears to be no study on practical implementation challenges of IFRS in Ethiopia and particularly in corporation companies like ECDSWC.

Therefore, Ethiopian Construction Design and Supervision Works Corporation has started the adoption process in 2017 GC. This research focusses on the assessment of IFRS implementation in ECDSWC. In cognizant with the above issues this study will examine the limitation of IFRS implementation in case of ECDSWC.

1.2 Statement of the Problem

The major challenges of the selection of IFRS in numerous nations is fundamentally related with the complexity of IFRS standards. Need of satisfactory IFRS direction, diverse endorsement standards do not execute inside the desired time, need of accessibility of competent professional, top level of preparing fetched prerequisites, less recognition with the IT, need of appropriate enlightening from administrative bodies and issue of legitimate arrange of monetary teach to actualize IFRS (Zewdu Eskezia Gelaye, 2019).

Ethiopia has confronted challenges in their choices to embrace IFRS; its broad appropriation has been advanced by the contention that the benefits exceed the costs. Numerous wards have social, legitimate, or political deterrents to prompt full appropriation of IFRS (Mary E. Barth and Wayne R. Landsman, 2010). As of late there has been a thrust towards the selection of IFRS created and issued by the Worldwide Bookkeeping Measures Board (IASB). IFRS is essentially drawing in the academic consideration particularly in markets where choice making on its selection is drawing nearer (Thi Phana and Mascitellib, 2014).

Adoption of IFRS requires that a top level of information, capability, and ability in arrange to get it, decipher and after that make utilize of those measures. The presence of qualified and learned experts includes a major part in appropriation of IFRS. Adjacent to this, moral environment, level of mindfulness, tall level of instruction will moreover have a part within the appropriation (Zoubi, 2017).

Different overview ponders for illustration; (Kılıça and Uyarb, 2017; Owolabi and Iyoha, 2012; Zoubi, 2017; Hossain, Hasan, and Safiuddin, 2015; Zakari 2014; Amanamah, 2017; Joseph, 2018) have been conducted to evaluate the selection of IFRS completely different nations of the world. The analysts found that need of specialized abilities and lacking information of professionals, lack of preparing and mindfulness as the most challenges of IFRS appropriation. On the other hand, they found that expanding of the bookkeeping data quality, investors' certainty, comparability of money related explanation among companies both broadly and universally, made the arrangement and examining of money related articulation exceptionally straightforward and simpler as the benefits of IFRS appropriation.

Ponders have been moreover conducted in Ethiopia approximately the components, advantage, and challenges of receiving IFRS by (see for illustration; Firdawok, 2017; Eyob, 2017; Mekonnen, 2016; Fikru, 2012). Those thinks about were centered on the viewpoints of authorized Bookkeepers and Reviewers of the nation by Firdawok, (2017); on money related institution by Mekonnen (2016); on Ethiopian Fabricating segments by Arefainie 2018; on Ethiopian Open Venture by Teklemuz, (2018) and on individuals of Ethiopian Commodities Exchange (ECX) which are received deliberately by Fikru (2012). Those open undertakings which were chosen since they were obliged to create articulation based on the standard at July 07, 2018 and those chosen were nearly at the ultimate organize of usage and another point were based on their differing qualities of commerce sort which were fabricating, inn, development and marketing. this rapid change in the financial reporting every organization is demanding enforcement of international financial reporting standard (IFRS) with a purpose to promote more consistency, credibility, relevance of accounting information and the globalization of economies. But, the construction company as a whole and some other construction related companies have different consideration to implement IFRS for various reasons including revenue realized from construction activities including early design activities (KPMG,2017). Subsequently, this study

was motivated because of the requirement of unique approach to implement the IFRS projects in construction design firms and absence of studies within the area of benefit and challenges of IFRS implementations in such companies including Ethiopian Construction Design and Supervision Works Corporation. This study will be helpful in assessing and pointing out whether the above benefits and challenges of IFRS adoption will face this sector.

1.3 Research Questions

The study attempts to answer the following research questions.

1. What are the benefits of adoption and implementation of IFRS in ECDSWC?
2. What are the challenges of International Financial Reporting Standard (IFRS) adoption in ECDSWC?
3. What remedial practices can be implemented to reduce the challenges of IFRS implementation in ECDSWC?

1.4 Objective of the Study

1.4.1 General Objective

The main purpose of this study is to assess the benefits and challenges of IFRS adoption (in the case of Ethiopian Construction Design and Supervision Works Corporation (ECDSWC)).

1.4.2 Specific Objectives

Based on the general objective, the study encompasses the following specific objectives to assess the benefits and challenges of IFRS adoption (in the case of Ethiopian Construction Design and Supervision Works Corporation (ECDSWC)).

1. To identify the benefits of adopting IFRS in the ECDSWC.
2. To investigate challenges in adoption of IFRS in case of ECDSWC.
3. To recommend some of the remedial practices that can be implemented to reduce the challenges of IFRS adoption in ECDSWC.

1.5 Significance of the Study

The significance of this study is that it can be used as an initiation for those who are interested to conduct a detailed and comprehensive study regarding the adoption and implementation of IFRS in construction companies in general and particularly to ECDSWC. It would enable the corporation, specifically the higher responsible body, and the managements of companies to be aware of the perceived and actual benefits of International Financial Reporting Standards and give insight on how to adopt these international standards most efficiently.

The research will find out the limitation of IFRS in construction industries and will give a clue to the main challenges and benefits of the IFRS which will help the investors, as a case study and related descriptive approach, the finding of the study will also assist the policy makers and the government as spring board for future operation in the field of industries.

1.6 Scope of the Study

The general aim of the study is to assess the adoption and implementation benefits and challenges of IFRS in ECDSWC limiting its scope to companies adopting this standard. Owing to the broad and the complex nature of International Financial Reporting Standards, this study only focused assessing the benefits and challenges of the adoption of IFRS in ECDSWC.

This study focused on challenges which were: environmental ethics, competency, awareness and legal system because these dimensions were a basic challenge in the adoption process based on previous studies and it also focused on the benefit to investors, management, companies and other stake holders in Ethiopian Construction Design Supervision Works Corporation, All respondents that are Accounting and Finance Division, Internal Control Section, Procurement Section, and Administration Section employees of Ethiopian Construction Design Supervision Works Corporation were selected because of related with the subject matter and due to limitation of time, professionals outside the corporation were not involved. The data collection and research conducted were done in 2021.

1.7 Organization of the Research Report

This study is organized into five chapters. The first chapter presents the general introduction of this study, the second chapter look into some previously conducted related research and literatures

on the subject while the third chapter contains brief description of the Research methodology. After conducting the research, the fourth chapter dwells on analysis and interpretation of the data collected. Finally, the fifth chapter presents the conclusions reached and the recommendations forwarded.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Introduction

This section presents a review of related literature to International Financial Reporting Standards and its adoption. It consists of general overview about International Financial Reporting Standards, benefits and challenges of adopting and implementing IFRS in ECDSWC. In general, this chapter synthesized existing empirical research in the area of international accounting standards and ends by summarizing the review and identifying the gap in the existing literature.

2.1.1 The Concept of IFRS

The necessity for a global set of high-quality financial reporting standards has long been expected and the process of international convergence towards a global set of standards started in 1973 when 16 professional accountancy bodies from different western developed countries like Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom, and the United States of America agreed to form the International Accounting Standards Committee (IASC). (UNCTAD Secretariat; 2008) as cited in Teferi and Pasricha (2016).

International Financial Reporting Standards (IFRS) have been known long time ago under the name International Accounting Standard (IAS). IAS was issued since 1973-2000 by International Accounting Standards Committee (IASC). IAS was issued in order to fix the global accounting standard thus there would be better financial understanding of all companies. However, on April 1, 2001, International Accounting Standard Board (IASB) replaces the IASC and took over responsibility to build international accounting standard and named it IFRS. IFRS has been a trending topic since the European Union (EU) decides to convergence their financial reporting standard to IFRS, leaving the US Generally Accepted Accounting Principles (US GAAP) (Latifah et al., 2012; IFRS Foundation, 2010) as cited in Zakari (2014).

IFRS adoption according to Amanamah (2017), is believed to enhance greater transparency and disclosures in financial statements. This will eventually lead to the harmonization of financial statement across borders. IFRS are more objective and principled based. IFRS was intended to meet the fundamental objective of financial reporting, which is to measure economic activity.

IFRS was developed from a balance sheet-perspective, so it begins with the definition of assets and liabilities adopting a fair value measurement approach.

2.1.2 IFRS for Public Owned Enterprises

The term public enterprise refers to enterprises established under the ownership of the state or public authorities. However, the particular features of such enterprises are not the same in all definitions Tewodros (2014).

Tewodros (2014), defined public enterprise as; “any commercial, financial, industrial, agricultural or promotional undertaking – owned by public authority, either wholly or through majority shareholding – which is engaged in the sale of goods and services and whose affairs are capable of being recorded in balance sheets and profit and loss accounts. Such undertakings may have diverse legal and corporate forms, such as departmental undertakings, public corporations, and statutory agencies, established by Acts of Parliament or Joint Stock Companies registered under the Company Law”.

According to Public Enterprises Proclamation No. 25/1992, public enterprises defined as a wholly state owned public enterprise established pursuant to the same Proclamation to carry on for gain manufacturing, distribution, service rendering or other economic and related activities.

Public enterprises are subject to different accounting systems. The establishment of a public enterprise is contingent upon its capital which is indispensable for its existence. Owing to its commercial nature, the law requires it to maintain two books of account, i.e., a balance sheet and a profit and loss account. It should also follow generally accepted accounting principles in maintaining financial records and preparing financial documents.

According to AABE (2015), stated in its five-year strategic plan public enterprise need huge financial resource for investment, both from domestic resources and from Foreign Direct Investment (FDI). Therefore, to keep FDI inflow sustained, there is a need to improve the investment climate. Among other prerequisites for the sustained growth and improved business climate, it is high quality financial reporting underpinned by a robust accountancy profession regulated by a strong independent oversight body. High quality financial reporting in Ethiopia will also contribute to more efficient tax collection.

