FACTORS AFFECTING ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS OF COMMERCIAL BANKS IN ETHIOPIA

A thesis submitted to the department of accounting and finance for the requirement of partial fulfillment of MBA degree in Accounting and Finance

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A thesis submitted to the Department of Accounting and Finance, St. Mary's University in partial fulfillment of the requirements for the Degree of Master of Business administration in Accounting and Finance.

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Statement of Declaration

This thesis is the original work of mine and has not been accepted for the award of any other degree or diploma in any institutions and to the best of my knowledge and belief, which mean this research contains no material previously published or written by another person, except where stated on inside citation and reference list of the thesis.

Declared by:

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Signature: ______________________

Date: June 2016

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ABSTRACT

This study aims to examine the factors that will influence the fully adoption of IFRS in the country, as well as specify the benefits will derive & the challenges will face in fully IFRS adoption. To provide answer to research questions and test the hypotheses of the study employed the mixed research approach. The study used questionnaire to finance officers, accountants and Auditors, interview with Finance & Audit managers of the sample banks & document analysis (annual reports, legislations, directives, and other documents), to collect the required data. The impact of independent variables of the study , (unavailability of Capital Market, Current level of Accounting Education, existence of Professional Association, level of Awareness regarding IFRS & legal system of the country) on dependent variable, which was fully IFRS adoption were investigate on this study. And the result reveals that those factors significantly affects the fully adoption of IFRS. A number of benefits derived from IFRS Adoption including enhancement on efficiency of financial reporting, improvements on reliability & comparability on financial statements prepared based of IFRS standards, improvement on quality of Management information and enhancement of transparency of the operation through better reporting are the major Ones. The results of the study also indicate that IFRS adoption in the country has faced some challenges that will significantly affects IFRS Adoption, such as ascertaining fair value measurement in financial reporting without availability of capital market in the country, Complexity of Financial reporting under IFRS, required detailed disclosures related IFRS, high potential volatility of earnings after adoption of IFRS, lack of professional association, implementation cost, & Our culture to accepted changes. Finally the researcher provides related recommendations which were associated with the study findings and suggest further study on the issue.

Key words: Accounting Education, Financial Markets, IFRS, IFRS Adoption, Professional Association.

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ACRONYMS

CBE	Commercial Bank of Ethiopia
DW	Durbin Watson Statistics
ECX	Ethiopian Commodities Exchange Authority
FDI	Foreign Direct Investment
GAAP	Generally Accepted Accounting Principles
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IFRS	International Financial Reporting Standards
ITS	Information Technology system
MoFED	Ministry of Finance and Economic Development
NBE	National Bank of Ethiopia
VIF	Variance inflation factor

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Over the years, many innovations have taken place in the world. Among this International Financial Reporting Standards (IFRS) are set by the International Accounting Standards Board (IASB) in London. They are now being used in more than 120 nations in the world. IFRS began as an attempt to harmonize accounting across the European Union but the value of harmonization quickly made the attractive concept around the world. It is important to notice that the beginning accounting courses should not only encompass IFRS because of the accounting issues involved. IFRS affect other functions of business, such as information systems, human resources, taxation and management. Thus, accounting majors are not the only students that have to learn about IFRS. Non-accounting majors should also be exposed to IFRS. For non-accounting majors, the beginning course may be their sole opportunity to be exposed to the international accounting standards. To not provide such an introduction to IFRS will result in business graduates being unprepared to understand and analyze financial statements of global companies, most of whom use IFRS. The other issue led to the establishment of International Accounting Standards Committee (IASC) is the need for comparable financial information (Camfferman & Zeff, 2006).

The goal of financial reporting is to make information available for decision making. Historically, there is diversity in financial reporting in different countries due to culture, legal systems, tax systems and business structures. International financial reporting standards (IFRS) harmonizes this diversity by making information more comparable and easier for analysis, promoting efficient allocation of resources and reduction in capital cost.

Diversity in financial reporting in different countries arises because of the differences in legal systems, tax systems and business structures. The IFRS is intended to harmonize this diversity by making information more comparable and easier for analysis, promoting efficient collaboration of resource and reduction in capital cost.

National bank of Ethiopia, Ministry of finance and economic development and other government institutions are working together towards the adoption of this international standard in Ethiopia. The National Bank of Ethiopia has already required the banks to prepare their financial statements in accordance with IFRS (Proclamation No.592/2008). The government also issued a proclamation called a proclamation to provide for Financial Reporting of Ethiopian companies. The proclamation requires reporting entities in Ethiopia to follow IFRS (Proclamation No.847/2014). To coordinate IFRS adoption the government of Ethiopia established the Accounting and Auditing Board of Ethiopia through the financial reporting proclamation No 847/2014, & regulation No 332/2014 is issued by the Council of Ministers by defining the powers and duties of the Board. To this end, this study mainly aimed to investigate the critical factors that affect the adoption of IFRS in Ethiopia, and specify the benefits will derive & challenges face due to fully adoption, that was not adequately studied by previous researchers on the issue with in the country.

1.2 Statement of the problem

The relevance of accounting information can be evaluated through various measures, such as its impact on stock price, on the accuracy of analyst forecasts, the cost of finance & investment strategies. The level of details in financial reporting under IFRS is higher than GAAP. Under IFRS, income statements items are detailed in terms of nature & function. Also must include more & detailed notes under IFRS. This should provide additional relevant benefit to decision makers (Zegal & Mehadhbi, 2006; Fikru, 2012).

Adoption of the IFRS Regulation will brings new accounting philosophy with a much stronger economic and business orientation, especially in terms of focusing on the information needs of the capital markets (Zehri & Chovaibi, 2013).

Adopting IFRS and its movement towards fair value should enhance the external reporting perspective to inform about company performance & attractiveness of the business both existing & potential stakeholders of the company, to financial analysts & partners of business or employees. Shareholders and analysts should be able to obtain a better indication of the created share value. Creditors will receive more relevant information in estimating the company's ability to make future payments. Suppliers will provided with better information concerning whether buyers will continue to place orders. Managers will obtain useful information allowing them to steer and control business in terms of maximizing economic value, in the short-term as well as long-term perspective. Employees also should receive better information about the financial position and the firm's value generation and its value distribution process (Zegal et al., 2006).

On other view, adoption of IFRS requires a high level of education, competence, and expertise to be able to understand, interpret and then make use of these standards. The existence of professional accounting bodies also have a major factor that drives the decision to adopt IFRS, Similarly showed that professional bodies play important roles in IFRS adoption in developing countries. Level of awareness and attitude towards IFRS also will be the major factor in the process of implementing it.

There are many studies in the area of adoption & implementation of IFRS in worldwide especially at developed countries, mainly focus benefits & challenge on IFRS. On the other hand also limited previous studies available in Ethiopia directly related to this research area, depends on the knowledge & information of the researcher of this study.

Among Previous studied on related issues in the country we can mention the following, the adoption of IFRS in Ethiopia its benefits & challenge (Fikru, 2012), IFRS Adoption Progress in Ethiopia (Teferi, and Pasricha, 2016), Factors affecting adoption of IFRS (Yichelal, 2013).

But there are gaps between previous studies on the area of IFRS Adoption and implementation with the current accounting & legal situation of the country as well as majority of previous studies in the country focusing only some business areas other than Banks in Ethiopia, which are obligated to Adopt IFRS in the first stage starting from July 2016 G.C. According to the researcher knowledge previous studies in the country in connection to IFRS adoption, Fikre (2012) studied the Benefits & challenges on Adoption of IFRS and focus on ECX members companies which was already adopted voluntarily, Teferi et al. (2016) studied the progress of IFRS Adoption in Ethiopia on companies in Ethiopia that have started using IFRS voluntarily, and Yichelal (2013) studied the factors affecting adoption with the target population of accounting professionals in different organizations with in Amhara region. The only related study focusing on Ethiopian Banks was Zinabu et al. (2015) the main objective of their study was examining the implementation status and Assessment of Banks Reluctance to Implement IFRS.

This indicates that previous studies regarding IFRS adoption in Ethiopia did not emphasis on Factors affecting the adoption of IFRS on Banks in Ethiopia, according to the country IFRS implementation plan established by Accounting and Auditing Board of Ethiopia which are obligated to adopt IFRS in the first stage starting from June 2016 G.C & fully adoption with comparative Financial statements as of June 2018 G.C. On the other hand prior IFRS related studies in Ethiopia did not address all important factors like the awareness & attitude level in connection to IFRS adoption. And also have been time gap between those previous related studies & current situation of the country.

Accordingly, this study was motivated to focus in the area of IFRS adoption in commercial Banks in Ethiopia, particularly investigating the factors that affect the fully adoption, its benefits and challenges. Therefore, this study will contribute towards filling the above gap.

And the other main reason the researcher wishes to study on this area because it is a new issue for Ethiopian accounting practices which has no local GAAP still also, and focus on commercial Banks in Ethiopia, they are in the way to adopt because they required to adopt IFRS in the first stage in the very near future starting from July 2016 G.C & fully adoption as of June 2018 with comparative financial statements figures prepared under IFRS standards & requirements, in contrary with the priors studies which was concentrate on companies (other than Banks in Ethiopia) they adopt IFRS voluntary & implementation progress of IFRS.

1.3 Basic Research question

This study was focus on the following research questions:-

- What are the factors & their impact on fully Adoption of IFRS in Ethiopia?

- What are the basic benefits and challenges on fair Value Measurement & disclosures related to adoption of IFRS for both financial statement preparers, Auditors & other users?

1.4 Objective of the research

General Objective

The primary Objective of this study was investigating the factors that affect adoption of IFRS of commercial banks in Ethiopia.

Specific Objectives of the study were:-

1. To specify the effect of availability of capital markets on adoption of IFRS.
2. To examine the effect of level of accounting Education on adoption of IFRS.
3. To examine the effect of Existence of Accounting Professional bodies on adoption of IFRS.
4. To examine the effect of level of awareness on adoption of IFRS.
5. To examine the effect of Legal system of the country on adoption of IFRS.
6. To specify the benefits those were realized from Adopting IFRS.
7. To discuss the challenges and problems those were faces in IFRS Adoption.

1.5 Hypotheses Development

The primary objective of the study was investigating the factors that affect the adoption of IFRS in Ethiopia.

Companies will face many challenges in connection to the adoption of IFRS, including the availability of Capital market, availability of educated professional, existence of accounting professional association, level of awareness about accounting, Legal system of the country & complex nature of IFRS standards.

In this study in order to address the research questions and objective, evaluates the effects of independent variables of the study which were lack of Capital Market in the country, current level of accounting education, existence of professional associations, level of awareness &

attitude regarding IFRS adoption, and legal system of the country influences the dependent variable, that was fully adoption of IFRS in the country.

Based on the objectives of the study, the following hypotheses were formulated:-

H1: Financial Markets have great impact in adoption of IFRS, so it will be affect Companies in the process of fully adoption of IFRS.

