

CHALLENGES AND BENEFITS OF IFRS IMPLEMENTATION PROJECTS: THE CASE OF FIRST-PHASE ADOPTERS (PUBLIC INTEREST ENTITIES IN ADDIS ABABA)

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Abstract *The objective of this study was to examine the challenges and benefits of the IFRS implementation project in Ethiopia. The study raised two main research questions: what are the practical challenges faced while implementing IFRS in Ethiopia for the selected companies and what are the benefits gained by adopting this international standard. To answer these research questions, the study used descriptive research design and adopted the quantitative research approach. Based on the analysis, the results show that the IFRS implementation project in Ethiopia would result in a number of important benefits, like better quality of report, better risk management practices for the management, increased cross-border investment, reliability and accessibility of reports, improved financial statement disclosure, mobility of professionals from one country to another, and easy and simple intra-country organisation for a wide range of stakeholders, investors, companies, and management as well. On the other hand, the main challenges in the process of implementing IFRS include significant cost of adoption of IFRS, need for training, lack of readiness to implement within the time frame set by the board, lack of adequate implementation guidance, and lack of enforcement capacity. The study suggested that a rigorous IFRS capacity-building programme should be embarked by the government, all regulatory bodies, firms, and training institutions to provide the needed manpower for IFRS implementation.*

Keywords *IFRS Adoption, IFRS Implementation, Project, Challenges, Regulatory Body*

INTRODUCTION

The increasing integration of the world's markets for goods, services, and capital as a result of globalisation poses a problem on the companies' reliance on domestic reporting standards. To make financial statements relevant, reliable, comparable, and understandable by interested users located in different jurisdictions, developing a single set of high-quality, understandable, and enforceable global accounting standards becomes a necessity. It was to address or deal with this issue or demand that the International Accounting Standards Committee (IASC) was formed in 1973 by professional accounting bodies of Australia, Canada, France, Germany, Ireland, Japan, Mexico, Netherland, the United Kingdom (UK), and the United States of America (USA) (Tesfu, 2012).

During its existence, from 1973 to 2001, the International Accounting Standards Committee (IASC) issued 41 International Accounting Standards (IAS), as well as a framework for the preparation and presentation of financial statements in 1989. The first International Accounting Standards (IAS 1) were published in 1974. However, in 2001, the International Accounting Standards Committee

was restructured and became a board; it was renamed the International Accounting Standards Board (IASB). Subsequent to adopting the existing 41 International Accounting Standards (IAS), the International Accounting Standards Board (IASB) continued to develop accounting standards, calling the new standards the International Financial Reporting Standards (IFRS). The first IFRS (IFRS 1), First-time Adoption of International Financial Reporting Standard was issued in 2003 (IFRS Foundation, 2010). International Financial Reporting Standards (IFRS) are accounting rules ('standards') issued by the International Accounting Standards Board (IASB), an independent organisation based in London, UK. They purport to be a set of rules that ideally would apply equally to financial reporting by public companies worldwide (Ball, 2006).

Developing an internationally acceptable set of high-quality financial reporting standards is a common goal of both the International Accounting Standards Board (IASB) and its predecessor, the International Accounting Standards Committee (IASC). The issuing of principles-based standards, the steps taken to remove allowable

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accounting alternatives, and its requirement of accounting measurements that better reflect a firm's economic position and performance facilitate the way of achieving its goal (Barth et al., 2008). International Financial Reporting Standards (IFRS) are accounting rules (standards) intended to harmonise accounting standards, regulations, and procedures by narrowing the differences between countries, relating to the preparation and presentation of financial statements (Bhattacharjee & Islam, 2009; IFRS Foundation, 2010).