Accordingly, implementing high quality International Financial Reporting Standards (IFRS) is critical to meet and sustain Ethiopia's economic growth potential. IFRS provides international investors with a brand of trust in the quality of financial reporting. That trust in financial reporting is essential if investors are to be encouraged to step in to promote continued economic growth. IFRS will also have a profound impact on the country's growth potential because nationally supported IFRS will increase stability, stewardship, accountability and transparency both at institutional and government level. It will also increase the general level of professional education of accountants and standards setting bodies and improve their policies and decision making. It will lay the foundation to the much needed domestic capital market to mobilize financial resources for long-term investment. In general, implementation of IFRS contributes to government efforts of improving good governance and reducing the level of corruption and rent seeking behaviors.

2.1.3 IFRS for SMES

According to Ethiopian proclamation of 847/2014, Small and Medium Sized Enterprises are defined as an enterprise which is a reporting entity and does not have public interest. International Accounting Standard Board (IASB 2007) stated Small and Medium-Sized Entities (SMEs) are defined as entities that do not have public accountability and publish general purpose financial statements for external users. In addition, the board explains entities are regarded as not having public accountability if they do not file their financial statements with any securities commission or regulator for the purpose of issuing any class of instruments in a public market. However, general purpose financial statements are directed towards the common information needs of a wide range of users who are not in a position to demand reports tailored to meet their particular information needs (IASB 2007). Rudzani and Charles (2016) stated on their study Small and Medium Sized Enterprises (SMEs) have usually been perceived as the dynamic force for sustained economic growth and job creation in developing countries. They play multifaceted role such as boosting competition, innovation, as well as development of human capital and creation of a financial system.

It was in 2001 when IASB formally started to develop accounting standards for the suitability of SMEs while keeping the emerging economies in focus. The first exposure draft of IFRS for SMEs was published by IASB in February 2007, with the aim to provide simple and self-explanatory set

of accounting principles for non-listed companies based on full IFRS. Based on this exposure draft field tests were conducted by IASB on a sample of 116 small entities from 20 different countries. On the basis of comments and reviews of exposure draft, and results from field tests eased the job for IASB in further enhancing and simplifying the accounting standards for SMEs, and finally launching the official and final version of IFRS for SMEs on 9th July 2009 (IASB, 2009). After the initial comprehensive review of the standard, in 2013, the IASB has issued the Exposure Draft on the proposed amendments to the IFRS for SMEs, including some clarifications and supportive guidance (Perera & Chand, 2015). Then, in late 2015, a revised version of IFRS for SMEs was published including further amendments.

2.1.4 Historical Background of Accounting in Ethiopia

Development of accounting and keeping of records in different forms in Ethiopia was started in the 3rd century A.D. during the Axumite Kingdom (Mihret, James & Mula, 2012; Kinfu, 1990) as cited in Yichilal (2015). At the beginning of the 20th century modern accounting is traced. According to Yichilal (2015), Emperor Menelik II established Ministry of Finance and at that time formal records of government activities started in the 1900s. In addition, in 1905 modern financial accounting in the private sector started in Ethiopia when the Bank of Abyssinia was established Yichilal also indicates. According to (ROSC, 2007; Argaw, 2000; Mihret et al., 2012; Kinfu, 1990) cited in Fikru, (2012) the development of accounting in Ethiopia classified in to three periods; the first is before 1974 and according to his statement two developments occurred in the history of Ethiopia that was the declaration of commercial code of Ethiopia and the second point addressed by the researcher was the establishment of Office of the Auditor General (OAG) in 1961. In the second period as described by Fikru was from 1974 -1991 and stated in the study communist ideologies and development of accounting have to been held back. Another point was the establishment of Audit Service Corporation (ASC). At this period Fikru stated that private companies were nationalized and the number of state owned enterprises in the country increased. As a result of these changes, international public accounting firms, i.e. Price Water House Peat & Co. and Mann Judd & Co. closed their Ethiopian branches. Third period was After-1991 at this time 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. During this period the Auditor General were reformulated and revised by proclamation 13/1988. In addition to this,

the Ethiopian Professional Association of Accountants and Auditors (EPAAA) has been re-activated and three other professional associations, i.e. the Ethiopian Accounting and Finance Association (EAFA), the Ethiopian chapter of the Institute of Internal Auditors (IIA), the Accounting Society of Ethiopia (ASE), the Accounting and Auditing Board of Ethiopia (AABE) and appearance of financial reporting proclamation 847/2014 have been established.

ROSC (2007) stated that after Public Democratic Republic of Ethiopia (PDRE) came to power a number of developments in accounting occurred and there is no specific set of accounting regulations in Ethiopia. Challenges related to accounting regulations and financial reporting are now being recognized and appreciated in Ethiopia. For example, the recent proclamation on banking business has set a direction for banks to use international standards when reporting their results. In addition, the newly established Ethiopian Commodities Exchange Authority has issued a draft directive on independent auditors to require members of the Exchange to use International Financial Reporting Standards in preparing financial statements and for the auditors to use International Standards on Auditing Gizaw, n.d cited in Firfu (2012).

(Carson and Dowling, 2010; Zeghal and Mhedhbi, 2006; Levich, 2001) as cited in Firdawok (2017) stated on their study now a day's world economic trade like business and financial markets became growing and globalized, financial information which are not prepared and audited in modern/principle based accounting and auditing system may no longer satisfy the needs of users whose decisions are more international in scope. According to the increasing popularity of participating in the global economy, investors are becoming increasingly interested in emerging markets as they present a diversified opportunity.

2.1.5 IFRS Adoption and Implementation in Ethiopia

Ethiopia is taking great strides to build an accountancy and auditing regime fit for a country with an ambitious economic agenda. The country is the second most populated nation had neither a regulatory body nor any professional accounting organization in Africa. As per AABE it is a formidable task one that will not be completed for long time to come. The foundation of this Board has a clear watershed in the development of accountancy profession in the country and before the proclamation there was no ownership of the profession and with this point the country lacking a well-established and properly functioning professional accountancy organization. AABE needs to

act as an independent regulator as well as carry out some functions that are normally handled by a professional accountancy organization. According to the board Ethiopia had no national accounting or auditing standards before the appearance of AABE. The Board was developed a five-year strategic plan for 2016-2021 for the adoption of IFRS standards.

To adopt the standards, AABE has developed a Roadmap. There are three steps described by Teferi and Pasricha (2016), which new adopters of IFRS should pass through before adopting it. According to them, making policy decisions through building consensus among concerned stakeholders is the first step and following this preparing a plan by building in targets and deadlines, and making them public and helps to identify obstacles that must be overcome. The last step addressed by them was identifying the resources that we have on hand and what we need to implement the new standard (such as availability of local professionals at company and national level, finance for capacity building, and source of finance, materials and technical supports).

2.1.5.1 Implementation Phases of IFRS in Ethiopia

In Ethiopia, mandatory adoption of IFRS is scheduled in the following phases (Ethiopian Government, 2014):

- **Phase I:** Significant Public Interest Entities: financial institutions and public enterprises owned by federal or regional governments, starting in 2018.
- **Phase II:** Other Public Interest Entities: Ethiopia Commodity Exchange (ECX) member companies and reporting entities that meet two of the below four criteria, starting in 2019:
 - ❖ Annual turnover exceeding 50,000,000.
 - ❖ Total employees exceeding 100 employees.
 - ❖ Total Asset exceeding 100,000,000.
 - ❖ Total Liability exceeding 100,000,000.
- **Phase III:** Small and Medium Sized Entities: whose turnover exceeds 1,000,000, starting in 2020. If at least two of the following requirements is fulfilled the company falls into phase III category:
 - ❖ Between 1 million - 50 million annual turnover/sales.
 - ❖ Between 10 - 100 employees.
 - ❖ Between 2 million -100 million Total Asset.

- ❖ Between 2 million -100 million Total Liability.

2.2 Empirical Evidence on Benefit and Challenges of IFRS Adoption

Joseph (2018) found that a number of perceived benefits and challenges with the adoption of IFRS in Ghana, notable among the benefits was the ease of comparability of financial data across borders, and the top-most challenge was the continuous amendments to IFRS. The reason to investigate was to look at the benefits and challenges of IFRS selection in Ghana and to decide contrasts between youthful and ancient bookkeeping experts in ICAG in their assessment of seen benefits and challenges of IFRS appropriation in Ghana.

The ponder utilized cross-sectional overview that looked for to gather field information on chartered accountants and the overall target populace on this investigate was 4005 chartered bookkeepers. He utilized a purposive sample estimate of 762 to decide the test estimate from the full populace, the analyst was utilized a record of Yearly Bookkeepers conference participation held at Accra since concurring to him they constitute dynamic ICAG individuals in great standing. They utilized a self-administered, organized survey based on past experimental research on perceived benefits and challenges identified with the adoption of IFRS and a five-point Liker-scale was used to measure variables for the research.

A data instrument utilized by the analyst was survey which was pre-tested and at last managed to the target populace. Information was analyzed based on graphic investigation. The analyst categorize the advantage of embracing IFRS to financial specialists, arrangement producers and controllers and based on this the analyst found that receiving IFRS possess advantage like less demanding comparability of money related information over borders. In expansion to the end of different announcing benchmarks, way better quality of budgetary detailing, encouraging less demanding worldwide versatility of proficient staffs over national boundaries, more prominent straightforwardness and understandability of bookkeeping hones, made strides administration data for decision-making and way better get to capital. The study states also some challenges in adopting IFRS continuous amendment of IFRS and its associated effect in the continuous amendments, fair value as measurement base, training of relevant accounting professionals in the applications of IFRS, training of relevant accounting and accounting knowledge and expertise possessed by financial statement user compliance and enforcement, complexity of conversion,

timely interpretation of standards, funding of conversion, ethical business environment were the main challenges addressed by him on the research.