H2: There are relationships between the country current levels of accounting education & fully adoption of IFRS.

H3: There are relationships between the existence of accounting bodies in the country & fully adoption of IFRS.

H4: There are relationships between level of awareness regarding IFRS & fully adoption of IFRS.

H5: There are relationships between legal system of the country & fully adoption of IFRS.

1.6 Scope and Limitation of the Study

The general aim of the study was to examine the factors that affect fully adoption of IFRS in Ethiopia. And its scope was limited to Commercial Banks in Ethiopia & focus on factors that could influence the fully adoption of IFRS particularly due to the broad and the complex nature of International Financial Reporting Standards. The main reason focus on Banks in Ethiopia because they are obligated to adopt IFRS in the first stage starting from July 2016 G.C & fully adoption as of June 2018 G.C with comparative financial statements figures prepared under IFRS standards & requirements, in accordance with the country's IFRS implementation plan established by Accounting and Auditing Board of Ethiopia.

Because of the newness & complex nature of IFRS as well as competition among organization, it was not easy to get all relevant information from perspective organization and the availability of sufficient current literature on the topic in Ethiopia as well as knowledge & Awareness of accountants regarding IFRS was questionable. Time constraint was also one of the other factors that will limit the scope of the study.

With this reason the study were limited to commercial banks in Ethiopia as well investigates influences of major factors that affect adoption of IFRS. However, the researcher hopes that any interesting individuals will get some valuable information on the subject area.

1.7 Significance of the Study

Business Research has special significance in solving various operational and planning problems in the organization. Accordingly, this research has the following significance:-

- This study may have many advantages for all practitioners and academicians by providing useful information about International Financial Reporting Standards and issues related to its adoption.
- The study could also be used as an initiation for anyone who are interested to conduct a detailed and comprehensive study regarding the adoption IFRS in Ethiopia as well as evaluating the actual situation.
- And it would enable the governing body, specifically National Bank of Ethiopia, Inland Revenue & Customs Authority, Ministry of Finance & Economic Development (MoFED) as well as 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.

1.8 Organization of the Study

This study was divided in to five chapters and these chapters were organized in a sequential manner in order to aid careful investigation and easy achievement of the objectives. The first chapter which was the introduction presented the background of the study, statement of the problem, objective of the study, significant of the study, and hypothesis development. Chapter two of the study was deal with the related literature review, variables used in this study, conceptual frame work of the study & benefits & Challenges on IFRS adoption. Chapter three was dedicated to the methodology part of the study for resign design, model development, types of data collection& data collection instruments employed and method of data analysis. Data presentation, analysis, result finding and interpretation was been covered in chapter four. The concluding & recommendation part of this research work was covered in chapter five.

CHAPTER TWO
REVIEW OF RELATED LITERATURE

2.1 Theoretical Literature Review

2.1.1 Overview of Accounting & Financial Statements

2.1.1.1 Accounting Polices & Objective of Financial Statements

Accounting policies are essential for a proper understanding of the information contained in the financial statements prepared by the management of an entity. An entity should clearly outline all significant accounting policies it has used in preparing the financial statements. Because under International Financial Reporting Standards (IFRS) alternative treatments are possible, it becomes all the more important for an entity to clearly state which accounting policy it has used in the preparation of the financial statements. For instance, under IAS 2 an entity has the choice of the weighted-average method or the first-in, first-out (FIFO) method in valuing its inventory. Unless the entity discloses which method of inventory valuation it has used in the preparation of its financial statements, users of these financial statements would not be able to use the financial statements properly to make relative comparisons with other entities.

The objective of financial statements is to provide information about the financial position, performance, and changes in financial position of an entity that is useful to a wide range of users in making economic decisions (e.g., whether to sell or hold an investment in the entity). Users include present and potential investors, employees, lenders, suppliers and other trade creditors, customers, governments and their agencies, and the public. Because investors are providers of risk capital, it is presumed that financial statements that meet their needs will also meet most of the needs of other users (Abbas, Magnus, and Graham, 2007).

2.1.1.2 Users of Financial Statements

Alexander, Britton and Jorisson (2007), argue that users of Financial Statements vary between countries according to their needs; they stated that users could include investors, employers, suppliers, customers and governments. Saemann (1999), states that investors require all information that would help them to make their decision, while lenders are required information which makes them satisfied to lend money to these companies. Moreover, users of the financial statements require the full disclosure of the required information before making their decisions (Kosonboov, 2004). Therefore, any country requires to increase the external stakeholders would be useful to increase the level of disclosure (Kwok, 2005).

Auditors are another type of financial statements users that might have influence in the accounting standards. Finally, Governments are considered as a significant user of financial statements wherein they are interested in the businesses' activities due to the impact of the businesses operation in the allocation of resources (Alexander, 2007).

2.1.1.3 Accounting in Developing Countries

The World Bank (2002) defines the in developing countries as those countries that have low and middle incomes. The differences between countries' accounting Standards are caused by the economic and political differences (Nobes, 1998). Chamisa (2000) indicates that the accounting needs of countries are the main drive shaping the accounting standards in countries, thus he states that emerging economies have a bigger variety of economic and social factors than developed countries. According to Zeghal and Mhedhbi (2006) education is one of the significant factors that affect the accounting standards. Perera (1989) argues that the information produced by developed countries' accounting standards will not provide useful information to make decisions in developing countries.

The other factor which affects the accounting system in the developing countries is the lack of accounting professionals in these countries, which is due to the weaknesses or inadequate standard in the accounting education. Culture is also another factor that influences the accounting systems in developing countries (Chow, Ghaw, and Grays, 1995).

2.1.1.4 Applying Changes in Accounting Policies

A change in accounting policy required by a Standard or Interpretation shall be applied in accordance with the transitional provisions therein. If a Standard or Interpretation contains no transitional provisions or if an accounting policy is changed voluntarily, the change shall be applied retrospectively. That is to say, the new policy is applied to transactions, other events, and conditions as if the policy had always been applied.

The practical impact of this is that corresponding amounts (or "comparatives") presented in financial statements must be restated as if the new policy had always been applied. The impact of the new policy on the retained earnings prior to the earliest period presented should be adjusted against the opening balance of retained earnings (Abbas et al., 2007).

2.1.1.5 The need to Adopt IFRS

Investors now have more access than ever to financial markets and foreign companies. It is imperative to continue to improve the efficiency of such markets so that they remain healthy. However, a major obstacle that lingers in these markets is that the U.S. (Smanster 2006).

According to Izedonmi (2011), identified the following factors supporting the adoption of IFRS:

- Continuous integration of world economy
- Increased interdependence of the international financial markets
- Absence of barriers of capital flows across national boundaries
- Increased mobility of capital across national boundaries
- Multiple listing by companies in capital markets within and outside their home jurisdiction
- Continuous demand by stakeholders for quality information and greater disclosures.

2.1.2 International Financial Reporting Standards (IFRS)

2.1.2.1 Overview of IFRS

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

2.1.2.2 The International Accounting Standards Committee

From 1973 until 2001, the body in charge of setting the international standards was the International Accounting Standards Committee (IASC). The principal significance of IASC was to encourage national accounting standard setters around the world to improve and harmonize national accounting standards. Its objectives, as stated in its Constitution, were to:-

- Formulate and publish in the public interest accounting standards to be observed in the presentation of financial statements and to promote their worldwide acceptance and observance.
- Work generally for the improvement and harmonization of regulations, accounting standards, and procedures relating to the presentation of financial statements (Abbas et al. 2007).

2.1.2.3 IASC Board

The members of IASC (i.e., professional accountancy bodies around the world) delegated the responsibility for all IASC activities, including all standard-setting activities, to the IASC Board. The Board consisted of 13 country delegations representing members of IASC and up to four other organizations appointed by the Board. The Board, which usually met four times per year, was supported by a small secretariat located in London, the United Kingdom statements (IASB, 2013).

2.1.2.4 IASB Framework

The Framework for the Preparation and Presentation of Financial Statements (the "Framework") sets out the concepts that underlie the preparation and presentation of financial statements, that is, the objectives, assumptions, characteristics, definitions, and criteria that govern financial reporting. Therefore, the Framework is often referred to as the "conceptual framework." The Framework deals with:-

- The objective of financial statements.
- Underlying assumptions.
- The qualitative characteristics that determine the usefulness of information in financial statements.
- The definition, recognition, and measurement of the elements from which financial statements are constructed.
- Concepts of capital and capital maintenance.

The Framework does not have the force of a Standard. Instead, its purposes include, first, to assist and guide the International Accounting Standards Board (IASB) as it develops new or revised Standards and, second, to assist preparers of financial statements in applying Standards and in dealing with topics that are not addressed by a Standard statements (IASB, 2013).

2.1.3 IFRS and Fair value Measurement

Fair value continues to be an important measurement basis in financial reporting. It provides information about what an entity might realize if it sold an asset or might pay to transfer a liability. In recent years, the use of fair value as a measurement basis for financial reporting has been expanded, even as the debate over its usefulness to stakeholders continues. Determining fair value often requires a variety of assumptions, as well as significant judgment. Thus, investors desire timely and transparent information about how fair value is measured, its impact on current financial statements, and its potential to impact future periods.

In 2011, the IASB issued a new standard, IFRS 13 Fair Value Measurement, on how to measure fair value. The standard does not prescribe when to measure at fair value. Nor is the standard solely aimed at financial instruments, but rather it applies to all assets and liabilities that are required or permitted to be measured at fair value. It also applies to all disclosures of fair value.

The IFRS explains that a fair value measurement requires an entity to determine the following:

- the particular asset or liability being measured
- for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis
- the market in which an orderly transaction would take place for the asset or liability; and
- the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximize the use of relevant observable inputs and minimize unobservable inputs.

For measuring IFRS offers two alternative treatments: historical cost or fair value (revaluation). Under historical cost accounting, assets are recognized at acquisition cost and then tested for impairment (write-down). Under fair-value accounting, assets are recognized at acquisition cost and then revalued to fair value both up and down. The standard also requires entities to record an adjustment to the measurement of liabilities to reflect an entity's own default risk. Furthermore, the standard provides a number of clarifications, including:

- Market participants are assumed to transact in a manner that maximizes the value to them.
- Blockage discounts are prohibited in all fair value measurements.
- Guidance is provided on how to measure fair value when a market becomes less active (Ernst & Young, 2013).

According to Barry & Eva (2010), the standard provides a fair value input hierarchy to serve as a framework for classifying inputs based on the extent to which they are based on observable data.

Hierarchy of Fair Value Inputs

Level 1 Inputs: - Level 1 in puts are considered the most reliable evidence of fair value and are to be used whenever they are available. These inputs consist of quoted prices in active markets for identical assets or liabilities. The active market must be one in which the reporting entity has the ability to access the quoted price at the measurement date. To be considered an active market, transactions for the asset or liability being measured must occur frequently enough and in sufficient volume to provide pricing information on an ongoing basis.