Over the years the adoption of the International Financial Reporting Standards (IFRS) is spreading widely around the world. Compared to the national accounting standards (domestic GAAPs), IFRS are regarded as a set of high-quality accounting standards (Dimos, 2011). Most of the national standards that adopt IFRS are word-for-word; however, some have made some significant modifications (IFRS in your pocket 2013). For example, domestic listed companies of about 120 nations and reporting jurisdictions permit or require IFRS, although 90 countries have fully conformed to IFRS as promulgated by the International Accounting Standards Board (IASB) (www.ifrs.com/ifrs-faqs.htm, 2017). The growing value of the IFRS "network" can be a reason for the increase in the adoption of IFRS across countries (Ramanna & Sletten, 2009). According to the IFRS Foundation 2016 report, in Africa, there are about 20 countries out of the 53 countries in the continent that adopt IFRS. Ethiopia is moving to integrate its financial statements with IFRS within the next five years (Hailemichael, 2016). The Government of Ethiopia, by recognising the importance of high-quality financial reporting and its contribution to improved business, which is necessary to attract investments, issued the financial reporting proclamation in 2014 (AABE, 2014). Financial Report Proclamation No 847/2014, (2014) of the FDRE describes that "having a uniform reporting law enhance transparency and accountability by centralizing the hitherto decentralized financial reporting structures of Ethiopia". To meet and sustain the economic growth potential of the country, implementing high-quality financial reporting standards, i.e., IFRS, is fundamental (AABE, 2014). Even though the International Financial Reporting Standards will have significant benefits; it may also entail a number of problems (Tesfu, 2012). As evidenced by the global experience, convergence with IFRS would have significant challenges common to all countries and companies.

According to the IFRS Foundation's 2016 report, approximately 37.8% of African international locations have carried out the standards. In the following couple of years, Ethiopia plans to line up its monetary and different announcement to be accomplished with IFRS (Hailemichael, 2016). Various studies have been conducted to assess the adoption of IFRS in different countries around the world.

Most of these studies conducted are based on the data from developed and industrialised countries. The European Union (EU) took the lead when it mandated that all listed companies in the European Union start the adoption and implementation of the IFRS in their financial reporting since 2005 (Odia et al., 2013). According to Beke (2015), as cited in Onalo et al. (2014), although it became mandatory for firms listed in the capital markets of the European Union and other developed countries to implement IFRS beginning from 2005, only a few emerging countries have recently converged with or adopted IFRS as their reporting standards. Hence, most prior extant studies on the change from local GAAP to IFRS or IFRS adoption/convergence focus majorly on the European Union and other developed countries, with a paucity of such studies on emerging economies. Lack of empirical studies on the association between changes in accounting standards or IFRS adoption/convergence and accounting quality of financial institutions such as banks in terms of earnings management and value relevance is theoretically and practically precarious, giving a functional status of financial institutions, particularly banks, on economic scenes, local or international. Furthermore, financial institutions, particularly banks, is one sector that is expected to be most affected by changes in accounting standards, specifically IFRS adoption or convergence (Olano et al., 2014). According to IASB (2014), as cited in Olano et al. (2014), moving to IFRS has had a major impact on the reporting requirements of financial institutions.

REVIEW OF RELATED LITERATURE

For the following reasons, in general, the most appropriate approach will be adoption of the holistic project management approach to assess the full scope and requirement of an IFRS implementation project on a business: this will be a major project for most companies, notably large or complex businesses; there will have to be a comprehensive evaluation of IFRS to fully understand the financial impacts; and the IFRS conversion should take place over a manageable timescale, as the longer the project is delayed, the more difficult and expensive the process is likely to become. When considering how to apply a project management approach to IFRS conversion, there are several important project management principles to bear in mind. The principles will be discussed to demonstrate how they apply to the IFRS conversion.

Tailoring the Solution

The project management solution will be tailored to meet the specific requirements. There are many factors that should be considered when assessing the project management

requirements of an IFRS conversion. Project management can be implemented at a full, medium, or low scale, depending on the needs of the company, IFRS goals, and overall project objectives.

It is also important to establish the organisation's principle objective with regard to time, cost, and quality. Ordinary businesses need to strike a balance between these often conflicting elements, and therefore, the project management approach for the IFRS conversion will have to help understand and meet this objective.

Team Integration

Team integration has three key areas which need to be established and coordinated, to ensure an overall effective project management approach: establishing a project team structure; identifying roles and responsibilities, and ensuring integration of team. The IFRS project team will need to be structured in a way that takes into account the unique situation of the companies by assessing the objectives' needs, resource availability, timescale, and interdependencies. It is also necessary to consider the need for specialist teams and the involvement of various business departments and divisions through the organisation, including internal audit, risk management, human resource, investor relation, legal, subsidiary, and business units. The structuring of a company's Canadian GAAP to IFRS conversion team will be based, at least partially, on an impact assessment. This helps to make sure all potential issues identified are addressed. Typically, a cross-functional team will be required, which represents finance, IT, HR, operations, sales, investor relations, marketing, governance, legal, training, and audit functions. It is best to base the team on the business-wide impact IFRS will have. The size of the IFRS conversion team will depend on the size of the company.