Amanamah (2017), considered on the benefits and challenges of international financial reporting standards selection in Ghana: Accounts and trade Directors Viewpoints. The objective of the considered was to distinguish benefits and challenges related with the usage of Universal Budgetary Detailing Standard (IFRS) in Ghana from account and trade managers' point of view. The inquire about strategy connected by the analyst was purposive inspecting to gather information from 187 bookkeeping experts and supervisors in all commerce segments of Ghana and information was collected from respondents employing a well-structured survey containing both closed and opened ended questions. Data collected was analyzed using descriptive and inferential statistics with the help of SPSS. Furthermore, he found that adoption of the IFRS has with those benefits, increase the quality of accounting information, increased investors' confidence, increase comparability of financial statement among companies both nationally and internationally, made the preparation and auditing of financial statement very transparent and easier. In addition, he found also the cost of implementation was very high and accounts and business managers' faced some challenges like fair value measurement issues were a big challenge as majority of the assets did not have an inactive market and it was difficult to determine fair value for those assets and lack of efficient training for professionals. The benefit derived from its implementation outweighed the challenges. Respondents perceived that IFRS is too complicated to understand the standards adoption. Finally, he observed that, contrary to the view of other authors, the benefits of adopting the IFRS outweigh the cost.

Kılıça and Uyarb (2017), conducted research and they expressed that need of prepared staff, elucidation troubles, and dialect issue were a few of the challenges they found. They watch that on their meet need of prepared staff will be the foremost imperative challenge for the appropriation handle. In expansion, the analysts expressed that the need of IFRS instruction and information, preparing at the college, commerce undertaking, and bookkeeping bodies will be critical and crucial challenges within the IFRS appropriation prepare and translation problem will develop, whereas applying the IFRS, particularly within the early a long time of the appropriation prepare. They moreover denoted that there are some problems caused by elucidation, since interpretation plays an awfully vital part within the compelling application of standards and thus within the

accomplishment of comparability in Turkey. Other than to this he expressed too high-quality financial data is the benefit of adopting IFRS.

The main challenges as per the study connected by Firdawok (2017), was that critical fetched of selection of IFRS, require for preparing, need of preparation to execute inside the time outline set by the AABE, need of satisfactory execution direction and need of requirement capacity.

Zoubi (2017), considered anticipated benefits and challenges of adopting IFRS: A focus on Saudi Arabia. The point of the study was to look at and investigate inconsistency and the address of the significance of IFRS to Saudi Arabia utilizing the recognition of clients and preparers. The strategy utilized within the think about was graphic ponder in which questionnaire was utilized to gather information the preparers and clients of yearly reports. The consider found that advantage to companies; ease of utilizing one reliable detailing standard in backups from diverse nations will accrue to companies, advantage to speculators; more certainty within the data displayed in monetary explanations with simply get it and utilize of it; for approach makers (management), it makes way better get to the worldwide capital markets and the next standard of budgetary revelation for national administrative bodies. In expansion, other partners would advantage from by and large way better announcing and data on modern and distinctive viewpoints of the business. Besides to this, there are a number of challenges to be faced in the process of adoption of the new standard. These among others include ethical environment and the ability to protect qualified and competent employees from being poached by other companies.

In Rudzani and Charles (2016), in their diary article entitled “An evaluation of the challenges of receiving and executing IFRS for SMEs in South Africa”. The objective of the paper was to set, up experimentally, the reasons and, hence, to decide the crediting causes of the issue, in case that was the case. The analysts utilized on this think about, both work area look and questionnaire and interviews were utilized to gather data. Organized and unstructured surveys based on inquire about questions created were managed on haphazardly chosen SMEs. Information collection included respondents from a test of 30 SMEs and four bookkeeping firm. Expressive information investigation was utilized to analyze the information collected. Particularly, the paper examines to what degree South African SMEs have received IFRS for SMEs, what challenges have halted them from doing so, on the off chance that they have not embraced the guidelines and what execution

challenges they confront, in case they chose to receive the standards. They also found that lack of knowledge, low level of awareness, lack of accounting education and shortage of qualified accountants, high cost of using the standard training and inability to acquire relevant resources were the challenges stated by them. Besides to this, the researchers also observed that, there was easy access finance from financial institutions in doing business with government as a benefit.

Babajide Michael Oyewo (2015), considered on how Nigerian SMEs are arranged to adopt IFRS. The point of the paper was to evaluate the level of planning of Nigerian SMEs for IFRS appropriation, to know how it is significant for Nigerian SMEs to receive IFRS and what components influence the level of readiness. The finding with respect to the benefits was increment showcase liquidity and esteem; fascination of neighborhood and remote speculation: and more extensive get to reserves. In show disdain toward the acknowledged need for its appropriation such as quality-improvement, and reliability-enhancement in budgetary detailing, the level of readiness for IFRS appropriation by SMEs in Nigeria was found to be more. Somewhat some of the variables hampering selection, particularly the brief timeframe and tall fetched of obtaining essential mechanical frameworks that bolster an IFRS-compliant bookkeeping frameworks and inner trade forms. Aside these express restraints to IFRS-for-SME appropriation, other perceptual components such as necessity for adoption, perceived benefits, and personal qualities such as work experience, level of education, and age of SME proprietor significantly exact on the level of preparedness for IFRS adoption by SMEs in Nigeria.

Hossain, Hasan, and Safiuddin (2015), described on their title Adoption of International Financial Reporting Standards in Bangladesh: Benefits and Challenges. The study had different objectives and out of them identifying benefits and challenges of adopting IFRS in Bangladesh were the one. The study used a primary data: interview with some qualified accountants and secondary data: research papers, articles, working paper and different books were used for the study. According to the findings of the study, adoption of IFRS would have benefits like decreased cost of capital, efficiency of capital allocation, easier international capital mobility, capital market development, improved and higher market liquidity and value. In addition, enhanced comparability, cross border movement of capital, and improved transparency of results. They found that, some challenges potential knowledge shortfall, high demand for education and training, legal system effect, tax

system effect, development of a legal and regulatory framework, enforcement, and compliance mechanism.

Zakari (2014) conducted a research on challenges of International Financial reporting standards (IFRS) adoption in Libya. The aim of the study was to examine the challenges and obstacles that facing Libyan context in adopting of IFRS particularly to identify the effects of legal, accounting education, economic and cultural structure on the adoption of IFRS in Libya. According to the researcher he used a self-administered questionnaires' to collect data and statistical data was undertaken to analyses the result. In addition, the study used a Likert scale to develop the questionnaires because of the advantage to obtain respondents feeling and opinion and also give participants a range of option and increase a response rate. Descriptive statistics was used to analyze the data. According to the findings in the paper, weakness of professional accountancy body, lack of an independent oversight body, inconsistency of existing laws and regulatory frame works of accounting in Libya, lack of technical skill and adequate knowledge of professional accountants, lack of trained professionals were the main challenges found in the study.

Kenneth and Grazyina (2013), studied on the adoption of IFRS for SMEs in Zimbabwe, the aim of the study was to explore the level of the adoption of the IFRS for SMEs in Zimbabwe. The benefits increases to such SMEs, the advancement of the adoption of these IFRS, keep of acceptable accounting records and related challenges for the adoption of IFRS for SME. The researcher used descriptive survey design by integrating both the quantitative and qualitative approaches and random sampling technique was used to come up with 40 participants. The major finding on this study was adopting IFRS for SMEs has a benefit like ensuring comparability of financial statements, building investor confidence, allowing for growth through accountability, and tax compliance. Beside to this, he mentioned also lack of awareness, lack of capacity and absence of separation between ownership and management of businesses were the key challenges. The study recommended that, SMEs should outsource financial reporting to professional accounting firms, add IFRs for SMEs to the curricular of universities and financial policy makers should prepare awareness campaign.

Another research was done by Fikru (2012), the study investigates on the adoption of IFRS in Ethiopia: Benefits and Challenges. The objective of the study was to examine the adoption of IFRS

in Ethiopia including the factors that could influence its adoption with a specific attention to the benefit, challenges and factors that affect the adoption of IFRS. The paper was used a mixed approach research and survey research design. The total target population of the study was 103 companies and using simple random sampling he took 20% of the total population as a sample. Primary and Secondary data instruments was applied by him and descriptive statistics also applied to analyze the data. Generally, he found that adoption of IFRS improves comparability and reliability of financial statement, it reduces agency problem, reduce information asymmetry and increase the confidence of investors on the financial statement presentation were the benefit ones. According to Fikru, the main challenges in the process of adopting IFRS include significant cost of adoption of IFRS, need for training, the complex nature of some of the IASB standards and the lack of adequate implementation guidance. Other key challenges include increased volatility of earnings, tax driven nature of previous standards and problem with IFRS use of fair value accounting.

Owolabi and Iyoha (2012), conducted research on Adopting International Financial Reporting Standards (IFRS) in Africa: benefits, prospects and challenges. The objective of the study was to find out the perception of users and preparers about what the benefits, prospects and challenges of IFRS adoption are in African countries. Descriptive study in which questionnaire was used to collect data. They found that IFRS adoption in Africa have potential benefits like; ease of using one consistent reporting in subsidiaries from different countries, benefits of better access to capital and lower cost of audit fees, confidence in the information presented, comparability of companies by peer group of companies, confidence in the information presented, better access to global capital market, cross-border investment. The benefits notwithstanding, there are however, a number of challenges to be faced ethical environment, compliance and enforcement, complexity of conversion and retention of qualified employees is the most important challenge for the successful adoption of IFRS.

2.2.1 Benefits of Adopting IFRS

Several studies have been conducted in different countries to identify benefit realized and challenges faced in adopting IFRS for the first time. According to Bhattacharje and Islam (2009), conducted a research focusing on the adoption and application of IFRS in the context of

Bangladesh and found that IFRS might provide resolving Agency problem between management and shareholders. It also gives an advantage to investors for reduce the cost processing financial information and the improving financial reporting quality and hence reduces the risk they are trading with a better-informed professional. Another point stated by the researcher was, it reduce accounting diversity and encourage the foreigners for cross border investment which in turn may improve the liquidity of the capital markets and enlarge firm's investor base to improve risk-sharing and lowers the cost of capital.