If a market price at the exact measurement date is not readily available, or is available but not representative of fair value because the market is not active or because events occurring after the last available quoted price would have affected fair value at the measurement date, the quoted price is to be adjusted to more accurately reflect fair value. As discussed previously, in order for a market to be considered active, it must have a sufficient volume of transactions to provide quoted market prices that are the most reliable measure of fair value. The use of Level 2 or Level 3 inputs is generally prohibited when Level 1 inputs are available.

Level 2 Inputs: - Level 2 inputs are quoted prices for the asset or liability (other than those included in Level 1) that are either directly or indirectly observable. Level 2 inputs are to be considered when quoted prices for the identical asset or liability are not available. If the asset or liability being measured has a contractual term, a Level 2 input must be observable for substantially the entire term.

These inputs include

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are not active.

These markets may not be considered active because

- They have an insufficient volume or frequency of transactions for the asset or liability.
- Prices are not current.
- Quotations vary substantially over time.
- Quotations vary substantially among market makers.
- Insufficient information is released publicly.

Adjustments made to Level 2 inputs necessary to reflect fair value, if any, will vary depending on an analysis of specific factors associated with the asset or liability being measured.

Level 3 Inputs: -Level 3 inputs are unobservable inputs. These are necessary when little, if any, market activity occurs for the asset or liability. Level 3 inputs are to reflect management's own assumptions about the assumptions regarding an exit price that a market participant holding the asset or owing the liability would make including assumptions about risk.

The best information available in the circumstances is to be used to develop the Level 3 inputs. This information might include internal data of the reporting entity. Cost-benefit considerations apply in that management is not required to "undertake all possible efforts" to obtain information about the assumptions that would be made by market participants. Attention is to be paid, however, to information available to management without undue cost and effort and, consequently, management's internal assumptions used to develop unobservable inputs are to be adjusted if such information contradicts those assumptions.

Fair Value Disclosures

The draft IFRS on fair value measurement provides that, for assets and liabilities that are measured at fair value, the reporting entity is to disclose information that enables users of its financial statements to assess the methods and inputs used to develop those measurements and, for fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period. To accomplish these objectives, it must (except as noted below) determine how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements, the extent of aggregation or disaggregation, and whether users need any additional (qualitative) information to evaluate the quantitative information disclosed (Hennie, Darrel & Simonet, 2010).

The auditor is required to evaluate whether the disclosures about fair values made by the entity are in accordance with its financial reporting framework. In times of uncertainty, disclosures assume greater significance, and the auditor may in certain cases regard potential misstatement in disclosures as a significant risk. Certain financial reporting frameworks require specific disclosures regarding uncertainties generally and specific disclosures in relation to financial instruments. For example, some financial reporting frameworks prescribe:-

- The disclosure of key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.
- The disclosure of the range of possible outcomes, and the assumptions used in determining the range.
- Qualitative disclosures such as the exposures to risk and how they arise, the entity's objectives, policies and procedures for managing the risk and the methods used to measure the risk and any changes from the previous period of these qualitative concepts.
- Quantitative disclosures such as the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel, including credit risk, liquidity risk and market risk (IAASB, 2008).

2.1.4 Bank loans Receivable related to fair values Concept

The market value of loans is seldom observable. In this sense, loans are similar to assets of non-financial firms, such as property, plant and equipment that affect the value of those firms but do not actively trade in secondary markets. But a loan, like any other risky financial asset, is a future stream of uncertain cash flows (Flannery, Kwan, & Nimalendran, 2004).

The theory of pricing financial assets all stems from one simple concept: price equals expected discounted payoff. This concept can be applied to loans regardless of whether they are traded (Cochrane, 2001).

The cash flow in each period is the amount that a bank expects to receive from a loan. That can deviate from the contractual loan payment due to payment shortfalls or prepayments. The discount rate is the return, net of credit and prepayment risk, required by the market on a loan with the same characteristics as the loan being valued. This includes compensation for the opportunity cost of making a loan, including the risk-free rate and illiquidity premium.

Loans carried at amortized cost are subject to the impairment provisions of IAS 39. If there is objective evidence that an impairment loss on a financial asset measured at amortized cost has been incurred, the amount of the loss should be measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The expected cash flows should exclude future credit losses that have not been incurred and should be discounted at the financial asset's original effective interest rate. The recording of impairments based on a loan's effective interest rate is not a fair value measurement. However, IAS 39 allows a practical expedient to determine impairment on the basis of an instrument's fair value using an observable market price. The measurement framework of IFRS 13 applies when fair value is used to determine the carrying amount of impaired loans.
IFRS 9 also includes new impairment guidance. It includes a three-stage model for impairment based on changes in credit quality since initial recognition. It is an expected loss model with the first stage being credit losses expected within the first twelve months. The second stage includes expected lifetime losses on underperforming loans, and the third stage includes expected lifetime losses on nonperforming loans (Kepple, 2015).

2.1.5 Fair values measurement related error in Bank Accounting

The first obvious issue bank regulators face is that fair value estimates of bank assets and liabilities (which are principally financial instruments) are likely to contain measurement error. Relating to investment securities are generalized to other bank assets and liabilities, implementation of a full fair value model for recognition of financial instruments at fair value could yield unrecognized gains/losses that could cause earnings and regulatory capital to be more volatile than earnings and regulatory capital based on the current historical cost model. This would be expected to occur particularly if measurement error in bank assets' fair values which is likely to be positively correlated across assets is not fully offset by measurement error in bank liabilities' fair values. Of course not all earnings or regulatory capital volatility arising from the application of fair value accounting is the result of measurement error; there are three primary sources of "extra" volatility associated with fair value-based accounting amounts relative to those determined under historical cost. The first is true underlying economic volatility that is reflected by changes in bank assets' and liabilities' fair value. The second is volatility induced by measurement error in estimates of those fair value changes. The third, induced volatility arising from using a mixed-attribute model would be less of a concern if all instruments are recognized at fair value. The relevance/reliability trade-off that accounting standard setters consider is certainly applicable to bank regulators (Landsman, Maydew, & Thornock, 2011).

2.1.6 Income volatility of banks due to Fair value Measurement

The income volatility can be embodied by the key index, net income, which is the linkage to link the balance sheet and the income statement, and it can not only reflect the present management result of enterprise, but also reflect the change of owners' equity, and its volatility is very important for the report. Based on the research target of this article, one feasible research method is to respectively compute the net incomes in the historical cost measurement mode, in the mixed measurement mode, and the fair value measurement mode, and judge in which mode the volatility of net income is the biggest one(Sun, Liu, & Cao, 2011).

2.1.7 Challenges of Auditing Related to Fair Value Accounting

There are two problematic areas in auditing of fair value estimates. Firstly, fair value estimation process is complex and entails specific expertise knowledge. The associated risks are the possibility of using irrelevant data and subjectivity due use of judgment. Hence, fair value estimates may easily be manipulated. Second problem is the fact that no matter how elaborately the estimation is done, when the market fluctuates especially during the crisis, it is highly possible that fair value does not reflect the reality. The first problem is related to the auditor and may be overcome by professional elaboration. The second problem is independent of the auditor but he must be careful about how fair value estimates are affected from changes after the balance sheet date.

Auditors should know the techniques used in fair value calculations and additionally be able to evaluate the validity of basic assumptions. They should provide data from independent sources other than the data provided by the insiders because of the risks of error and fraud. There are limited data sources that can be accessed by the auditors, so collecting reliable data sets should be a service to be outsourced by the auditors. A national authority providing the data needed may enhance the validity of audit reports both nationally and globally and uncontrollable factors faced in auditing of fair value may be overcome to a great extent (Landsman et al. 2011).

According to Martin (2006), the main challenges of auditing fair values are:-

- **Reliability**

Reliability of financial information is one of the key challenges of auditing FV. According to IFRS 13, one way of measuring the FV of assets or liabilities is by comparing its price to the price of similar assets or liabilities in an active market. However, measuring management estimates on the FV of assets is a serious challenge during Fair Value Measurement.

- **Management Bias and Verification Problems**

Management bias and verification problems exist and can be considered as being among the key challenges of Fair Value Measurement. The findings also support prior studies which claim that there exists a difficulty to understand managements' intent and reason for holding certain groups of assets.

- **Competence**

Competence of auditors is one of the major challenges to Fair Value Measurement.

2.1.8 IFRS and Accounting Disclosures

Voluntary disclosure is any disclosure by companies that is not mandated by law and/or self-regulatory bodies. However, mandatory disclosure is the minimum standard of financial or non-financial information which accounting standards or other national promulgations require from a reporting entity. Thus, mandatory disclosures differ from voluntary disclosures because the former force companies to 'talk about current cash flows, profits, net assets and ownership claims rather than firms' aspirations for future success (Leuz & Wysocki, 2008).

IFRS requires entities to provide disclosures in their financial statements that enable users to evaluate Financial reports, basically:-

- The significance of financial instruments for the entity's financial position and performance,
- The nature and extent of risks arising from financial instruments the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks. The qualitative disclosures describe management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.
- The nature of, and risks associated with, its interests in other entities.
- The effects of other party interest on company financial position, financial performance and cash flows.
- The nature of, and changes in, the risks associated with its interests in consolidated structured entities
- The nature and extent of its interests in unconsolidated structured entities, and the nature of, and changes in, the risks associated with those interests.
- The nature, extent and financial effects of its interests in joint arrangements and associates, and the nature of the risks associated with those interests.
- The consequences of changes in a parent's ownership interest in a subsidiary that do not result in a loss of control.
- The consequences of losing control of a subsidiary during the reporting period.

This applies to all entities, including entities that have few financial instruments (for example, a manufacturer whose only financial instruments are cash, accounts receivable and accounts payable) and those that have many financial instruments (for example, a financial institution most of whose assets and liabilities are financial instruments (Ernst & Young, 2013).

2.1.9 Benefits from Adopting of IFRS

According to Barth (2007), highlighted a benefits of adopting IFRS from economical perspective that proponent of IFRS argued that countries can expect to lower the cost of information processing and auditing to capital markets participants.

Okene (2009), includes the following benefits of adopting IFRS from his research:-

- The opportunity for more efficient use and availability of accounting resources as the use of IFRS facilitates the development of standardized training programs, eliminate divers accounting systems and could possibly eliminate third party costs.
- Controls will be improved as IFRS allow for greater control over statutory reporting, thereby reducing risks of penalties and compliance problems at local level.
- There would be an increase in the promotion of global trade and investors.
- Investment decision would be made easier through transparency of financial information.

Globalization has prompted more and more countries to open their doors to foreign investment and as business themselves expand across borders, both the public and private sectors are expected to recognize the benefits of having a commonly understood financial reporting framework supported by strong globally accepted auditing standards.