When assembling the team, it will be important to consider the people outside of the accounting function that could be affected by and have influence over the change process. For instance, HR charged with setting compensation for employees and management will need to be made aware of the implications of the changes. HR people will have to be involved when reviewing the accounting rules for pension plans, share-based payment plans, or employee benefit bonus incentives. Treasury might be required to review debt covenants. Sales might be required to review the technical nature of sales transactions. It will be important to involve the internal audit staff, as they could potentially assist with managing IFRS risk and ensure that key milestones are being met. Also, internal audit or its equivalent will need to

understand, and be involved in any changes in financial and business processes. For instance, with respect to a company's certification of internal controls over financial reporting under national instrument 52-109, the controls and documentation are going to change to the extent that the financial processes have changed. This will need to be updated, which for most companies will represent a significant undertaking. Some of these companies will need internal audit to be involved with the year-end testing and evaluation. Some organisations also use an 'internal control group', which also plays a role in the conversion. Both internal audit and internal control groups would be most affected, as changes to systems, processes, and controls affect management certifications. The IFRS project team and internal control group need to work together closely on the conversion.

It is essential to get systems and IT personnel involved with the financial reporting systems and with gathering information. Most information for a majority of the entities must be collected through the financial reporting system; however, other systems may also work in tandem. The financial reporting system is currently geared towards Canadian GAAP. This obviously needs to change to IFRS financial statements, and the differences addressed from a systems standpoint. It is also important to note that IFRS disclosures are significantly more robust than Canadian GAAP, and existing systems may not be set up to collect the new required information at the level of detail needed. Therefore, it is important to review what the IT requirements are, and get IT personnel involved early. In short, this is not solely an accounting project – it will affect just about every facet of the organisation – and this is why it is so important to involve representatives from across the company, with the appropriate skills and background to fulfil their responsibilities. Having a cross-functional IFRS project team that has general oversight is important to keep everyone throughout the company accountable and focussed on their respective timelines.

The cross-functional team provides an opportunity to build technical expertise and system visibility within the company. This conversion project will require considering choices, options, and making decisions that will impact the organisation from a business, IT, and policy perspective for years into the future. Having more people engaged in the work and in different parts allows people of varying experience and expertise to dialogue, exchange ideas, and support each other. The IFRS standards need to be reviewed in detail, so one approach may be needed to identify the top five standards impacting the company, and use those as a starting point.

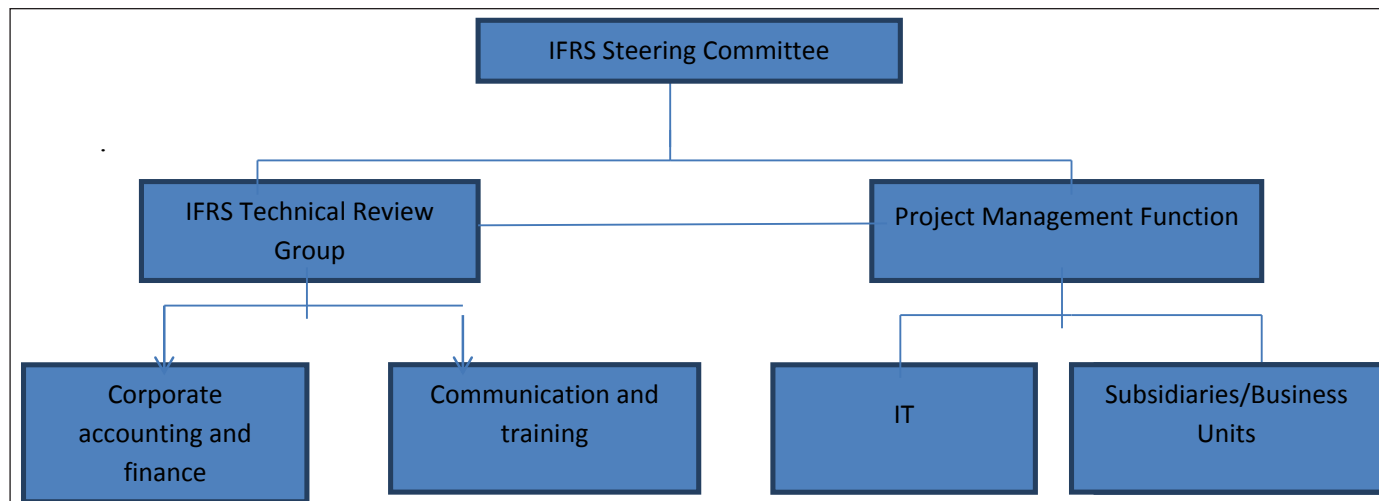


Fig. 1: IFRS Project Committee Structure

Role and Responsibilities

At the outset of the IFRS conversion projects, it is essential that all project team members are clear as to what their individual roles and responsibilities are through the whole