Another researcher Rudzani and Charles (2016) described that adopting IFRS would deliver the following benefits: increase the comparability of financial information at either national or international level; make it easier to implement planned cross-border acquisitions and to initiate proposed partnerships or cooperation agreements with foreign entities; help to spread in international markets and enhance the financial well-being of the companies.

2.2.2 Challenges of Adopting IFRS

The practical challenges that may be faced in Ethiopia as a result of adopting the IFRS needs to be identified and addressed in order to benefit fully from the introduction of IFRS. These challenges were evidenced by previous studies conducted by scholars such as: Rudzani and David, 2016: Potential knowledge shortfall, Mekonnen, 2016: Level of Awareness, Yicilal (2015): legal system effect and Economic development, Owolabi and Iyoha, 2012: Ethical environment were studied. The main reason of selecting those variables was previous studies showed those variable used by different scholars on different financial institutions and some selected companies before the practical implementation of IFRS but not public enterprises. Therefore, the researcher wants to address those variables on the practical challenges happened on the adoption and implementation of IFRS on those public enterprises. So, to identify the practical challenges of these variables on this sector and in order to meet the objectives of this paper, the challenges are discussed in the following sections.

2.2.3 Ethical Environment

Adoption of IFRS and corporate governance has positive impact on transparency of financial statements and disclosure. In many developing countries, the quality of local governance

institutions is low and thus is important determinants of the decision to adopt IFRS (Owolabi and Iyoha, 2012). The main reason on which ethical environment was to be one of the variables of this study was to examine strong corporate governance as a challenge to adoption of IFRS in Public enterprises.

2.2.4 Level of Awareness

The transition plan to IFRS and its implications for preparers and users of financial statements, regulators, educators and other stakeholders have to be effectively coordinated and communicated. This should include raising awareness on the potential impact of the conversion, identifying regulatory synergies to be derived and communicating the temporary impact of the transition on business performance and financial position. The implementation of IFRS requires considerable preparation both at the country and entity levels to ensure coherence and provide clarity on the authority that IFRS will have relation to other existing national laws. The main reason on which level of awareness was to assess the knowledge of understanding IFRS standards, continuous amendment of IFRS and its associated effect in the continuous amendments and complexity of conversion and timely interpretation of standards (Mekonnen, 2016).

2.2.5 Potential Knowledge Shortfall

Practical implementation of IFRS requires adequate technical capacity among preparers and users of financial statements, auditors and regulatory authorities. Countries that implemented IFRS faced a variety of capacity-related issues, depending on the approach they took. One of the principal challenges in the adoption of IFRS shall be the shortage of accountants and auditors who are technically competent in implementing IFRS. As accounting standards and practices become more complex, the ability to apply and interpret those standards and practices will depend on the educational level of the population (Rudzani and David, 2016).

2.2.6 Legal System

Lawful frameworks have been specifically related with revelation hones and varieties in detailing motivating forces and profit properties. IFRS selection may decipher into advertise benefits as it were where there are more prominent motivations for way better revelation (Shimaa and Youthful,

2012; Daske et al., 2008; Li, 2009) cited in Yicilal (2015). Data asymmetry is likely to be settled by convenient and more noteworthy open revelations to partners.

2.2.7 Economic Development

As business exchanges gotten to be more various and complex, the process of recording and detailing these exchanges will fundamentally ended up more modern as well (Choi and Quiet, 2008) as cited in Yichila (2015). The main reason on which moral environment was to be one of the factors of this think about was to look at the corporate administration, remote coordinate speculation and increased the level of instruction as a challenge within the appropriation of IFRS.

2.3 Summaries and Research Gap

As a result of the challenges associated with the world bookkeeping differences, endeavors to diminish bookkeeping contrasts over nations have been progressing for decades (Nobes, 2004). Due to the focal points it gives for nations and multinational companies, numerous nations embrace Universal Money related Detailing Standards. Appropriation of IFRS features a number of vital benefits for a wide range of partners such as, increment the quality of bookkeeping data, expanded investors' certainty, increment comparability of money related explanation, quality data for control and choice making purposes, way better get to the worldwide capital markets and other partners (Zoubi, 2017; Kenneth and Grazyina, 2013; Fikru, 2012; Arefainie 2018; Owolabi and Iyoha, 2012; Bhattacharje and Islam, 2009). Regardless of the quite numerous benefits of IFRS selection, it is additionally a challenging errand and has numerous challenges. As demonstrated by the worldwide encounter, moreover certain particular challenges like; increment in costs; moral environment, the capacity to secure qualified and competent workers from being poached by other companies, revisions to administrative prerequisites and charge laws; complexity of change and convenient translation of guidelines. Need of in fact talented and satisfactory information of proficient bookkeepers are the most challenges of IFRS (Joseph, 2018; Kılıça and Uyarb, 2017; Zoubi, 2017; Firdawok, 2016; Hossain, Hasan, and Safiuddin, 2015; Zakari, 2014; Fikru, 2012; Kenneth and Grazyina, 2013; Teklemuz, (2018) Owolabi and Iyoha, 2012). Though, studies have been conducted to the benefit and challenges of adoption of IFRS in Ethiopia there is a literature gap in the benefit and challenges of implementations of IFRS in construction companies operating in the nation due to modified industry wise asset evaluation and income realization demands of the sector. Among,

Ethiopian Construction Design and Supervision Works Corporation is a pioneer company in the industry with multiple activities such as contract performance obligations, how to account revenue i.e. overtime or at a point in time or as modification standards which demands proper IFRS implementation and financial report. So, the researcher was motivated to study this gap and assess the benefit and challenges of adopting IFRS for the Ethiopian Construction Design and Supervision Works Corporation.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

Research design means the structuring of investigation aimed at identifying the variables and their relationships to one another (Asika, 1991:27). Considering the nature of this research, the survey research design was chosen for this study to enable the research questions to be answered and to achieve the purpose of the research. In addition, quantitative research approach is preferred due to requirements for testing objective theories by examining the relationship among dependent and independent variables of the study. These variables, in turn, are measured, typically on instruments, so that numbered data is analyzed using statistical procedures.

According to Osuala (2001) survey research “studies both large and small population by selecting and studying samples chosen from the population to discover the relative incidence, distribution and interrelations of sociological and psychological variables”. In the same vein, Nworgu, (1991) “only a part of the population is studied, and findings from this are expected to be generalized to the entire population”. Efforts were made to ensure that the results were uncontaminated, unbiased, and pure from their natural settings without experimental manipulations.

3.2 Population and Sampling Techniques

3.2.1. Population

In research, the term “population includes not just people, but also events, animals and objects who or which are members of the target of the study as defined by the aims and objectives of the researcher” (Akuezuilo, 1993:43). In the entire Ethiopian Construction Design and Supervision Works Corporation (ECDSWC) there are total of 1,908 employees in general and 56 employees working in Finance department and employees and managers directly involved on financial decision making. The study population is therefore from their direct relationship with the issue, their knowledge and experiences the study population is limited to the whole staff in this particular department.

3.2.2. Sampling Technique

The Purposive sampling technique is implemented for this study. Purposive sampling (also known as judgment, selective or subjective sampling) is a sampling technique in which researcher relies on his or her own judgment when choosing members of population to participate in the study. In this regard, the researcher has taken employees working on finance department positions and participants of the IFRS implementations.

3.2.3. Sample Size Determination

From all employees, 56 were involved in section of finance. For small sample size below 100 it is recommended to include the whole population into the study sample. Accordingly, 56 staffs working in finance department were considered as sample size of the study. Hence, all the respondents' selection was done for those who are working with IFRS.

3.3. Data Sources

Due to costs associated with other collection methods and personal preferences of staff incorporated into the survey, structured questionnaire are employed to collect the data.

3.3.1. Primary Source

The researcher used the following instruments, primary and secondary data were used, the self-administered questionnaire. The questionnaires were the main primary source of data collection. The identified sample was served with the questionnaire directly by the researcher. To obtain quantitative data, one set of questionnaires were used for all respondents. The questionnaire was filled in by accountants, auditors, cashiers, administrators, finance head and finance manager. The questions were involved with the feelings of respondent groups regarding the effectiveness of IFRS practices in governmental organizations in ECDSWC. The questionnaire also aimed at getting responses from the respondents about their views on effectiveness of IFRS practices. The questions were open-ended and closed. The open-ended questions gave chance to more discussions, while the closed questions asked for responses. The questions were filled on spot and this method allowed further probing and clarification of questions that tended to be difficult

and not clear to the respondents. It also enhanced responses for questions which regarded as sensitive.

After obtaining the data from the questionnaire, it was double checked to make sure that the information provided is complete, consistent, reliable, and accurate. Data processing involved scrutiny of the responses given on the questionnaires by different respondents. Data was sorted, edited, and interpreted. The coding and tabulation of the data obtained from the study were then followed.

3.4.2 Secondary Data

In addition to primary data, secondary data was used in this study. Several books, journals, articles, internal organizational manuals on IFRS adoption and implementation management were used to gain access of secondary data. Typically, the data type sought from secondary source is quantitative in nature and used for analyzing the descriptive nature of the study.

3.5. Instruments of Data Collection

Questionnaire was designed and used for the study based on the previous studies Gyasi (2009). The source of questions were from different literatures but modified by the researchers in order to fit with the company's experience, Teshome (2017), Shiferaw and Assefa (2020). 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 (David E. McNabb 2015). Samples of the Research Questionnaire is shown in Appendix-I. Specifically, Part 1 contains demographic profile, Part 2 contains the technical information that helped for the comparative analysis of assessment of benefits and challenges of IFRS adoption to ECDSWC. Test for the reliability and validity of data collected through questionnaire were done based on Cronbach's alpha coefficient explained in Section 3.8.