IFRS balance sheet will be closer to economic value because historical cost will be substituted by fair values for several balance sheet items, which enable a corporate to know its true worth. Convergence will place better quality of financial reporting due to consistent application of accounting principles and reliability of financial statements. Trust and reliance can be place by investors, analysts and other stakeholders in a company's financial statements (Ochei & Akande, Benefits of IFRS).

2.1.10 Challenges in Adopting of IFRS

The legitimacy challenges of IFRS can be divided into internal and external challenges. The internal challenges emanate from the standard-setting due process (Richardson & Eberlein, 2011). The external challenges are the state's responsibilities (Zimmermann, et al, 2008) and the sensitivities of certain policy fields (Esty, 2006).

According to (Phil, 2013), the following are challenges that will be faced by the way of IFRS convergence:-

- **Issues of GAAP Reconciliation**: - The Securities Exchange Commission (SEC) laid out two options in its proposal-one calling for the traditional IFRS first time adoption reconciliation the other requiring that step plus an ongoing unaudited reconciliation of the financial statements from IFRS to U.S .GAAP. Clearly the second one is a more costly approach for companies and the investors.
- **Difference in GAAP and IFRS**: - Implementation of IFRS means that the entire set of financial statements will be required to undergo a drastic change. The differences are wide and very deep routed. It would be a challenge to bring about awareness of IFRS and its impact among the users of financial statement.
- **Training and Education**: - Lack of training facilities and academic course on IFRS will also pose challenge. There is needed to be educated on IFRS and its application.
- **Taxation**: - IFRS convergence would affect most of the items in the financial statements and consequently the tax liability would also undergo a change.
- **Legal and Regulatory considerations**: - the regulatory and legal requirements will pose a challenges unless the same.
- **Fair value Measurement**: IFRS users fair value as a measurement base for valuing most of the items of financial statement. The use of fair value accounting can bring a lot of volatility and subjectivity to the financial statements. It also involves a lot of hard work in arriving at the fair value and valuation experts have to be used.
- **Re-negotiation of contract**: - The contracts would have to be re-negotiated which is also a big challenge. This is because the financial results under IFRS are likely to be very different from those under the Indian GAAP.
- **Reporting systems**: - Companies would have to ensure that the existing business reporting model is amended to suit the reporting requirements of IFRS. The information system should be designed to capture new requirements related to fixed assets, segment disclosures, related party transactions (Phil M. 2013).

According to Matthew (2014) Level of Awareness is one of major challenge to successfully adopt IFRS, 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 in relation to other existing ,national laws.

And also the country case studies of United Nation (2008), also illustrate a number of practical challenges faced by those countries in Adopting IFRS. These issues can be grouped into three main areas: institutional, enforcement and technical.

- **Institutional issues**

When IFRS are introduced in a given jurisdiction, they form part of the pre-existing laws and regulations in the country pertaining to the governance of business entities. Often, laws and regulations overlap or become inconsistent with each other, especially when the roles and responsibilities of different institutions are not clearly defined and coordination mechanisms are not in place. Lack of coherence in the regulatory system becomes cause for serious misunderstandings and inefficiency in the implementation of IFRS.

IFRS lack the necessary legal backing. For example, some company laws require specific formats for financial statements.

- **Enforcement issues**

One of the critical elements in the implementation of IFRS is the rigorous enforcement of standards. The full benefits of a global set of financial reporting standards such as IFRS will be realized only when these standards are consistently enforced. Thus, IFRS consist of only one element of the financial reporting infrastructure. The institutions responsible for enforcing IFRS need to realize that, as a result of the growing globalization of financial markets, their enforcement efforts often protect both domestic and international investors.

The responsibility of enforcing IFRS rests with a number of parties. Institutions such as securities exchange commissions, banking and insurance supervisory authorities, stock exchanges and capital market authorities play important roles in enforcing financial reporting requirements like IFRS.

- **Technical issues**

Practical implementation of IFRS requires adequate technical capacity among p auditors, users and regulatory authorities. Countries that implement IFRS face a variety of capacity-related issues, depending on the approach they take. The case studies illustrate a number of technical challenges in the practical implementation of IFRS. One of the principal difficulties encountered in the practical implementation process is the shortage of accountants and auditors who are technically competent in implementing IFRS.

A related technical problem is the limited availability of training materials and experts on IFRS at an affordable cost. The case study of Kenya shows the challenges that the Institute of Certified Public Accountants of Kenya faces in this respect. The difficulty is further complicated in countries where training materials on IFRS that are currently available in English are not readily usable because of language barriers. The case studies of Brazil and Turkey highlight this issue.

Fair-value measurement requirements in IFRS pose yet another significant technical implementation challenge. In particular, the case studies of India and Kenya indicate that where trading volume is low and capital markets are not sufficiently liquid, obtaining reliable fair value for IFRS measurement purposes becomes difficult. Preparers face difficulty in obtaining reliable measures of and data for, among others: discount rates in a volatile financial environment, cash flow trends, crop yields, loan yields, loan default rates and sector-wide benchmarks for determining fair value for some items. The technical difficulties discussed above pose challenges to auditors too (United Nations, 2008).

2.2 Empirical Literature

2.2.1 Summery of Previous Related Studies

A number of studies that is more related to the objectives of this paper had been published in recent years.

Fikru (2012), conducted a research on the Adoption of International Financial Reporting Standards (IFRS) in Ethiopia, and the results of his survey had showed that the introduction of IFRS in Ethiopia will result in a number of important benefits for a wide range of stakeholders. Since similar economic transactions are accounted for similarly by eliminating different methods of accounting for the same transactions, adoption of IFRS leads to improved comparability and reliability of financial statements. Adoption of IFRS has also the benefit of more transparent financial statements to companies which in turn reduce the agency problem between management and shareholders as increased transparency causes managers to act more in the interests of the shareholders. On the other way 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"s standards and the lack of adequate implementation guidance. Further, the institutions which are required to use IFRS in preparing their financial reports are not applying all the standards. In other words there is a serious compliance problem with IFRS in Ethiopia.

According to the study finding of Teferi & Pasricha (2016), some companies in Ethiopia have started using IFRS voluntarily for the preparation of their financial statements since 2002/03 without making all necessary preparedness. However, nationally, Ethiopia has decided to join the IFRS network with a big bang approach to adopt IFRS through enactment of proclamation in December, 2014. The Adoption of IFRS is motivated by both internal and external factors: internally, the demand of professionals, academics and preparers to work with international trends and externally pressure from global audit firms and other international organizations.

Owolabi & Iyoha (2012), in their paper about Adopting International Financial Reporting Standards (IFRS) in Africa, indicates a number of important benefits for a wide range of stakeholders through adopting IFRS in Africa. The benefits of ease of using one consistent reporting standard in subsidiaries from different countries will help multinational companies while investors will develop more confidence in the information presented in financial statements which they can understand and use. For management, the adoption of IFRS will create better access to the global capital markets and a higher standard of financial disclosure for national regulatory bodies.

The results of the study of Zakari (2014), in the topic of Challenges of International Financial Reporting Standards (IFRS) Adoption in Libya indicated that IFRS adoption by Libyan companies have faced some obstacles such as accounting education and economic issues. So, Libya needs to develop its legislation, professional bodies, accounting education, infrastructure and application of practice.

Matthew (2015), revealed on his findings in the study of Impact of IFRS on Financial Reporting Practices in Nigeria, IFRS provides better information for regulators than GAAP, his finding further showed that the adoption and implementation of IFRS will have an impact on the performance of companies and it will enhance best practices of companies as well as directly affects earnings and other key aspect of the business. However, the results of the his study additionally indicates that changes in business processes and operations, financial position of companies and reduction in cost of finance were the least contributions of IFRS to financial reporting practices of KPMG.

According to the findings of Broche, Jagolinze, & Ried (2011), IFRS adoption improves financial statement comparability across firms, reduce private information benefits. And they conclude that their results are consistent with mandatory IFRS adoption reflecting benefits attributable to improved comparability.

According to the study finding of Agostino, Drago, & Silipo (2012), about the value relevance of IFRS in the European banking Industry, IFRS introduction enhanced the information content of both earnings and book value for more transparent banks. By contrast, less transparent entities did not experience significant increase in the value relevance of book value.

Mohammad (2012), had examines the effect of firms' accounting choices for PPE on overinvestment after IFRS mandatory adoption in the EU. The results indicated that EU firms that used historical cost accounting with impairment testing in the post-IFRS period exhibit lower over-investment following IFRS adoption, consistent with EU firms having more timely loss recognition for PPE under IFRS strict impairment rules.

Ihab & Nedal (2013), had been investigate the benefits and challenges of adopting IFRS on UAE stock market and examined the level of awareness about the new standards by its users such as Chief Executives, External Auditors, and Investors. The results clearly show that the benefits of adopting IFRSs in UAE inevitably far outweigh the difficulties and costs. The research findings also revealed that adoption of IFRSs in UAE stock markets has improved the overall standard of the quality of financial reporting, which help in attracting investors to invest in the UAE stock markets.

Tsalavoutas (2009), confirmed on his research findings that Greek listed companies financial statements were affected significantly by the adoption of IFRS. The average level of compliance with IFRS mandatory disclosures approximates to 80%. The impact on net income and shareholders' equity, as a result of the transition to IFRS, as well as audit firm size, are significantly associated with the extent to which companies comply.

Paananen, (2008), also suggested on his study about the IFRS Adoption's Effect on Accounting Quality in Sweden had been revealed that no increase in financial reporting quality over the two first years after the adoption. On the contrary, he find that some indications of a decrease in financial reporting quality measured as smoothing of earnings, timely loss recognition, and value relevance.

On firms voluntarily adopt IFRS, their accounting amounts become more comparable to those of firms that adopted IFRS before them and less comparable to those of non-adopting firms that apply domestic standards. Also, adopting firm's exhibit increased capital market benefits liquidity, share turnover, and firm-specific information relative to adopted and non-adopting firms. There is little evidence of capital market consequences for adopted firms or of non-adopting firms suffering decreased capital market benefits ((Landsman, Maydew, & Thornock, 2011).

The results of Djatej, Zhou, Gorton, & McGonigle (2015) suggest that subjective norm and perceived control significantly influence practitioner's intentions of early IFRS adoption.

2.2.2 Factors affecting Adoption of IFRS in Ethiopia

- **Capital market**

Capital market here is referred to a market for securities (debt or equity), where business enterprises and governments can raise long term funds. Most authors argue that capital markets in developing countries are small and inefficient and hence the adoption of IFRS is irrelevant to these countries, (Fikru, 2012).

Hence, absence of stock market in Ethiopia may cause illiquidity of assets as holders of stocks may find it difficult to sell same at a fair market price. Specifically, as Ethiopian investors only have a small portion of their household income to invest, a fair priced stock trading is significant in order to avoid creating systematic losses for the general public. Consequently, in order to ensure the liquidity of assets in Ethiopia, it is vital to introduce stock market because of the limited investor and issuer base.