of the project management process. This will enable all other members of their team and the other teams within the project structure to know what their responsibilities are and how everyone can work together to achieve the project objective.

Project Team	Responsibilities
IFRS Steering Committee	<ul style="list-style-type: none"> ● Strategic project guidance to ensure alignment with business strategies and goals ● Top-level accountability with the power to make things happen
IFRS Technical Review Group	<ul style="list-style-type: none"> ● Technical accounting issue resolution process approval ● Acts with the authority of the committee to ensure that all issues are resolved ● Advice on IFRS accounting policies and complex technical areas
Project Management Function	<ul style="list-style-type: none"> ● Support and inform the steering committee ● Overall management and coordination of all activities through project team and issues management ● Monitor the progress of the project at all times
Corporate Accounting and Finance	<ul style="list-style-type: none"> ● Assess the financial impact of IFRS ● Establish IFRS accounting policies ● Consolidate IFRS information ● Interpret and explain IFRS results
Communication and Training	<ul style="list-style-type: none"> ● Develop IFRS internal and external communication plan ● Arrange for IFRS training through the company ● Liaise with finance to communicate IFRS information
IT	<ul style="list-style-type: none"> ● Assess system impact ● Develop system implementation and testing plan ● Implement necessary system amendments
Business Unit	<ul style="list-style-type: none"> ● Perform IFRS accounting conversion ● Complete IFRS group reporting package ● Role and responsibilities for full-scale IFRS implementation project

Challenges in Adopting IFRS Projects

Accounting specialists the world over have stated numerous blessings of enforcing IFRS. Despite those blessings, adopting IFRS is a hard task, with numerous hurdles (Tesfu, 2012). The relevance, and as a result, the benefit of IFRS adoption is decided with the aid of using the conformance of country-wide GAAP to IFRS before adoption (Hailemichael, 2016). IFRS is tough to place into effect thanks to the very fact it's miles a principle-primarily based totally trendy that imply interpretation ("the Satan is with inside the details") & IFRS is larger than genuinely an accounting trouble and might need an honest sized have a bearing on a whole organisation (now not simply the finance department).

Convergence with IFRS might pose principal hurdles for all governments and enterprises, as verified with the aid of using international revel in. Furthermore, sure unique problems are extraordinary to awesome nations Technical, cultural challenges, intellectual models, felony hurdles, instructional demands, and political pressures are the quantity one hurdles to IFRS implementation in growing countries. The structural capacity limits exist, so according possibly the simplest interpretation of the foundations, continuous changes to the IFRS, accountability and revelation, and controlling motive (Ball et al., 2000). IFRS is capable of increasing border-related similarity, clarity in growth reporting, cost-reduction in facts, reduction in asymmetry, and hence, liquidity, competitiveness, and effectiveness in the growth market. The cultural, political, and business fluctuations can continue in 2007, Armstrong et al. (2007) and Soderstrom and Sun (2007). The adoption of IFRS should be a great way to strengthen diverse institutions, such as: standard setters (supervisors) and enforcement agencies (auditors (status, independence, education, compensation, and harsh judgment), criminal organisations and 17 courts, regulators, accounting offices, shareholders of ownership/blocs and politics, legislators, analysts and an (Ball, 2006). The sensitive issues that might arise in Ethiopia as a result of using IFRS must be acknowledged, to make good use of the adoption of the IFRS projects.

Benefits of Adopting IFRS Projects

As past research carried out by a group of specialists has shown, adopting IFRS gives a number of benefits, including: lower operating costs, efficient capital allocation, foreign investment mobility, greater market cash flow, and increased reliability of value and border movements of capital. Generally speaking, Macedonians and Papadakis (2008) believe that the quality of the financial data has been enhanced by implementing the International Financial Reporting Standards (IFRS). IFRS is important for

business decisions, as well as for third parties, according to Jermakowicz and Gornik-Tomaszewski (2006). According to Caramanis and Papadakis, the accounting information given under IFRS is trustworthy, useful, comprehensible, and consistent. Generally speaking, they believe that the quality of financial information has been enhanced by implementing the International Financial Reporting Standards (IFRS).