The second tool employed in the data collection was interview. In this regard, the researcher designed an interview schedule as one of the data collection instruments for this study which was used to interview the managing directors/managers, accountants, auditors, cashiers, administrators, and finance head. The interview was conducted in the interviewees' offices at the appointed times. The interview questions were aimed at eliciting relevant information that

helped to effectively point out the assessment of benefits and challenges of IFRS adoption in ECDSWC.

The data were gathered by the use of questionnaire and interview. Copies of the questionnaire were administered directly to the respondents for the study and supervised by the researcher. All the places where the researcher administered the copies of questionnaire by the researcher, he assured them the confidentiality of their responses.

3.6. Procedures of Data Collection

The researcher used the following instruments, primary and secondary data were used, the self-administered questionnaire. The questionnaires were the main primary source of data collection. The identified sample was served with the questionnaire directly by the researcher. To obtain quantitative data, one set of questionnaires were used for all respondents. The questionnaire was filled in by accountants, auditors, cashiers, administrators, finance head and finance manager. The questions were involved with the feelings of respondent groups regarding the effectiveness of IFRS practices in governmental organizations in ECDSWC. The questionnaire also aimed at getting responses from the respondents about their views on effectiveness of IFRS practices. The questions were open-ended and closed. The open-ended questions gave chance to more discussions, while the closed questions asked for responses. The questions were filled on spot and this method allowed further probing and clarification of questions that tended to be difficult and not clear to the respondents. It also enhanced responses for questions which regarded as sensitive.

After obtaining the data from the questionnaire, it was double checked to make sure that the information provided is complete, consistent, reliable, and accurate. Data processing involved scrutiny of the responses given on the questionnaires by different respondents. Data was sorted, edited, and interpreted. The coding and tabulation of the data obtained from the study were then followed.

3.7. Methods of Data Analysis

This study aims to assess benefits and challenges of IFRS adoption in Ethiopian Construction Design and Supervision Works Corporation (ECDSWC). The chapter outlines the research

design in terms of the research questions. The research used mixed approaches both quantitative and qualitative. The rationale for combining both quantitative and qualitative approaches is to is for better understanding of the research problem by combining both numeric values from quantitative data set and the detail of qualitative interview consolidations to neutralize limitations by applying any of a single approach.

Qualitative techniques can increase a Research's depth of understanding of the phenomenon under investigation. Qualitative approach is exploratory and flexible in nature to identify problems that are affected by human behavior. Regardless of the above advantage, qualitative research design has its own demerits. Lack of standardized rules reduces the objectivity of the findings, the personal view and stand of the Researcher may induce bias in the interpretation of the data, and the findings cannot be statistically generalized for a broader population under investigation (Creswell, 2003). Hence, the combined methods are aimed to complement one another and gather reliable information to draw representative outcome and conclusion. The open-ended question used to annualize this study for data was determined by the data analysis is based on the reply by the respondents on their degree of agreement or disagreement. With each of the questions on a five-point Likert response scale (Likert, 1932) that ranged from 1 "Strongly Disagree (scored as 1) to "Strongly Agree" (scored as 5). Table 1 shows the Five Point Scales. The expected mean for benefits and challenges of IFRS adoption component is 4 and above. However, the analysis is based on how the mean response of the respondents is close to this expected value. Data are interpreted using inferential statics analysis by using SPSS Version 20. The data were analyzed using descriptive statistical methods. These include frequencies, percentages, means and standard deviations were used to summarize and give condensed picture of the collected data. The interpretation of the statistical results are discussion at each section.

Table 1 Five Point Scales

	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
	(SD)	(D)	(N)	(A)	(SA)
Items	1	2	3	4	5

3.6 Reliability Test of Instrument

One of the common methods to test the reliability and validity of data collected through questionnaire is use of Cronbach's alpha coefficient. Cronbach, L. J. (1951) defines Reliability as an attribute of an instrument used to measure consistency. Consistency indicates that an instrument has constructive value it is used to measure. The reliability of a scale indicates the stability and consistency with which the instrument is measuring the concept and helps to assess the goodness of a measure. A commonly accepted rule of thumb for describing internal consistency using Cronbach's alpha are shown in Table 2 to Table 4.

Table 2 Lee Cronbach' Reliability Estimation Table

Cronbach's alpha	Internal consistency
$\alpha \geq 0.9$	Excellent
$0.8 \leq \alpha < 0.9$	Good
$0.7 \leq \alpha < 0.8$	Acceptable
$0.6 \leq \alpha < 0.7$	Questionable
$0.5 \leq \alpha < 0.6$	Poor
$\alpha < 0.5$	Unacceptable

The Cronbach's alpha for data collected for two components of benefits of adoption of IFRS and challenges of adopting & implementing of IFRS with factors affecting adoption of IFRS is 0.879 (approximated to 80%), there for the reliability test is acceptable.

Table 3 Reliability Statistics

Cronbach alpha	N of items
0.879	2

Source; Survey Results and Own Computation

This indicates that the survey instrument used is highly valid and the data are highly consistent because the Cronbach's alpha is ranged in Good measure of internal consistency.

Table 4 Reliability Test

Variables	Reliability (Cronbach Alpha)	Number Items
Benefits of adoption of IFRS	0.943	6
Challenges of adopting & implementing of IFRS	0.962	19

Source; Survey Results and SPSS Computation

CHAPTER FOUR

4. DATA ANALYSIS AND INTERPRETATIONS

4.1. Response Rate

The analysis conducted in this study sought to assess benefits and challenges of IFRS adoption in Ethiopian Construction Design Supervision Works Corporation. This section presents the result and analysis of the data collected using self-administered questionnaire from sample of 56 employees of finance, audit, technical and non-technical department from Ethiopia Construction Design and Supervision Works Corporation. Finally, out of the 56 questionnaires distributed to the workers of the corporation 56 (100%) were collected.

4.2 Respondents' Profile

It is necessary to analyze the demographic profile of the respondents to validate reliability of data collected. Accordingly, the respondents were asked to respond to their gender category, age, year of experience, level of education and field of qualification. The information processed by SPSS is summarized as follows.

Table 5 Demographic Profile of the Respondent

In order to show the audience that proper respondents are participated in the interview it is essential to narrate the background of participants in the study. In addition, the composition of age, sex, department and position of employee can tell as the properness of sub-categories taken to eliminate biasness from uniformity of the sample representatives.

CATEGORY		FREQUENCY	PERCENT
Gender	Male	44	78.6
	Female	12	21.4
Age	20-29	2	3.6
	30-39	24	42.9
	40-49	12	21.4
	50 or more	18	32.1
Qualification	Diploma	2	3.6
	BA Degree	28	50.0
	Masters	26	46.4
Department	Finance	44	78.6
	Internal control	6	10.7
	Administration	2	3.6
	Procurement	4	7.1
Staff category	Junior	6	10.7
	Expert	12	21.4
	Senior	28	50.0
	Management	10	17.9
Service year	1-4	20	35.7
	5-10	14	25.0
	11-20	14	25.0
	21-30	8	14.3
Training	Yes	38	67.9
	No	18	32.1
Seminar	Yes	28	50.0
	No	28	50.0
Frequency of IFRS trainings	Very Frequently	6	10.7
	Frequently	4	7.1
	Occasionally	16	28.6
	Rarely	20	35.7
	Never	10	17.9
Participation in Annual Report Preparation	1-4	36	64.3
	5-10	12	21.4
	Never prepared	8	14.3

Source; Survey Results, 2021.

As indicated in Table 5 the gender proportion of female respondents were 21.4% while the male respondents were 78.6%. Though the ratios of the respondents not proportional and varied, both of genders were participated in the survey, this enables the researcher capture respondents opinion from both sub-categories.

Considering the age of the officials, the majority 24 (42.09%) of the respondents in the selected study centers were an employee of the company in the age category of 30 – 39, 18 (32.10 %) were above 50 years old, 12 (21.40%) were between 40 – 49 years and 2 (3.6%) were between 20 – 29 years. This indicates most of respondents in those ECDSWC were productive and mature or from 30-50 age group are dominant with appropriate work experience and therefore they were well competent and qualified to give relevant information on IFRS which was needed for the study.

Another commitment of employees was competence that contributes to assess the limitation of IFRS which is the level of education the employees possess. This competence is referred to as academic competence. The component of effectiveness of IFRS reveals that a good education level has a positive impact on assessing the limitation of IFRS. As summarized in Table 5, most of the respondents (50%) were qualified in degree and above which is favorable. This is an indication that, the respondents are also at adequate educational level to understand the concept of assessing the limitation of IFRS. The level of education is considered a relevant factor in the choice of international standards which require a high level of understanding. Thus, a simple educational environment could be an obstacle to the achievement of international accounting harmonization (Cooke & Wallace, 1990; Doupnik & Salter, 1995; Haniffa & Cooke, 2002; Joshi & Ramadhan, 2002). This factor was regarded by Archambault and Archambault (2003) as a factor measuring a country's culture. Saudagaran and Diga (1997) noted that the level of education and university research is the primary reasons why the developed economies readily and easily adopt IFRS. Thus, it is assumed that a high level of education increases the likelihood of international standards adoption.

Staff category or experience is one of the competences to understand limitation of IFRS in a corporation. Experience also referred to as professional competence. The more experienced employees are the more they understand about the IFRS limitation. Out of the survey the

respondents were 10.7% juniors, 21.4% experts, 50% seniors and 17.9% managers. Regarding the service year, 35.7% of the respondents were with 1-4 years of experience, 25% were from 5-10 years and 39.3 % who has more than10 years. This indicates that the employees working in the key areas to evaluate the limitation of IFRS are well experienced both to respond to the questionnaire, and to understand or to evaluate the limitation of IFRS. Refer Table 5

From the Table 5, 67.9% have taken IFRS training and the rest 32.1% have not taken. In a similar way, participating on seminar will develop the understanding and assessing the limitation of IFRS. 50% of the respondent participated on different seminars and the rest did not. According to the respondent frequent training on IFRS in the company was not given.