- **Accounting Education**

Practical implementation of IFRS requires adequate technical capacity among preparers and users of financial statements, auditors and regulatory authorities. Countries that adopting IFRS faced a variety of capacity-related issues; depending on the approach they took (Matthew, 2014).

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. Countries with less sophisticated educational systems may find the transition to IFRS more costly to implement compared to other countries with better education systems, (Yichelal, 2013).

- **Professional Bodies**

Professional body is a group of people in a learned occupation who are entrusted with maintaining control or oversight of the legitimate practice of the occupation; also a body acting to safeguard the public interest; organizations which represent the interest of the professional practitioners, act to maintain their own privilege and powerful position as a controlling body. The existence of professional accounting bodies is a major factor that drives the decision to adopt IFRS (Fikru, 2012).

- **Level of Awareness and Attitudes regarding IFRS**

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 in relation to other existing national laws (Matthew, 2014).

- **Legal Systems**

According to Nobes (1998) the legal system in the developing countries is another factor that influences accounting systems. Therefore, their accounting system requires specific needs that are different from those in other developing countries where religion does not have a direct bearing on their accounting system and where there is a clear separation between State and religion. The source of finance is another important factor that influences the accounting systems in developing countries, as points out that the difference in finance providers in countries may lead to differences in their accounting systems

2.2.3 Variables used in prior related studies

Variable refers to some specific characteristic of a subject that assumes one or more different values. On the other word, Variables are anything can effect or change the results of a study. Every study has variables as these are needed in order to understand differences. Although it is acceptable to speak of predictor and response variables within the context of experimental research, it is more common to speak in terms of independent variables and dependent variables. An independent variable is that variable whose values or levels the experimenter selects to determine what effect this independent variable has on the dependent variable. The independent variable is the experimental counterpart to a predictor variable. On the other hand a dependent variable is some aspect of the subject's behavior assessed to reflect the effects of the independent variable. The dependent variable is the experimental counterpart to a response variable.

There were various variables used by previous researchers on the study of Adopting, Convergence or implementing IFRS. Among those independent variables which was tested on their study are :- Government Policy, Capital Market, Company Size, Professional Bodies, level of educational & expertise, technical capacity, familiarity with IT challenges, tax law, absence of proper plan and dependent variables arose are adoption of IFRS, implement IFRS, mandatory IFRS adoption (Fikru, 2012; Teferi et al. 2016).

2.2.4 Variables of the study

In this study in order to addressed the research questions and objective, independent variables those were availability of Capital Market in the country & Current Educational Level of the country, lack of professionals association, level of awareness about Accounting & financial issues and legal system of the country, that will affects the dependent variable, that mean fully adoption of IFRS in the country with case of local Banks was investigated.

- **IFRS Adoption**

International Financial Reporting Standards (IFRS) are standards for reporting financial results and are applicable to general purpose financial statements and other financial reporting of entities. IFRS adoption is the only dependent variables of the study and intended to investigate due to its newness & complex nature.

- **Capital market**

Capital market here is referred to a market for securities (debt or equity), where business enterprises and governments can raise long term funds.

The main reason on which capital market was to be the independent variable of this study due to its impact on fully adoption of IFRS, particularly related to fair value measurement.

- **Accounting Education**

Practical implementation of IFRS requires adequate technical capacity among preparers and users of financial statements, auditors and regulatory authorities. Countries that adopting IFRS faced a variety of capacity-related issues, depending on the approach they took.

The main reason on which current level of Accounting Education was to be one of the independent variables of this study, due the required technical & practical knowledge in related to complex nature of the standards & requirements to fully adoption of IFRS.

- **Professional Bodies**

According to Mir and Rahman (2005), the existence of professional accounting bodies is a major factor that drives the decision to adopt IFRS. Similarly, Aljifriand Khasharmeh (2006), and Chamisa (2000), showed that professional bodies play important roles in IFRS adoption in developing countries.

The main reason on which Existence of Professional Association was to be one of the independent variables of the study, due to providing the required related consultant & training that will help the successful fully adoption of IFRS.

- **Level of Awareness**

Attitude will affect behavioural intention. Nevertheless, attitude toward IFRS ranges from a total opposition to broad acceptance and accelerated adoption (Yichelal, 2013).

The main reason on which Level of Awareness & attitude regarding IFRS adoption was to be one of the independent variables of this study, due to investigate the updated knowledge , Awareness & communication about the knowledge gap related to IFRS standards & requirements among Financial reporting preparers & users in fully adoption of IFRS

- **Legal Systems**

Legal systems have been directly associated with disclosure practices and variations in reporting incentives and earnings properties.

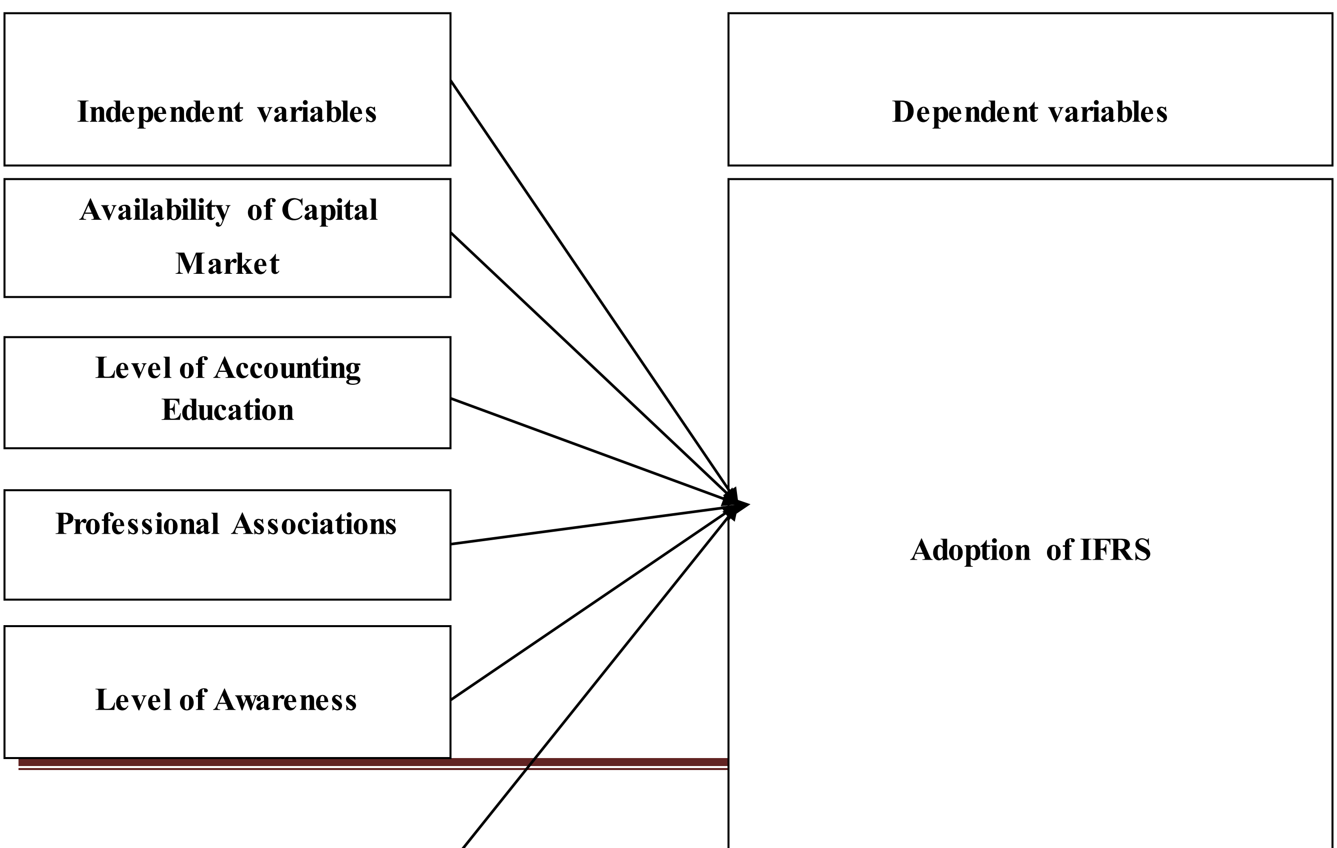
The main reason on which legal system of the country was to be one of the independent variables of this study was to examine the influences of current financial related regulation of the country on fully adoption of IFRS.

2.2.5 Conceptual framework of the study

Miles and Huberman (1994) defined a conceptual framework as a visual or written product, one that explains, either graphically or in narrative form, the main things to be studied the key factors, concepts, or variables and the presumed relationships among them. The goal of a conceptual framework is to categorize and describe concepts relevant to the variables of study and map relationships among them. Predictor and response variables within the context of experimental research, it is more common to speak in terms of independent variables and dependent variables. An independent variable is that variable whose values or levels the experimenter selects to determine what effect this independent variable has on the dependent variable. The independent variable is the experimental counterpart to a predictor variable. A dependent variable is some aspect of the subject's behavior assessed to reflect the effects of the independent variable. The dependent variable is the experimental counterpart to a response variable.

There are four main sources for the modules that you can use to construct a conceptual framework for your study your experiential knowledge, existing theory and research, your pilot and exploratory research, and thought experiments.

Figure 2.1. Conceptual framework of the study



Legal System of the country

Source: Mohamed (2014) with some modification related to the variables of the study

In this study the dependent variable is fully adoption of IFRS, while the independent variables are availability of Capital Market, Professional associations, current Educational level of the country, and level of Awareness about IFRS.

2.2.6 Summary and Gap in Literature Review

As evident from the literature review of this study, a number of studies carried out in different countries have highlighted the factors that affect effective IFRS Adoption, such as availability of active capital markets, accounting professional, legal aspect of the country & level of Awareness of the financial statement preparers & users regarding IFRS. In addition prior researchers discuss about the benefits that will derive from adoption of IFRS, and also the challenges from adopting it. Adoption of IFRS has a number of important benefits for a wide range of stakeholders such as, increased comparability of consolidated financial statements, increased levels of transparency, and other stakeholders would benefit from overall better reporting and information. And also IFRS implementation will be a difficult task and has many challenges; literature revealed that more complex financial reporting requirements, fair value measurement & required detailed disclosures availability of resources with expertise in IFRS, amendments to regulatory requirements and tax laws; and impact on IT systems were the major ones.

Therefore, this study makes an attempt to bridge this gap and elaborated the impacts of the major factors in associate with fully adoption of IFRS of commercial banks in Ethiopia.

CHAPTER THREE

METHODOLOGY OF THE STUDY

3.1 Introduction

The research methodology section of the study introduced major activities of the research strategy, the research design and describes the methodology were used in order to conduct the study.