According to Jermakowicz (2004), the introduction of IFRS will improve aggregate statement consistency and visibility for many companies, such as better sector disclosures, unfinanced pension commitments, and fair value identification in the accounts. The application of International Financial Reporting Standards in Nigeria was studied by Iyoha and Faboyede (2011). The findings of the study imply that adopting IFRS will deliver a range of significant benefits to a varied range of players in Nigeria. Companies will benefit from the clarity of using a rule-based reporting standard for affiliates in individual countries, while venture capitalists will achieve additional validity of the information they can recognise and use in financial statements. The adoption of IFRS will give lawmakers (management) greater access to international stock markets, which will provide nationwide regulators with a higher degree of financial clarity. In addition, better reporting and data on new and diversified business factors will benefit further stakeholders.

METHODS AND MATERIALS

The major concern of the study is to examine the challenges and prospects of implementing the IFRS project. The goal of this study is to examine chances and obstacles in Ethiopia's public sector enterprises while implementing the International Financial Reporting Standards (IFRS) projects in Addis Ababa. Therefore, descriptive design is appropriated to emphasise on analysing and explaining the actual situation. According to Reswell (2003), there are three approaches that are used in conducting a given research. These are quantitative, qualitative, and mixed research approach. Quantitative research approach focuses primarily on the construction of quantitative data; quantitative data is a systematic record that consists of numbers constructed by researchers utilising the process of measurement and imposing structure (Kent, 2007). The quantitative research approach employs measurements that are quantifiable, while qualitative cannot be measured (Bryman & Bell, 2007). In mixed research approach, inquirers draw liberally from both qualitative and quantitative assumptions (Creswell, 2009). The method chosen for the study is quantitative; quantitative information is used for the analysis. Quantitative data was gathered using questionnaires distributed, by taking the representative sample from project participants such as

internal and external auditors and consultants, project team, and other stakeholders.

There were two ways of collecting data to complete this research; the first is the questionnaire which will be used to collect data from people who directly participate in the projects. The questionnaire distributed had questions that were going to be answered using the Likert scale, with open-ended questions to understand each respondent's subjective opinion about the planning process.

Table 1: Sample Companies and Response Rate

Organisation	Questionnaires Given	Questionnaires Returned
Ethio-Telecom	35	30
Ethiopian Airlines	35	30
Ethiopian Insurance Corporation	30	30
Total	100	90

The second form of data collection is document review; data is obtained through the use of published and unpublished documents of project reports and different publications in the city of Addis Ababa. Journals, magazines, newsletters, and publications from other sources were used. The review of documents included reports and assessment of the plans, and any supporting journals and articles that helped the researcher understand key facts about the organisations. Using both tools of data collection will allow the researcher to get a clearer understanding of the project implementing environment, and allow the researcher to remove any misinformation and bias that might occur during the research data collection process. After the data was gathered by using the questionnaire (which is prepared using the Likert scale), it was edited, classified, and tabulated using different techniques. Data analysis was done using SPSS (version 20) for the data collected using the questionnaire. The SPSS is used to find out percentages and frequencies. As it was the main means of summarising the data, mainly frequencies were used to analyse the response.

RESULT AND DISCUSSION

Benefit of Adopting IFRS Projects

According to Jermakowicz (2004), the introduction of IFRS would improve aggregate statement consistency and visibility for many companies, such as better sector

divulgations, unfinanced pension commitments, and fair value identification in the accounts. The application of International Financial Reporting Standards was studied by Iyoha and Faboyede (2011). The findings of the study imply that adopting IFRS would deliver a range of significant benefits to a varied range of players.