Participating in preparation of the Annual Report will increase to understand the limitation of IFRS in applying the corporation's finance system. Most of the respondent were participated in preparation of Annual Report.

In general, the respondents profile indicates that the respondents were good enough to respond to the questionnaire and they had the knowledge and experiences to understand the limitation of IFRS in the corporation.

4.3 Benefits of IFRS Adoption to ECDSWC

The questions are intended to collect the ground facts prevailing in implementation of IFRS in ECDSWC. The benefits of IFRS are contextualized from the company prospective though it was important to include the questions related to benefits of employees while adopting the reporting system.

Table 4.3 Benefits of IFRS Adoption to ECDSWC

Table 6 Benefits of Adoption of IFRS to ECDSWC

No.	Questions	SD	D	N	A	SA	Total	Mean	Std. Deviation	Result
1	Adoption of IFRS improves the efficiency of financial reporting.			7.14%	21.43%	71.43%	100%	4.643	0.616	Strongly Agree
				4	12	40	56			
2	Financial statements based on IFRS are reliable and comparable.			3.57%	32.14%	64.29%	100%	4.607	0.562	Strongly Agree
				2	18	36	56			
3	Adoption of IFRS reduce limitation of financial reporting.			3.57%	53.57%	42.86%	100%	4.393	0.562	Agree
				2	30	24	56			
4	IFRS makes external financing easier.			5.36%	21.43%	73.21%	100%	4.679	0.575	Strongly Agree
				3	12	41	56			
5	IFRS provides greater reporting transparency.			1.79%	23.21%	75.00%	100%	4.732	0.486	Strongly Agree
				1	13	42	56			
6	It greatly reduces the limitation of internal audit.	3.57%	5.36%	10.71%	19.64%	60.71%	100%	4.286	1.091	Strongly Agree
		2	3	6	11	34	56			
Aggregate mean and aggregate standard deviation								4.557	0.649	

Source: Primary data collection 2021

Merve Kılıça et al (2014) researched and assessed that the advantages of applying IFRSs would make the information on the financial statements of enterprises comparable, reliable, transparent and understandable. In addition, research by Poroy Arsoy & Sipahi (2007) also proved IFRSs benefits improved the quality of financial information, helped businesses make effective investment decisions, and reduced capital cost.

From this study point of view as indicated in Table 6, there were six questions under analyses of benefits of adoption of IFRS to ECDSWC. In this regard, almost similar results were observed close to previous studies. The findings showed that the benefits of IFRS adoption of applying IFRS have the mean value of 4.557 and standard deviation of 0.649 which indicate that applying IFRS will bring benefit to ECDSWC & Standard deviations of all questions were nearest to 1.00, which shows that respondents perceptions were close to each other. Standard deviation is a mathematical tool that helps to assess how far the values are spread above and below the mean. A high standard deviation shows that, the data is widely spread (less reliable) and a low standard deviation shows that the data are clustered closely around the mean (more reliable). Thus, all are in low standard deviation which shows the reliability is good. Based on the respondents' agreement level, this indicates that the adoption of IFRS would reduce cost of capital of the firm though the responses of study unit deviate from average. The finding was consistent with (Owolabi and Iyoha, 2012; Fikru, 2012) concludes that adoption of IFRS enable companies to reduce the cost of capital by lowering cost of information, reduction in bad earnings management, increased value relevance of accounting information, greater marketability of shares, and reduced information asymmetry between managers and shareholders. The aforementioned benefits of IFRS would lead companies to a reduced cost of capital. The minimum mean score of 4.286 by question six, which perceived as the moderate prospect for the adoption of IFRS. Maximum mean score of 4.732 by question five perceived as high prospect for IFRS benefits of adoption of IFRS to ECDSWC and the rest four items have mean scores between these limits consider as high benefits of adoption of IFRS to ECDSWC respectively. Similar result was obtained for the benefits of IFRS in Netsanet Shiferaw and Demissew Assefa (2020), Firdawok Teshome (2017).

In the Table 6 shown that, in question one adoption of IFRS improves the efficiency of financial reporting is reliable and comparable answered 71.43% strongly agree, 21.43% agree 7.14% not sure. Strongly agree is the overall reply that, adoption of IFRS improves the efficiency of financial

reporting. This advantage would allow anyone to become competitive because there is a greater understanding of what is going on with the benefits of adoption of IFRS to ECDSWC. Refer Table 6.

For the second question on the adoption and implementation of IFRS benefits for ECDSWC is reliable and comparable and the result shows 64.29% strongly agree, 32.14% agree and 3.57% not sure. Strongly agree is the overall reply that, financial statements based on IFRS are reliable and comparable Table 6 .

The third question of adoption and implementation of IFRS benefits for ECDSWC is reduce limitation of financial reporting and the result shows 42.86% strongly agree, 53.57% agree and 3.57% not sure. From the result, agree is the overall reply that, adoption of IFRS reduces limitation of financial reporting by reducing organization problem between management and shareholders can be substantially reduced through implementation of IFRS. As increased transparency, causes managers to act more changing financial statements from historical costs to economic point of view. Adjusted Financial Statements for Inflation, including some intangible assets in Financial Statements being comparable.

The fourth question adoption and implementation of IFRS benefits for ECDSWC, IFRS makes external financing easier and the result shows 73.21% strongly agree, 21.43% agree and 5.6% not sure. From the result, strongly agree is the overall reply that, IFRS makes external financing easier. IFRS also helps investors to analyze companies by making it easier to perform “apples to apples” comparisons between one company and another for fundamental.

The fifth question adoption and implementation of IFRS benefits for ECDSWC, IFRS, provides greater reporting transparency and the result shows 75.0% strongly agree, 23.21% agree, 1.79% not sure. From the result, strongly agree is the overall replied that, IFRS provides greater reporting transparency. IFRS bring transparency by enhancing the international comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions

The six-question adoption and implementation of IFRS benefits for ECDSWC, it greatly reduces the limitation of internal audit and the result shows 60.71% strongly agree, 19.64% agree, 10.71% not sure, 5.36% disagree and 3.57% strongly disagree. From the result, the respondents strongly

agree that IFRS greatly reduces the limitation of internal audit through creating reporting structure, gain the trust of key players in the organization, quality versus quantity, partnering with the external auditors, make sure executed audits ultimately add value, being ingrained, committed and positive.

4.4 Challenges of Adopting & Implementing IFRS to ECDSWC

Table 7 Challenges of adopting & implementing of IFRS

No.	Questions	SD	D	N	A	SA	Total	Mean	Std. Deviation	Result
7	The Ethiopian government encourage companies to adopt IFRS	32.14%	30.36%	23.21%	14.29%		100%	2.196	1.052	Disagree
		18	17	13	8		56			
8	Politics is one of the major barriers to adopt IFRS	25.00%	32.14%	23.21%	17.86%	1.79%	100%	2.393	1.107	Disagree
		14	18	13	10	1	56			
9	Size of capital may lead to adoption of IFRS	37.50%	37.50%	5.36%	10.71%	8.93%	100%	2.161	1.29	Disagree
		21	21	3	6	5	56			
10	Size of companies determines early adoption of IFRS	7.14%	12.50%	16.07%	58.93%	5.36%	100%	3.429	1.024	Agree
		4	7	9	33	3	56			
11	Having trained people in place greatly influence the adoption			17.86%	67.86%	14.29%	100%	3.964	0.571	Agree
				10	38	8	56			
12	Weak educational level of accountants is barrier for the adoption of IFRS			17.86%	66.07%	16.07%	100%	3.982	0.587	Agree
				10	37	9	56			
13	There is professional support with IFRS experience	44.64%	35.71%	5.36%	14%			1.893	1.039	Disagree
		25	20	3	8					
14	The absence of capital market in Ethiopia has negative impact on the adoption of IFRS		10.71%	7.14%	39.29%	42.86%	100%	4.143	0.962	Agree
			6	4	22	24	56			
Aggregate mean and aggregate standard deviation								3.02	0.954	

Source: Primary data collection 2021

According to Teferi et.al (2016), the challenges of adopting IFRS include Knowledge Gap, troubles relating to unexpected additional costs, lack of accounting professionals, Absence of Professional Institutions, Emergence of Unfair Competition among Professionals and unwelcoming public sentiment. Therefore, the finding of the study indicated that without making all necessary preparedness, some companies in Ethiopia have started using IFRS voluntarily for the preparation of their financial statements since 2002/03. They also suggest that the concept of IFRS should be integrated into Ethiopian higher institution curricula and also the country should develop having stock exchange market. Similarly the result of the study made by Melese (2016), shows that the challenges of institutions for implementing IFRS are high implementation costs, the complexity of financial reporting, lack of IFRS implementation agent, lack of IFRS implementation guidance, lack of availability of competent specialists, high level training requirement, less familiarity with the IT and lack of proper instructions from regulatory bodies.

To compare and contrast the findings the study with respect to challenges of implementation of IFRS are shown in Table 7, the respondents overall average mean rating regarding challenges of adopting & implementing of IFRS to ECDSWC was 3.02 implies that factors affecting adoption of IFRS were not sure because this result lied 1.893 - 4.143 and aggregate standard deviation 0.954 and lies between 0.571 and 1.29 which shows most of the respondent's response was not far from the mean, it indicates the agreement level of respondents were closed each other.

Table 7 shows the survey result collected from ECDSWC employees for the response of the seventh question, 14.29% replied agree 23.21% not sure, 30.36% disagree and 32.14% strongly disagree. From the result, the respondents disagree on the adoption of IFRS to ECDSWC on encouragement from the Ethiopian government.

For the number eight question from the total respondents, 1.79% replied strongly agree, 17.86% agree, 23.21% not sure, 32.14% disagree and 25.00% strongly disagree about politics is one of the major barriers to adopt IFRS. Most of the respondent disagree that politics affects the implementation of IFRS.

For the number nine question from the total respondents, 8.93% replied strongly agree, 10.71% agree, 5.36% not sure, 37.50% disagree and 37.50% strongly disagree about size of capital may lead to adoption of IFRS. Most of the respondents disagree that size of capital may lead to adoption of IFRS.