The discussion in this chapter was structured around the research design, population of the study, sampling method and sample of the study, data collection, and data analysis. Ethical considerations, validity of the study and measures to provide trustworthiness were also discussed in this section.

3.2 Research Design

The main objective of this study was investigating the factors that affect fully adoption of IFRS, and discuss the benefits derived and challenges face in fully Adopting of IFRS in Ethiopia. To properly accomplish the research objective, the study used the mixed method research approach. This enables to better understand of a research problem & properly investigate the findings by combining both numeric values from quantitative research data and detail description for qualitative research data.

3.3 Sampling Techniques & Procedures

Sampling is the process of choosing from a much large population, a group about which the researcher wishes to make statements so that the selected part will represent the total group.

Among different available sampling Techniques the researcher of this study decided to use Purposive Expert Non probability sampling technique, for the reason of obtaining proper information from accounting specialists of the sample banks who are knowledgeable about IFRS and accounting standards.

Purposive Expert Sampling calls for experts in a particular field to be the subjects of the purposive sampling. This sort of sampling is useful when where there is currently a lack of specific knowledge, experience, awareness & observational evidence. Expert sampling is a positive tool to use when investigating new areas of research (Etikan, Musa, & Alkassim, 2016)

The goal of purposive sampling is not to randomly select units from a population to create a sample with the intention of making generalizations (i.e., statistical inferences) from that sample to the population of interest. It is a nonrandom technique that does not need underlying theories or a set number of informants. Simply put, the researcher decides what needs to be known and sets out to find people who can and are willing to provide the information by virtue of knowledge or experience (Lewis & Sheppard 2006).

3.4 Population of the Study

A population in research is the total of all the individuals who have certain characteristics and are of interest to a research objective, includes all individuals or objects within a certain population usually have a common binding characteristic or trait.

According to the information from National Bank of Ethiopia the total of eighteen Banks that are currently operating in the country among their the researchers purposively selected one Government & four Private Banks by considering their homogeneity character and their convenience to obtain information within the specific time period, which were Commercial Bank of Ethiopia (CBE), Dashen Bank S.C, United Bank S.C, Abyssina Bank S.C & Abay Bank S.C.

The main reason why banks to be the target population of this study because as part of major public interest reporting entities (it includes Banks & Insurance companies) are obligated to adopt IFRS in the first stage starting from June 2016 G.C and finally completion of transition as of June 2018 G.C in accordance to the country IFRS implementation plan established by Accounting and Auditing Board of Ethiopia. Also the Banks common character (Homogeneity), as well as the availability of more accounting educated professionals into Banks than other organization which was help the researcher to obtain appropriate response regarding the topic & objective of the study was the other issues that researcher selects Banks to this study.

Accordingly, the target population of this study were Finance officers, Accountants & Auditors from the sample Banks. The very reason for accounting professionals to be the only target population was due to their expertise back ground, relevance and better knowledge to IFRS and local reporting practices since they are the preparers and the auditors of the financial statements and this enables the researcher to obtain better information.

3.5 Sampling Size Determination

Sample size of this study were based on mathematical determination of sample size formula in the case of the target population is unknown, on 95% confident level which is acceptable for social science study, 5% acceptable magnitude of error, and 20 % of proportion by considering the homogeneity of the total target population.

Accordingly the sample size of this study will be:

$$n = \frac{Z^2 P\ (1-P)}{e^2}$$

$$= \frac{1.96^2\ 0.2\ (1-0.2)}{0.05^2} = 245.86 = \textbf{246 respondents as a minimum}$$

Where,

- n is the minimum number of total Sample, with the assumption of equally distributed to the selected sample Banks
- Z, is Confidence Level (95% =1.96, as per table of area under normal curve for the given confidence level of 95%).
- P, is desired Proportion (20%), by considering the homogeneity of the total target population.
- e, is acceptable error in social science (5%)

3.6 Source of Data

The general aim of the study was to investigate the factors that affect fully adoption of IFRS, assess the Benefits derive & the Challenges face in adoption of IFRS in Ethiopia.

This study used both primary and secondary data. Primary sources of data for this study were interview, questionnaire, document review & observation. The main reason the researcher intended to use questionnaires & interview was to address the research question(s) & to obtain information regarding the factors that will affect the adoption of IFRS as well as information about its benefits & challenges which enables the researcher to accomplish the objective of the study. The previous studies used as references for this study questionnaire were (Fikru, 2012; Gyasi, 2010; & Siaga, 2012).

Secondary data is usually an existing data that has been collected or gathered by other researchers or authors and accepted as valid and has a direct or an indirect link with the study conducted. Secondary data may not have been collected for the same purpose or study been conducted. A secondary source data of the study was generated through a review of prior studies for the main purpose of comparison of the findings of this study with prior's results.

3.7 Methods of Data Collection

According to the objective of the study the researcher used survey data collection methods with questionnaires, interview, & from review of relevant documents.

Questionnaire

Questionnaires were distributed to Finance officers, Accountants and Auditors of the selected Banks, because they are deemed to be knowledgeable about IFRS and could provide important perspective on properly & fully adoption of it. The response is expected to help understand the factors that could explain the adoption IFRS by Ethiopian Banks and expected benefits and challenges of International Financial Reporting Standards both for the Banks and the country at large.

The main reason of using Questionnaire in this study was to address the research question(s) and to obtain information directly related to the primary objective of the study, investigating the factors that affect the adoption of IFRS, specify its benefits & challenges. And the researcher intended to use both closed ended and opened ended questionnaire. Closed ended questionnaire presents the options to the respondents to select their opinion among the options. On the other hand with respect to the open ended questionnaires the respondents asked to provide open ended responses to the questions that require their specific opinion. Mixed questionnaires have many merits the most important of this advantage is its considerable flexibility (McNabb, 2005).

The respondents were asked to indicate their level of agreement on a five point Likert scale with the following ratings. Strongly agree (value 5), agree (value 4), neutral (value 3), disagree (value 2), and strongly disagree (value 1). The reasons behind employing Likert-type scales are it is useful to obtain respondent's feelings or opinions, and to give participants a range of options to choose and therefore increase the response rate (Mitchell and Jolley, 2009).

The internal validity of a research study was the extent to which its design and the data it yields allow the researcher to draw accurate conclusions about the relationships within the data. The researcher believes that this study was reliable since the respondents were provide their opinion based on their past experience on the study area and their answers was expected to be credible. Furthermore, ambiguous terms were not used in questionnaire to avoid confusion. They were also asked to give their consent. And also the researcher presents questions that were directly related to the topic & objective of the study as well as confirms to use the respondents opinion for purpose of this study only. So according to the researcher view it is reliable & valid.

Interview

Semi structured interview with financial and Audit managers of the sample Banks were conducted to obtain their opinion & information regarding the factors that affecting adoption of IFRS, its benefits & challenge. The researcher allowed the interviewee with some degree of flexibility at the time of interviewing to providing their view on freewill.

The main reason of using interview in this study was to obtain additional information directly related to the primary objective of the study, investigating the factors that affect the adoption of IFRS, specify its benefits & challenges.

The researcher believes that this study was reliable since the respondents provided their opinion based on their past experience on the study area and their answers expected to be credible. They were also asked to give their consent. And also the researcher used questions that are directly related to the topic & objective of the study as well as confirms to use the respondents opinion for purpose of this study only. So according to the researcher view it was reliable & valid.

Document Review

The review of documents helped the researcher to understand the key facts of the issues. The documents will be review by referring most recent information from authorized documents and different reports.

The document reviews was used to test the data collected through questionnaires and interviews. The researchers used any important information that obtained from field work should utilize for this study only after prior consent of the organization as well as to utilize the information which was obtained for the purpose of this study only.

3.8 Validity of the Study

Validity refers to the degree to which a study accurately reflects the specific concept that the researcher is attempting to measure or describe. In order to keep the validity of the study, researchers concerned with both external and internal validity. Internal validity refers to the extent to which the researcher can demonstrate that is reliable and adequate evidence for the statement. External validity on the other hand stands for the extent to which the conclusion is generalized to the population.

This study used multiple sources of data including document review, interview and questionnaire that helps to cross validate the data. Since questions tested up on their clarity, understandability and significant conclusions were states using those questions, it adds both to the internal and external validity of the study.

In order to keep the validity of the study the researcher selected representative respondents which was familiar with the issue and are experts in the field, which enhance the external validity of the result.

3.9 Method of Data Analysis

In this study in order to address the research questions, objective of the study on which investigate relationship among variables the research was designed to follow a mixed method.

To this end, both qualitative and quantitative data analyses were used. Data collects by using questionnaire was analyzed through both Descriptive & inferential statistics, and conducted analysis through used of SPSS ver. 20. In related to inferential statistics to investigate the relationships between each independent & dependent variables of the study & perform significant & Hypothesis test, employed the regression analysis & Pearson correlation regarding the independent and dependent variables relationship & ANOVA results. Measures of central tendency (mean and standard deviation) were also used to analyze the qualitative data were collected. And also, data collected from the interview and reviews of documents were interpreting qualitatively through descriptive analysis.

MULTIPLE CORRELATION AND REGRESSION

When there are two or more independent variables, the analysis concerning relationship is known as multiple correlations and the equation describing such relationship as the multiple regression equation. It is statistical tool that allows examining how multiple independent variables are related to a dependent variable.

Accordingly, regarding to the independent & dependent variables of the study, the model of this study was:-

$$\boxed{IFRS = \beta 0 + \beta 1CM + \beta 2\ EL + \beta 3PA + \beta 4AW + \beta 5LE + Ei}$$

Where:-

IFRS = Fully Adoption of IFRS (Dependent variable of the study)

β0 = constant or intercept

CM = Availability of Capital Market (an independent Variables)

EL = Current Accounting education level of the Country (an independent Variables)

PA = lack of Professional association (an independent Variables), and

AW = level of awareness about IFRS (an independent Variables)

LE = Legal system of the country that can be affect IFRS adoption (an independent Variables)

β1= the coefficients for Availability of Capital Market

β2= the coefficients for Accounting education level

β3= the coefficients for Professional association

β4= the coefficients for level of awareness

β5= the coefficients for Legal System

Ei = Error factor

Source: Fikru, (2012) & Zakari (2014) with modification depends on the variables of this study

3.10 Research Ethical Consideration

Ethical consideration in Research focus on the methods by which information is gathered and the way the information is conveyed to the interesting audience. Ethical Norms promotes the roles of research, such as the acquisition of knowledge, the pursuit of the truth and avoidance of errors. Other Ethical consideration include confidentiality, respect the respondent's idea & compliance with laws and government Polices. In this regard the study was considered the following ethical related issues:-

- Respondents in this study were selected entirely voluntary and fully informed about the objective of the study.
- The participants respond for this study was been confidential and use for the intended purpose only.
- And also the research findings represents only observed from data which was collected.

3.11 Operationalization definition

Accounting Standard: is a principle that guides and standardizes accounting practices.