Table 2: Benefits of IFRS Implementation Project for Companies

	Mean	Std. Deviation
Minimises cost of capital	4.0125	.73766
Reliable and comparable financial statement	4.0375	.73680
Helps in economic decision-making	4.2375	.71589
Facilitates foreign investment	4.0750	.77582
Improves internal audit system	4.7125	.63037
Provides greater transparency and accountability	4.1375	.65107
Improves competitiveness	4.8125	5.60536
Valid N (list-wise)		

Companies would benefit from the clarity of using a rule-based reporting standard for affiliates in individual countries, while venture capitalists will achieve additional validity of the information they can recognise and use in financial statements. The adoption of IFRS would give lawmakers (management) greater access to international stock markets, which will provide nationwide regulators with a higher degree of financial clarity. In addition, better reporting and data on new and diversified business factors would benefit further stakeholders. As past research carried out by a group of specialists has shown, adopting IFRS gives a number of benefits, including lower operating costs, efficient capital allocation, foreign investment mobility, greater market cash flow, and increased reliability of value and border movements of capital. Macedonians and Papadakis (2008), generally speaking, believe that the quality of financial data has been enhanced by implementing the International Financial Reporting Standards (IFRS). IFRS is important for business decisions, as well as for third parties, according to Jermakowicz and Gornik-Tomaszewski (2006). According to Caramanis and Papadakis, the accounting information given under IFRS is trustworthy, useful, comprehensible, and consistent. They believe that the quality of financial information has been enhanced by implementing the International Financial Reporting Standards projects.

Table 3: Benefits of IFRS Implementation Project for Investors

	Frequency Distribution	Std. Deviation
Ease of comparison among companies	4.0250	.69309
Improves confidence level	4.0875	.76628
Improves quality of information for decision-making	4.0500	.67317
Greater transparency and understanding of ability	4.0000	.76307
Valid N (list-wise)		

Investors must move and deploy their cash all over the world, making business environment choices dependent on one financial reporting used by financial companies to compile financial statements. As per the findings, reports generated in conformity with IFRS and regulations are satisfactory, and improve investors' trust in the dependability of the information. Financial reporting is clear, comprehensible, and accessible, encouraging cross-border trade through investors' confidence. One of the IASB's primary objectives is to establish, in the interests of the public, a single bunch of quality, comprehensible, and implementable financial reporting standards, which will include greater quality, clear and roughly equivalent reporting information to help global equity and other data users make economic decisions. In this respect, via improved reporting, the IASB implementation of IFRS projects enhances the openness of enterprises and offers investors better information for better decision-making. As high standards, they are clear and consistent, and investors will have more validity of the information supplied using IFRS.

This study concluded that, irrespective of its size or financial reporting procedures, many organisations and stakeholders progressively appreciate the benefit of IFRS. In short, this study indicates the fact that government need to fix serious institutional, regulatory, and technological obstacles to take full advantage of implementing IFRS initiatives. The adoption of IFRS has been a big success. To successfully apply IFRS, professional accounting organisations must give considerable and continuing help. Many studies have shown the necessity for the implementation of IFRS by chartered accountants organisations. Regardless of the fact that IFRS adoption requires huge investments in the implementation phase, the benefits of IFRS will increase as a business enterprise throughout its lifetime. A large number of IFRS-trained professional accountants are needed to quickly carry out IFRS projects in Ethiopia. There are currently not enough accountants and auditors qualified by IFRS in Ethiopia. As per the findings of the studies, the adoption of IFRS projects, with a mean of above 4.00, has

a substantial influence on the correctness and acceptance of the organisational declarations.

Table 4: Benefits of IFRS Implementation Project for Management

	Frequency Distribution	Std. Deviation
Facilitates cross-border investment decision	4.0000	.74630
Promotes better planning purpose	3.9500	.80975
Better risk management	4.0250	.71112
Quality information for control and decision-making	3.9750	.74587
Valid N (list-wise)		

As per findings, the benefits mentioned in Table 4, derived from the implementation of the guideline, creates trust for the organisation. The use of what is developed according to the IFRS standard is straightforward for decision-makers. As per participants in the poll, the country receives wealthy investors and foreign funds, indicating that capital costs are cheap, and foreign companies have investment possibilities via several channels. Governments, people, and companies are using many types of details for decision-making. The adoption of IFRS enhances the consistency and the accuracy of the financial report, as comparable economic operations are accountable identically by removing multiple accounting procedures for almost the same transaction. Almost all participants felt that IFRS adoption will increase the transparency of their financial reports, whereas a majority believe that IFRS initiatives would facilitate external finance. The use of IFRS projects could make internal audits more efficient. In view of increased openness and better access to information that IFRS supplies for a globalised environment, many responders felt that IFRS should have been used earlier in Ethiopia. As regards transparency of the financial statements, the results show that the transparency and accountability promises made by IFRS projects would greatly reduce the issue between shareholders and managers by applying IFRS, as increased accountability would lead companies to work more in the shareholders' interests.