For the number ten question from the total respondents, 5.36% replied strongly agree, 58.93% agree, 16.07% not sure, 12.50% disagree and 7.14% strongly disagree about size of companies determines early adoption of IFRS. Most of the respondents agree that size of companies determines early adoption of IFRS.

For the number eleven question from the total respondents, 14.29% replied strongly agree, 67.86% agree and 17.86% neutral, about having trained people in place greatly influence the adoption. Most of the respondent agree that having trained people in place greatly influence the adoption of IFRS to ECDSWC.

For the number twelve question from the total respondents, 16.07% says strongly agree, 66.07% agree and 17.86% not sure, about weak educational level of accountants is barrier for the adoption of IFRS. Most of the respondents agree that weak educational level of accountants is barrier for the adoption of IFRS to ECDSWC.

For the number thirteen question from the total respondents, 14.0% agree, 5.36 % replied not sure, 35.71% disagree and 44.64% strongly disagree, about professional support with IFRS experience. Most of the respondent disagree that there is professional support with IFRS experience affects adoption of IFRS to ECDSWC.

For the number fourteen question from the total respondents, 42.86% replied strongly agree, 39.29% agree, 7.14% not sure and 10.71 disagree, about the absence of capital market in Ethiopia has negative impact on the adoption of IFRS. Most of the respondents agree that the absence of capital market in Ethiopia has negative impact on the adoption of IFRS to ECDSWC.

4.5 Factors Affecting Adoption of IFRS to ECDSWC

Table 8 Factors Affecting Adoption of IFRS to ECDSWC

No.	Questions	SD	D	N	A	SA	Total	Mean	Std. Deviation	Result
15	There is lack of IFRS implementation guidance			8.93%	14.29%	76.79%	100%	4.679	0.636	Strongly Agree
				5	8	43	56			
16	IFRS increases the complexity of financial reporting	5.36%	16.07%	10.71%	46.43%	21.43%	100%	3.625	1.153	Agree
		3	9	6	26	12	56			
17	Adoption of IFRS is costly	8.93%	10.71%	10.71%	30.36%	39.29%	100%	3.804	1.313	Agree
		5	6	6	17	22	56			
18	Lack of availability of competent specialists			8.93%	28.57%	62.50%	100%	4.536	0.660	Strongly Agree
				5	16	35	56			
19	Need for training			5.36%	21.43%	73.21%	100%	4.679	0.575	Strongly Agree
				3	12	41	56			
20	IFRS brings about increased volatility of earnings	7.14%	21.43%	12.50%	26.79%	32.14%	100%	3.554	1.334	Agree
		4	12	7	15	18	56			
21	Problem with IFRS's use of fair value		16.07%	14.29%	48.21%	21.43%	100%	3.75	0.977	Agree
			9	8	27	12	56			
22	Problem with the IT system in handling the transition to IFRS accounting		1.79%	16.07%	41.07%	41.07%	100%	4.214	0.78	Agree
			1	9	23	23	56			
23	IFRS increases the amount of work on Accountants		1.79%	10.71%	53.57%	33.93%	100%	4.196	0.699	Agree
			1	6	30	19	56			
Aggregate mean and Aggregate standard deviation								4.115	0.903	

Source: Primary data collection 2021

As shown in Table 8 the respondents overall average mean rating regarding factors affecting adoption of IFRS to ECDSWC was 4.115 implies that factors affecting adoption of IFRS were high because this result lied 3.554 – 4.679 and aggregate standard deviation 0.903 and lies between

0.575 and 1.334 which shows most of the respondent's response was not far from the mean. Similar result was obtained for the benefits of IFRS in Eyob Lema Teshome (2017), Netsanet Shiferaw and Demissew Assefa (2020), Firdawok Teshome (2017).

The survey result collected from ECDSWC employees for the response of the question fifteen showed 76.79% replied strongly agree, 14.29% agree and 8.93% not sure. Most of the respondent strongly agrees that there is lack of IFRS implementation guidance on adoption of IFRS to ECDSWC.

For the number sixteen question from the total respondents, 21.43% replied strongly agree, 46.43% agree, 10.71% not sure, 16.07% disagree and 5.36% strongly disagree, about IFRS increases the complexity of financial reporting. Most of the respondent agrees that the IFRS increases the complexity of financial reporting on the adoption of IFRS to ECDSWC.

For the number seventeen question from the total respondents, 39.29% replied strongly agree, 30.36% agree, 10.71% not sure, 10.71% disagree and 8.93% strongly disagree, about adoption of IFRS is costly. Most of the respondents agree that adoption of IFRS is costly.

For the number eighteen question from the total respondents, 62.5% replied strongly agree, 28.57% agree and 8.93% not sure, about lack of availability of competent specialists. Most of the respondents strongly agree that there is lack of availability of competent specialists to adoption of IFRS in ECDSWC.

For the number nineteen question from the total respondents, 73.21% replied strongly agree, 21.43% agree, 5.36% not sure, about need for training. Most of the respondents strongly agree that training requires for the adoption of IFRS to ECDSWC.

For the number twenty question from the total respondents, 32.14% replied strongly agree, 26.79% agree, 12.50% not sure, 21.43% disagree and 7.14% strongly disagree, about IFRS brings about increased volatility of earnings. Most of the respondents agree that IFRS brings about increased volatility of earnings on the adoption of IFRS to ECDSWC.

For the number twenty-one question from the total respondents, 21.43% replied strongly agree, 48.21% agree, 14.29% not sure and 16.07% disagree, about IFRS brings problem with IFRS's

use of fair value. Most of the respondents agree that problem with IFRS's use of fair value on the adoption of IFRS to ECDSWC.

For the number twenty-two question from the total respondents, 41.07% replied strongly agree, 41.07% agree, 16.07% responds not sure and 1.79% disagree about IFRS brings about problem with the IT system in handling the transition to IFRS accounting. Most of the respondents agree that problem with the IT system in handling the transition to IFRS accounting on the adoption of IFRS to ECDSWC.

For the number twenty-three question from the total respondents, 33.93% replied strongly agree, 53.57% agree, 10.71% responds not sure and 1.79% disagree, about IFRS brings an increase amount of work on accountants. Most of the respondents agree that IFRS increases the amount of work on accountants on the adoption of IFRS to ECDSWC.

4.6 Limitation on Adoption of IFRS to ECDSWC

Table 9 Limitation on Adoption of IFRS to ECDSWC

No.	Questions	SD	D	N	A	SA	Total	Mean	Std. Deviation	Result
24	Need of consistent adoption, application, and regulatory review			12.50%	26.79%	60.71%	100%	4.482	0.713	Strongly Agree
				7	15	34	56			
25	Effective implementation of IFRS requires careful planning and extensive public education and the allocation of resources			7.14%	25.00%	67.86%	100%	4.607	0.623	Strongly Agree
				4	14	38	56			
Aggregate mean and Aggregate standard deviation								4.545	0.668	

Source: Primary data collection 2021

As shown in Table 9, the respondents overall average mean rating regarding the limitation on adoption of IFRS to ECDSWC was 4.545 implies that limitation of IFRS were high because this result lied 4.482 – 4.607 and aggregate standard deviation 0.668 which shows most of the respondent's response was not far from the mean. Thus, there must be a coordinated regulatory review and enforcement mechanism to facilitate consistent adoption. In addition, in

implementation of IFRS requires careful planning and extensive public education and the allocation of resources.

As indicated in Table 9 the survey result collected from ECDSWC employees for the response of the twenty-fourth question shows the majority 60.71% of respondents strongly agree, 26.79% agree and 12.50% not sure, about need of consistent adoption, application, and regulatory review. Most of the respondents strongly agree that need of consistent adoption, application, and regulatory review on the adoption of IFRS to ECDSWC.

For the number twenty-five questions from the total respondents shows 67.86% replied strongly agree, 25.0% agree and 7.14% not sure, about effective implementation of IFRS requires careful planning and extensive public education and the allocation of resources. Most of the respondents strongly agree that effective implementation of IFRS requires careful planning and extensive public education and the allocation of resources on the adoption of IFRS to ECDSWC.

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Major Finding

The purpose of this research work is to assess the benefits and challenges of IFRS adoption in Ethiopia Construction Design and Supervision Corporation which is a governmental organization. To ensure successful conduct of this research work, the major source of information was from the questionnaires that were distributed to the staff of the organization. Also, the use of materials such as the internet, textbooks, related lecture notes, papers, journals articles were reviewed to gather useful information on the study and to achieve the objective of the study. The research questions were tested using statistical analysis method from which appropriate conclusions were drawn.

IFRS produces enough information for decision-making and provides greater reporting transparency level. For any stake holders, this consistent reporting standard based on IFRS are reliable and comparable. Furthermore, IFRS makes external financing easier by improving an internal audit system which makes easier for audit and incurred less cost. This could create a conducive environment for ECDSWC.

There is significance positive relationship between factors affecting adoption of IFRS has a relationship with limitation of IFRS. Furthermore, IFRS has significant relationship with the lack of IFRS implementation guidance, needs of training, etc. which influence the limitation of IFRS to ECDSWC. Therefore, need of consistent adoption, application, regulatory review, and effective implementation of IFRS requires careful planning and extensive public education and allocation of resources for successful implementation of IFRS to ECDSWC.

As per the comment and interview from the respondent on the implementation of IFRS in ECDSWC, the main problem faced is lack of actuary service to estimate the past employment benefit. In addition, there is no enough and well experienced asset valuation companies. If such limitations are resolved, major obstacle in implementation of IFRS will be solved.

5.2 Conclusion

The primary goal of this research was to evaluate the benefits and challenges of implementing IFRS at Ethiopian Construction Design and Supervision Works Corporation. This research has demonstrated the possible benefits and problems of implementing IFRS in the case company.

The study has revealed that adoption and implementation of IFRS in ECDSWC has strong support for the position that reporting requirements, including the need to prepare financial statement reconciliations and restatements, as perceived by staff in the company. The implementation has also merits in significant cost savings as the firm will no longer need to prepare financial statement reconciliations or restatements.