Capital market: is referred to a market for securities (debt or equity).

Communication: This is the transfer of information from one point to another either electronically or non-electronically, with the information being understood by the receiver.

Data: Data are facts, events and transactions, observations that describe a particular phenomenon.

Frame work: - is a real or conceptual structure intended to serve as a support or guide for the building of something that expands the structure into something useful.

Globalization: is the process of international integration arising from the interchange of world views, products, ideas and other aspects of culture.

In developing countries: In developing countries as those countries that have low and middle incomes.

Information: Information is a data that has been processed. It is also referred to data that have a particular meaning within specific context.

International Financial Reporting Standards (IFRS): the new set of standards and has been issued by the International Accounting Standards Board (IASB).

International Accounting Standards Board (IASB): is the independent, accounting standard-setting body of the IFRS Foundation. (Sources for definition, Abbas et al. 2007; Barry & Eva, 2010; Barth, 2007; IAASB, 2008; Kosonboov, 2004; World Bank, 2002).

CHAPTER FOUR
DATA ANALYSIS AND PRESENTATION

4.1 Characteristics of the Data that was Analysis & Response rate

A data required for this study was collected from various sources. A total of 246 structured questionnaires which dealt with the Factors Affecting Adoption of International Financial Reporting Standards (IFRS), its Benefits & challenge were distributed to Accountants, Finance Officers & Auditors of a sample Ethiopian Banks, which were Commercial Bank of Ethiopia (CBE), Dashen Bank, United Bank, Abyssinia Bank and Abay Bank, all are in the road to adopt this international standard. However, only 198 questionnaires were collected and out of which 179 were usable responses, overall response rate of 73%. The Survey instrument was attached in the Appendix.

The survey analysis was based on those 179 respondents who respond to question properly, and a careful analysis of the responses obtained from the respondents through accurate questionnaire administered, the hypotheses formulated were tested, and the model of this study also tested. For this, Statistical analysis for Social Sciences (SPSS) version 20 was used to perform statistical analysis and testing the various hypotheses through the Pearson correlation with a value of five percent level of significance that corresponds to a ninety five percent confidence level, which was accepted for social science studies.

In addition to those questionnaires, the researchers also conducted personal interviews with three Finance Directors & one Audit Directors from the sample Banks who had been willing. The researcher had also use secondary data such as, Proclamation, regulation, IFRS implementation Road map and the banks web-site in order to have a better insight about the issue.

4.2 Descriptive Statistics of Data Collected through Questionnaire

4.2.1 Respondents Profiles

Descriptive statistics were used to analyze the background information of participants such as years of experience & Educational level.

Table 4.1 Gender of Respondents

Gender	Frequency	Percent
Female	56	31.3
Male	123	68.7
Total	179	100.00

Source: Researchers Survey Result (Appendix No. 3.1of SPSS version 20outputs)

As shown on the above Table No 4.1, Out of total 179 respondents 68.7% of the respondents were Male and the others 31.3 % of the Respondents were Female.

Table 4.2 Education Level of the Respondents

Education Level	Frequency	Percent
Diploma	5	2.8
BA	154	86.0
MA	20	11.2
Total	179	100.00

Source: Researchers Survey Result (Appendix No. 3.2 of SPSS version 20outputs)

As can see from Table 4.2 above, out of total 86% of the participants were Bachelor Degree holders and 11.2 % of the respondents have Master's Degree. Only 5% the Respondents are in the lower education level compare to the remaining respondents, which mean they were Diploma holders. This shows the education level of the research sample is significantly good.

Table 4.3 Working Experience of the Respondents

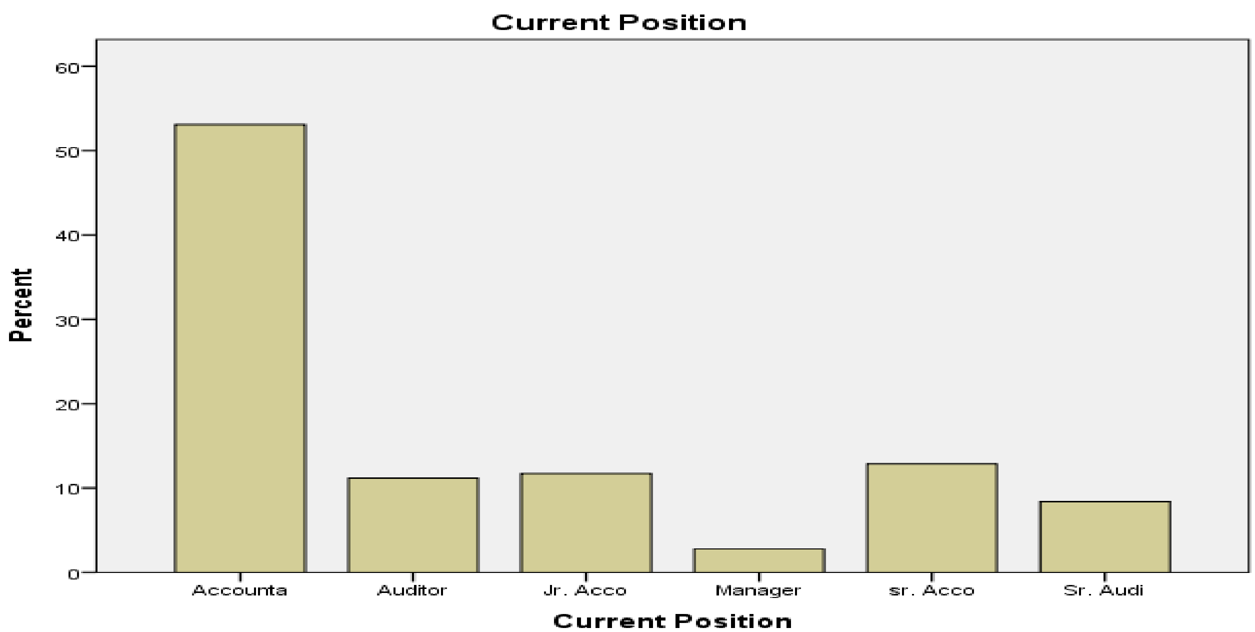
Working Experience	Frequency	Percent
Less than 5 Years	54	30.1
6 to 10 Years	104	58.1
11 to 15 Years	13	7.3
16 to 20 Years	5	2.8

Over 20 Years	3	1.7
Total	179	100.00

Source: Researchers Survey Result (Appendix No. 3.3of SPSS version 20outputs)

As per table 4.3 of above, the Majority of the Participants which mean 58.1% of the respondents were between six to ten years' working experience, while 30.1% of the participants have working experience of less than five years, the other 7.3 % of the respondents have working experience of between eleven to fifteen years, the participants who have sixteen to twenty years' experience are 2.8% and the remaining 1.7% of the respondents with working an experience of over twenty years.

Figure 4.1 Current Position of the respondents



Source: Researchers Survey Result (Annex No. 4 output of SPSS Version 20)

As can see from Figure 4.1 above in related to Current position of the Respondents, the largest group of respondents which mean out of total participant 53.1% were an Accountant or Finance Officers, the next majority of the participants from sample Banks that mean 12.8 were Sr. Accountants or Sr. Finance Officers, this is followed by the group of respondents that were Jr. Accountants or Jr. Finance Officers with 11.7 %, Auditors & Sr. Auditors from sample Banks out of the total Respondents were 11.2% & 8.4% respectively, the remaining participants of this study were Division Managers on which out of total respondents with the percent of 2.8% only.

When analyzing the demographic information of the respondents who were participated in this study, majority of the participants which responding questionnaires of the study were male. And almost all of them, except only 2.8 % of the participants have at least first degree in Business fields, particularly in accounting & Finance. Majority of the respondents who participate in this survey also worked more than five years in banks in Ethiopia. In addition, all of the respondents of the study were currently working in either Finance or Audit department of Banks in Ethiopia. These imply that the respondents of this study have better knowledge & working Experience to provide significant & important information for issues of this study, and this was the good opportunity for the researcher to better findings & conclusion.

4.2.2 Factors Affecting Adoption of IFRS in Ethiopia

In this section of the study, a dependent variable of the study which was Adoption of IFRS against the five independent variables which were Unavailability of Capital Market, Level of Accounting Education, existence of accounting professional Associations, Level of Awareness & attitude regarding Adoption of IFRS & Legal system of the country in related to impacts on fully adoption of IFRS was investigated through survey result.

Table 4.4 Summery of Descriptive statistics one for variables of the study

Factors	Mean	Standard deviation	Mean score ranking	Skewness	Kurtosis
Unavailability of Capital market	4.18	0.601	3rd	-0.092	-0.378
Level of Accounting Education	4.26	0.564	1st	-0.028	-0.435
Existence of Professional Body	3.96	0.554	5th	-0.019	0.293
Level of Awareness about IFRS	4.23	0.572	2nd	-0.038	-0.360
Legal system of the country	4.04	0.648	4th	-0.288	0.261

Source: Researchers Survey Result (Appendix No. 4.1of SPSS version 20outputs)

4.2.2.1 Unavailability of Capital Market

In this study five factors which could potentially influence the successful adoption of IFRS were considered and the results are shown in Table 4.4 & 4.5 above.

Table 4.5 Summery of Descriptive statistics two for variables of the study

Factors	Level of agreement				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Frequency	Frequency	Frequency	Frequency	Frequency
Unavailability of capital market			19	109	51
Level of Accounting Education			11	110	58
Existence of Professional Body			31	124	24
Level of Awareness about IFRS			13	111	55
Legal system of the country		2	28	110	39

Source: Researchers Survey Result (Appendix No. 4.2-4.12 of SPSS version 20outputs)

Respondents were asked to give their opinion whether currently unavailability of capital market with in the country affect fully adoption of IFRS.As shown in table No 4.4 & 4.5 above, the majority of the respondents were agreed that the first independent variable of the study which was unavailability of Capital market will affect the fully adoption of IFRS in Ethiopia with the mean and standard deviation of 4.18 & 0.601 respectively and the mean score ranking of 3th compare with the remaining four factors, which were Level of Accounting Education, existence of accounting professional Associations, Level of Awareness & attitude regarding Adoption of IFRS & Legal system of the Country.

Respondents Opinion to the above capital market related item implies that unavailability of capital market will affect fully adoption of IFRS in connected to the required fair value measurement under IFRS. The findings of this study in related to relationship between Capital Market and fully adoption of IFRS was consistent with the conclusion of previous related studies which were carry out (Abate, 2015 ; Fikru, 2012; and Zegal & Mehadi, 2006).

4.2.2.2 Accounting Education

Respondents were asked about the current statues of Accounting Education in linked to its influence on IFRS fully Adoption. In the assumption of Current Accounting Education directly affect educational as well as practical issues of adopting IFRS, almost all of the respondents stated their agreement with mean, standard deviation & mean score ranking of 4.26, 0.564 & 1st respectively.