The third question under the title 'IFRS project prospects for the enterprise' was if the implementation of IFRS decreases capital costs for a corporation. The average response and standard deviation in Table 4 indicate a considerable reduction in a firm's operating cost with the adoption of IFRS projects. It is because the structure and accuracy of IFRS reporting is easier to understand. They are also saving money since there is a single worldwide standard, and the expenses of capital are reduced to a minimum.

Table 5: Benefits of IFRS Implementation Project for Other Stakeholders

	Frequency Distribution	Std. Deviation
Enhances regulatory oversight and enforcement	4.0750	.72522
Excellent information for market participation	4.1750	.63195
Easier international mobility of professional staff	4.1500	.73087
Improved standard of financial disclosure	4.4250	.65168

According to the results, it is easy for global corporations and worldwide auditing enterprises to move accounting and reporting staff to several other countries using a single series of generally accepted accounting standards. This will also allow accounting professionals to serve worldwide customers and increase flexibility to work in business or operate in different areas of the globe, in accordance with the International Financial Reporting Standards (IFRS). This enhances the credibility of the accounting profession and improves economic prospects, as well as IFRS adoption programmes. Increased monitoring and enforcement of rules, as well as enhanced reporting and information on new and different company aspects would, for example, aid regulatory bodies and financial experts. Even without a stock sector in our nation, the respondent ensures that accountability and validity in the information given by IFRS develop a successful stock sector, on which value of any tradeable item is determined by the true value of the financial asset, enabling easy access in the world today to the financial sector, as shown in Table 5.

Generally speaking, the results of the study suggest that IFRS project implementation helps a wide variety of entities involved. Within the absence of a worldwide reporting standard and serving single reporting requirements, IFRS projects are adopted to stop the country's fully represent reporting practice. The improved openness resulting from the standard adoption decreases management and shareholder organisation problems. The more trustworthy, comparable, and high-quality IFRS financial reports are anticipated to reduce the preparation and decision-making burden of the management concerned. In addition, income statements preparers and auditors are conversant with similar global standards of finance and international customer experience.

Challenges of Adopting IFRS Projects

The complexity of these standards is widely acknowledged as one of the most significant problems in executing IFRS

initiatives. This complication has contributed to the high costs and time commitments associated with financial reporting, which disproportionately affect public corporations and a majority of the banks. Almost all respondents with a mean score of 4.00 agree that the primary enforcement challenges to implementing IFRS are financial resources and the change management process. These findings align with the findings in the study by Firdawok (2017). In the latter's study, it was found that a majority of the respondents who participated in the study have indicated that the IFRS implementation capability suggested would be a critical transitional difficulty, with the procedure being expensive and difficult.

Table 6: Challenges of IFRS Implementation

	Frequency Distribution	Std. Deviation
Needs financial capacity	3.9500	.77786
Inconsistency with laws and regulations that exist now	3.5750	.77582
Requires professional capacity	3.9625	.77040
Requires good ethical environment	4.1125	.69344
Lack of clear responsibilities among regulatory institutes	3.8500	.78111
Complex in nature	3.9250	.80779
Weakness of accounting education	3.9500	.80975
Lack of professional accounting body	4.0000	.85684
Lack of adequate time period for transition to IFRS	3.8625	.72468
The need for training of relevant professionals	3.9875	.70250
Lack of training materials	4.1125	.65591
Lack of coordination among regulatory institutes	4.1000	.75641
Lack of technical skills due to complexity of IFRS	4.0375	.80259
Lack of software and information system	3.8500	.74799
Effect of tax and financial regulation	3.8625	.72468
Tax-driven nature of previous standards	3.8750	.70036
Inconsistency in existing laws and regulatory framework	3.9750	.76266
The absence of a capital market	4.0500	.80975

Other roadblocks to accounting convergence with a mean value of 4.00 is a lack of implementation guidance and follow-up actions, which also aligns with the findings of

Firdawok (2017), in which the author found that the absence of guidelines for application and standard understanding are also key scientific capability concerns. According to respondents, a further issue is the difficulty of accounting practices in the process of implementing IFRS, despite the fact that some reporters argue that the complexity of IFRS adoption decreases at a steadily increased rate, and the IFRS is criticised for being large and difficult. In support of their stance, they cite two reasons: the first is that nations who have recently adopted IFRS can benefit from the experiences of early adopters. As a result, countries like Ethiopia benefit in being latecomers. Another factor is that the country's higher education institutions, as well as the ACCA-UK, are producing financial professionals who are IFRS-oriented. The aforementioned factors, as well as the growth in the sphere of financial reporting and technology developments may contribute towards a less challenging international financial reporting standards.