The increase in the level of comparability between the financial statements and the improvement of the transparency level is the other benefit which is achieved through the implementation of IFRS in ECDSWC.

IFRS created more flexibility in ECDSWC. Using a philosophy that is based on principles, instead of rules, this set of standards brought goal of arriving at a reasonable valuation with various ways to accomplish tasks.

The findings suggest that implementing IFRS in the ECDSWC will provide a number of significant benefits to a wide range of stakeholders. The adoption of IFRS will provide companies with a number of benefits, including lower capital costs, increased transparency and understandability, easier foreign investment and financing, more consistent and appropriate financial statements, better information for decision-making, and an improved audit system.

These benefits to businesses include the reduction of information asymmetry, fair presentation, high quality information, and low-cost investment access, which removes the worldwide accounting difference and, as a result, leads to better time and cost decisions. The standard also benefits investors by increasing investor confidence in the information supplied, making it easier to compare companies, providing quality information for decision-making, increasing transparency and understandability, and making it easier to obtain financial reports. This allows investors to have more confidence and compare firms in the industry more easily owing to the uniformity of reports, as well as make faster and better decisions due to openness,

understandability, reliability, and trustworthiness. Another benefit drawn from the discovery was for management, which included cross-border investment, better planning, and decision-making, as well as the ability to reduce risk.

These also give the company's management access to high-quality data for decision-making and also participate in a global market. In addition, the adoption of the standard also provides benefit to other stakeholder's others which were enhance oversight and enforcement, excellence information for market participants, easy for movement of staffs across the national boundaries and improves the financial disclosure. Overall the adoption of IFRS would benefit to companies, investors, management and other stakeholders to get more reliable, transparent, comparable and understandable financial reports and this would enable them to make quick and better decision.

Aside from the difficulty of conversion and timely interpretation of the standards, constant IFRS amendments and their associated influence on the ongoing modifications would make implementation within the stated time limit much more difficult. Furthermore, lack of technically skilled and adequate knowledge of professional accountants in the adoption process, as well as training of relevant accounting professionals in the applications of IFRS and inefficient training centers and trainers to provide IFRS adoption, could pose challenges to the dimension of potential knowledge shortfall, resulting in resistance to change, unreliable and weak disclosure, and less transparency in the reports produced. Having trained people in place greatly influence the adoption, weak educational level of accountants is barrier for the adoption of IFRS, lack of professional support with IFRS experience, absence of capital market has negative impact on the adoption of IFRS are the chronic challenges of IFRS implementation in the case corporation.

5.3 Recommendations

Based on the conclusions drawn, the following recommendations are provided to the IFRS adoption and implementation for effective and consistent utilization in ECDSWC.

- Board and Management of ECDSWC must provide attention to the adoption and implementation of IFRS. It has to be committed and understand the usefulness of financial statements produced in IFRS that develop accountability, transparency, and efficiency,

therefore the basic attention on implementation of IFRS is Impact Assessment, Planning & Designing, Realization and Data conversion.

- IFRS adoption and implementation in ECDSWC should be supported by all stakeholders. It needs to conduct impact assessments around architecture, data, systems and processes, conduct business and technology briefing sessions. So, IFRS capacity building program should be embarked upon by ECDSWC and foreign and local training institutions.
- Effective implementation of IFRS requires careful planning and extensive public education and the allocation of resources. In addition, there should be consistent adoption, application, and regularly review.
- It should be followed to enable a smooth implementation process impact assessment, planning & designing, realization and data conversion for effective implementation is required.
- Employee in the corporation needs the knowledge, skills, and tools to do their duties. Regular training programs in the form of workshops and seminars need to be organized by management for employees and management staff as well as to improve their skills and knowledge.

5.4 Implications for Future Research

The International Financial Reporting Standards (IFRS) is a broader scope of accounting which cannot be dealt with in its entirety in one study alone. This study was conducted on assessment of benefits and challenges of IFRS adoption in Ethiopian Construction Design and Supervision Works Corporation (ECDSWC) only taking into account of time and financial limitation. However, it would be quite imperative to extend similar research in the case of all first phase adopters. Moreover, it is suggested to conduct research on the Determinants and Outcomes of International Financial Reporting Standards (IFRS) adoption in Ethiopia.

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APPENDICES

APPENDIX I: QUESTIONERS'

QUESTIONNAIRE: SCHOOL OF GRADUATE STUDIES

TOPIC: Assessment of benefits and challenges of International Financial Reporting Standard (IFRS) in the (Case of Ethiopian Construction Design and Supervision Works Corporation (ECDSWC)).

I am a final year Masters of Science in Accounting and Finance student in St. Mary University. As a partial fulfilment of the program, I am conducting a study on the **Assessment of benefits and challenges of International Financial Reporting Standard (IFRS) (in the Case of Ethiopian Construction Design and Supervision Works Corporation (ECDSWC)).**

I kindly request your genuine and prompt response to each part of the questionnaire without which my pre- stated research objectives will be left unachieved.

The aim of this study is to find out the limitation in the Adoption of International Financial Reporting Standard in ECDSWC in Ethiopia. Since you are the only one who can contribute effectively to the achievement of this aim, please fill this questionnaire, and return it to the researcher providing relevant information. You are assured that your contribution will be treated with high confidentiality and no way that any piece of information could be used for any other purpose than academic only.

I highly appreciate your contribution for responding this questionnaire in advance.

For any inquiry on this study, please contact the researcher using the following contacts:

E-mail: astertsegaye@gmail.com

Mobile: +251911183630

PART 1. DEMOGRAPHIC PROFILE

Section 1 : Please Provide the Information Required by Either Ticking a Box or Providing the Information Required

1. Sex: Male Female
2. Age: 19 or less 20–29 30–39 40–49 50 or more
3. Highest qualifications Grade 12 Grade 12 plus 3 years degree/national Diploma
BA degree Master's degree Doctorate (PhD)
4. Which Department do you belong?

Finance Internal Control Marketing Administration Technical
Procurement
5. Which staff category do you belong?
Junior staff Expert senior staff Management
6. Period of service at the Department?
Between 1 and 4 years between 5 and 10 years between 11 and 20 years
between 21 and 30 years 31 years and above

Section 2 : Information Regarding Accounting Practices of the Company or Clients of the Participant

7. Did you get through formal training when IFRS was introduced? Yes No
8. Have you ever attended any seminar concerning IFRS? Yes No
9. How frequently are IFRS trainings organized to IFRS project implementation Team

Very Frequently Frequently Occasionally Rarely Never
10. How long have you been preparing corporate annual reports for the business (either for your company or clients)?

Between 1 and 4 years [] between 5 and 10 years [] between 11 and 20 years []
 between 21 and 30 years [] 31 years and above [] Never prepared corporate annual reports
 []

11. In your opinion, what is the degree of compliance with the applicable accounting and financial reporting requirements including laws and regulations in your company or clients? (Choose only one option).

Full compliance [] Moderate [] Limited [] Non-compliance []

PART 2.

This questionnaire is prepared based on the elements of limitation of International Financial Reporting Standard and its components. Please, **tick** in the appropriate box against the statements as defined below; 1 = Strongly Dis Agree (SD), 2 = Disagree (D), 3 = Not Sure (N), 4 = Agree (A) and 5 = Strongly Agree (SA).

Section 2.1 Benefits of Adoption of IFRS to ECDSWC

No		SD	D	N	A	SA
1	Adoption of IFRS improves the efficiency of financial reporting.					
2	Financial statements based on IFRS are reliable and comparable.					
3	Adoption of IFRS reduce limitation of financial reporting.					
4	IFRS makes external financing easier.					
5	IFRS provides greater reporting transparency.					
6	It greatly reduces the limitation of internal audit.					

Section 2.2 Challenges of Adopting & Implementing of IFRS to ECDSWC

No		SD	D	N	A	SA
	Government policy					
7	The Ethiopian government encourage companies to adopt IFRS					
8	Politics is one of the major barriers to adopt IFRS					
	Company size					
9	Size of capital may lead to adoption of IFRS					
10	Size of companies determines early adoption of IFRS					
	Educational level					
11	Having trained people in place greatly influence the adoption					
12	Weak educational level of accountants is barrier for the adoption of IFRS					
	Other factors					
13	There is professional support with IFRS experience					
14	The absence of capital market in Ethiopia has negative impact on the adoption of IFRS					
15	There is lack of IFRS implementation guidance					
16	IFRS increases the complexity of financial reporting					
17	Adoption of IFRS is costly					
18	Lack of availability of competent specialists					
19	Need for training					
20	IFRS brings about increased volatility of earnings					

21	Problem with IFRS's use of fair value					
22	Problem with the IT system in handling the transition to IFRS accounting					
23	IFRS increases the amount of work on Accountants.					

2.4 Limitation on Adoption of IFRS to ECDSWC

No.	Questions	SD	D	N	A	SA
24	Need of consistent adoption, application, and regulatory review					
25	Effective implementation of IFRS requires careful planning and extensive public education and the allocation of resources					

PART 3

If anything; please State

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Thank you once again for taking your valuable time to complete this survey!

TIME SCHEDULE

This time balance has fundamentally started the research by identify research area. The time used to finish this research is four months and expected to finish by the end of December 2021. Detailed arrangements of the tasks are listed in the following Proposed Schedule for Research Work by Gantt chart.

Proposed Schedule for Research Work

Task No	Task Name	Months											
		1			2			3			4		
1	Identify research area	■	■										
2	Formulate research questions and objectives		■	■									
3	Literature review and design			■	■								
4	Write research proposal and present				■	■							
5	Meeting supervisor		■		■		■		■		■		■
6	Proposal corrections					■							
7	Data collection and analyzing the data						■	■	■				
8	Data interpretation								■				
9	Writing and submitting first draft								■	■			
10	Revise the draft and make correction										■		
11	Submitting final Research											■	
12	Presentation												■