Lack of experts, absence of adequate regulatory directives organisations, an IT network challenge in transformational leadership to IFRS, and the tax-driven character of earlier standards are also cited by respondents as barriers to adopting IFRS. One of the primary problems in implementing IFRS is a dearth of specialists who might help by providing reliable replies to the financial accounting with which Ethiopian professionals were inexperienced. Another issue is that past standards were mostly driven by taxation. This finding collaborates with the findings of Sharma et al. (2017), in which the study found that the respondents who participated in the study were reserved on the issue that there is limitation of IT infrastructure by the adopting body.

Although Ethiopia does not have to comply with specific financial reporting or its own universal curriculum, the few that have existed have been impacted by the taxation structure of the nation, and this has led to significant variation in accounting principles among previous IFRS standards and requires a number of conciliation points during conversion. The move to IFRS means that previous standards need to be changed and IFRS projects progressively converged. The absence of proper coordination, training, and enforcement of IFRS, according to respondents, are key conversion problems. A training programme for all employees inside a company is required, for them to implement a completely new system of business operations, performance measurement, and market communication. Because the IFRS is a dynamic target, this training will be ongoing. In this training programme, professional bodies, particularly audit firms, play a critical role. Auditors are so involved that they risk becoming extensively involved in the preparation of the financial statements they are obliged to audit. This is mostly due to the intricacies of the International Financial Reporting Standards (IFRS), for which many businesses,

particularly smaller ones, lack appropriate competence (Hoogendoorn, 2006).

Although IFRS adoption requires a substantial investment at an early stage, the benefits of IFRS will continue to increase during the company's existence. The empirical findings are comparable to a Fitsum Araya investigation (2020). Moreover, Accounting and Auditing Board of Ethiopia, AABE, intended to accept IFRS in three steps, according to Fitsum's findings as a country, and this research target firm fits into the second phase of its comprehensive IFRS research. The issues showed that adoption is costly for the first time.

- Lack of data and lack of assistance from the management and owners of the organisation.
- Incompetence of professionals.
- Significance of the deviation of the tax legislation and IFRS requirements.

CONCLUSION

Questionnaires and document analysis were utilised in the study as a mode of data collection. Data from document review were analysed using descriptive statistics and data from questionnaires were reviewed by using frequency, percentage, and ratio. Most of the critical problems in transitioning to IFRS for ensuring a considerable capital reporting environment for corporate enterprises are the huge costs of IFRS implementation, the need for professional development, absence of preparation to execute within the timespan established by the management, lack of sufficient guidance, and compliance capability. It is not enough for all parties concerned, including external investigators, accountants, policymakers, and lawmakers, to join forces and operate as a group to improve the effectiveness of the implementation of IFRS. These are the findings:

- Upper executives should guarantee compliance with the International Financial Reporting Standards in compiling financial reports. The statement must be prepared by auditors and accountants in compliance with the standard. Regulators and legislators must establish an effective monitoring system for IFRS regulatory compliance, as well as ensuring that necessary adjustments to current laws are made for the IFRS transition process. To achieve a fast transition to IFRS in Ethiopia, a considerable number of IFRS-trained accountants and auditors are necessary.
- The country currently lacks the required proportion of accountants, consultants, and auditors educated in IFRS. The IFRS training programmes have been initiated by the Board, as well as help in this respect. The key difficulty is that there is a big disparity

between the number of trained professionals required and the number of trained professionals available. So, in addition to awareness and good training, an advisor is essential for appropriate IFRS implementation in Ethiopia, which will contribute to IFRS being highly beneficial and accurate.

- The results also show that the implementation of the project in Ethiopia has several good characteristics, for example: the results can conclude that adoption of IFRS will improve the efficiency of financial statement reports in Ethiopia; it may also be inferred that implementing IFRS will increase the reliability of the accounts professionals in Ethiopia; and also, it would support cross-border investments in Ethiopia.

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