This indicates that respondents were assumes that the current accounting education & existing Accounting curriculum will affect the fully adoption of IFRS in the country. The findings of this study in related to impacts of current Accounting Education on fully adoption of IFRS was supported by previous related studies carry out (Matthew, 2015; Iyoha & Jimoh, 2011).

4.2.2.3 Professional Association

Accounting professionals from sample Banks also asked about influence of the lack of professional association in the country to fully adoption of IFRS. For related items, which was lack of existing professional association in the country will be the basic challenge on effectively adopting of IFRS, majority of the respondents provide an agreement on this issues also. According to survey result the mean, standard deviation & mean score ranking were 3.96, 0.554 & 5thin relation with the remaining four factors (See table No 4.4 & 4.5 above).

This implies that lack of professional association in the country to be one of the major factor that will affect properly & successfully adoption of IFRS in the near future in connection to their support to the successful conversion of IFRS through providing related training & consultant. The finding of this study was also consistent with a number of prior empirical evidences forwarded by different authors (Matthew, 2015; Mir & Rahman, 2005); and Chamisa, 2000).

4.2.2.4 Level of Awareness and attitude regarding IFRS Adoption

The respondents of this study were asked regarding the other independent variables, level of awareness & attitude impact on fully adoption of IFRS. Accordingly, respondents were requested their level agreement of disagreement on the assumption of level of awareness regarding IFRS will be the basic challenge in the process of fully adoption of IFRS, and all most all respondents stated their agreement. The survey result indicates that the mean, standard deviation & mean score ranking in terms of the remaining four independent variables were 4.23, 0.572 & 2nd position respectively (See table No 4.4 & 4.5 above).

This implies that there have significant relationships between Level of Awareness regarding IFRS & the successful Adoption of IFRS. The findings of this study in related to level of Awareness about IFRS against fully adoption of IFRS was consistent with the findings of previous related study forwarded by Matthew (2015).

4.2.2.5 Legal system of the country

Finally in related the remaining independent variable of the study, legal system of the country, respondents were asked their opinion about the assumption of the existing country tax system, financial regulation & other legal issues will affects the adoption of IFRS, and the majority of the respondents stated an agreement. The survey result of the mean, standard deviation & mean score ranking of the respond for this item were 4.04, 0.648 & 4th when compare with all five independent variables related responses (See table No 4.4 & 4.5 above).

This also implies that financial related legal system of the country will affect the successful adoption of IFRS. The finding of this study in related to the implication of Legal system on successful Adoption of IFRS was consistent with the findings of previous related studies carry out by Sharif (2010); Shelefer & Vishny (2003).

In addition as the result of survey outcome shown on table 4.4 above, indicates that the minimum Skiwness & Kurtosis of Negative 0.288 & 0.435 respectively and maximum Skiwness & Kurtosis of negative 0.019 & positive 0.293 respectively, which was in the accepted level. And also confirmed that the Respondents Agreement level in related to independent variable of the study against their impact on fully adoption of IFRS in Ethiopia almost similar.

To conclude the descriptive statistic result in related to the independent variables influence on successful adoption of IFRS in Ethiopia, the mean and standard deviation for the five factors related independent variables of the study with responses with five point Likert scale shown a minimum of mean 3.96 and a standard deviation of 0.554, and a maximum of mean 4.26 and a standard deviation of 0.648 respectively. Since the mean & standard deviation score for all the independent variables related items were greater than 3.0, & the standard deviation less than 1.00, according to susian , Nigal & Ana (2015) it could be argued that most of the respondents agree with the questions and the respondents opinion were close to one another.

4.2.3 Benefits from adopting of IFRS

The respondents were asked to provide their opinion regarding the benefits realize through Adoption of IFRS in the country, discuss on this issues was one of the objectives of this study. Four items were distributed to research participants to obtain information regarding benefits recognize from IFRS adoption in Ethiopia.

Table 4.6 Summery of Descriptive statistics one about Benefits from IFRS Adoption

Benefits	Level of Agreement				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Frequency	Frequency	Frequency	Frequency	Frequency
IFRS helps to provide useful & accurate information			19	117	43
IFRS enables to obtain reliable & comparable Financial Statements		1	23	117	38
IFRS helps to improves Management information for decision making		1	36	114	28
Adoption of IFRS enhances transparency of Banking Operation through better		3	33	119	24

reporting					

Source: Researchers Survey Result (Appendix No. 5.2 to 5.6 of SPSS version 20 outputs.)

Table 4.7 Summery of Descriptive statistics two Benefits realize from IFRS Adoption

Benefits	Mean	Standard deviation	Skewness	Kurtosis
IFRS helps to provide useful & accurate information	4.13	0.575	-0.002	-0.087
IFRS enables to obtain reliable & comparable Financial Statements	4.07	0.600	-0.185	0.404
IFRS helps to improves Management information for decision making	3.94	0.616	-0.114	0.094
Adoption of IFRS enhances transparency of Banking Operation through better reporting	3.92	0.617	-0.384	0.833

Source: Researchers Survey Result (Appendix No. 5.1 of SPSS version 20outputs)

Respondents were asked their opinion about Adoption of IFRS can improve the efficiency of Banks Financial reporting & it helps to provide useful & accurate information, the majority of the respondents with mean & standard deviation of 4.13 & 0.575 respectively provide an agreement (See table 4.6 & 4.7 above). This implies that the Banks Financial Reporting will improve in terms of its usefulness & reliability through adopting IFRS, so this will be one of the benefits that can be realize by IFRS adopting.

The respondents also requested their response regarding financial statements Prepared based on IFRS are reliable & Comparable, the majority of respondents either agree or strongly agree with mean & standard deviation of 4.07 & 0.600 respectively (See table 4.6 & 4.7 above). This can indicate that Financial Statements prepared based on IFRS will be reliable & comparable as the other benefits that will derive through IFRS Adopting.

The majority of the respondents with mean & standard deviation 3.94 & 0.616 respectively, also either agree of strongly agree with the argument of IFRS helps to improves management information for decision making (See table 4.6 & 4.7 above). This also implies that the other benefit from adopting of IFRS wills improvement in Management information that can use to critical decision making.

Finally related to benefits realize from adopting IFRS related question to respondent was, Adoption of IFRS enhances transparency of banking operation through better reporting, with mean & standard deviation of 3.92 & 0.617 respectively provides an agreement for the same assumption (See table 4.6 & 4.7 above). This also indicates that transparency of banking operation through better reporting is one of major benefits to stake holders enhanced through IFRS related better reporting after fully adoption.

The overall Minimum & Maximum mean result of benefits related questions of the study were 3.92 & 4.13 respectively and Minimum & Maximum standard deviation result the same items were 0.575 & 0.617 (See 4.7 above). This implies that IFRS adoption will provide many benefits to companies and its stakeholders with the mean result of more than 3.00, and were the respondent's opinion were close to one another with standard deviation of less than 1.00. According to (Susan et al. 2015), the mean result of the items were more than 3.00 & standard deviation of less than 1.00, that can show agreement with the issues with the respondents and were the respondents opinion were close to one another.

4.2.4 Challenges from Adoption of IFRS as well as Fair value & disclosures under IFRS

The other objective of this paper was show the challenges in relation to adoption IFRS in the country, to address this the respondents of this study were also asked to provide their feeling regarding challenges in fully adoption of IFRS. Seven questions were distributed to research participants to obtain information regarding challenges that will face in connection to IFRS adoption in Ethiopia.

Respondents were asked their agreement level about Adoption of IFRS can increase the complexity of financial reporting especially due to fair value measurement & required disclosures, almost all respondents shown their agreement with the mean & standard deviation of the survey result of 4.21 & 0.587 respectively (See table 4.8 & 4.9 below). This indicates that complexity of financial reporting particularly due to the required fair value measurement & mandatory financial disclosures are one of the major challenges face that facing on the adoption of IFRS.

Table 4.8 Summery Descriptive statistics one about Challenges face on IFRS Adoption

Challenges	Level of Agreement				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Frequency	Frequency	Frequency	Frequency	Frequency
IFRS Increase the complexity of Financial Reporting			16	110	53
Using & ascertaining fair Value of Assets& liabilities without capital market if difficult			17	110	52
IFRS will be the case to volatility of Earnings			19	129	31
There is lack of Qualified People to provide IFRS related trainings	4	54	99	20	2
IFRS increase the complexity of Financial reporting Audit		1	9	112	57
Auditors are not familiar with techniques used ascertain fair value result	1	45	105	28	
Management intervention in evaluating the value of Assets	18	46	101	10	4

Source: Researchers Survey Result (Appendix No. 6.1 to 6.8 of SPSS version 20outputs)

Respondents were asked their opinion about using & ascertaining of fair value of assets & liabilities without an active market is difficult, the majority of the respondents stated their agreement with mean & standard deviation of 4.20 & 0.591 respectively (See table 4.8 above & 4.9 below). This implies that financial statements preparing & ascertaining with the use of fair value without an active stock market will the basic challenge face on the adoption of IFRS.

Table 4.9 Summery of Descriptive statistics two about Challenges face on IFRS Adoption

Challenge	Mean	Standard deviation	Skewness	Kurtosis
IFRS Increase the complexity of Financial Reporting	4.21	0.587	-0.074	-0.355
Using & ascertaining fair Value of Assets& liabilities without capital market if difficult	4.20	0.591	-0.077	-0.351
IFRS will be the case to volatility of Earnings	4.07	0.526	0.080	0.609
There is lack of Qualified People to provide IFRS related trainings	2.79	0.711	0.142	0.430
IFRS increase the complexity of Financial reporting Audit	4.26	0.572	-0.240	0.554
Auditors are not familiar with techniques used ascertain fair value result	2.89	0.649	-0.019	-0.316
Management intervention in evaluating the value of Assets	2.64	0.825	-0.100	0.689

Source: Researchers Survey Result (Appendix No. 6.1 of SPSS version 20outputs)

The next item presents to the respondents were required their agreement level in concern to IFRS will be the case to increase volatility of earnings, especially due to fair value measurement, provisions held to Bad Loans & impairment loss. Majority of the participants agree or strongly agree with the mean & standard deviation of 4.07 & 0.526 respectively (See table 4.8 & 4.9 above). This implies that volatility of periodic earnings will increase after IFRS adoption particularly fair value measurements, provisions & impairment loss as the challenge for organization due to transition on new standards & requirements.

Respondents were also asked their opinion regarding the argument of lack of people qualified to provide IFRS related training, and it will be the major challenge in the adoption of IFRS, only few of the participants states their agreement & the majority of the respondents stated neither agreement or disagreement, to be neutral with the mean & standard deviation of 2.79 & 0.711 respectively (See table 4.8 & 4.9 above). This implies there is no major problem related to qualified people to provide IFRS related trainings, and this are not the major challenge will face on adoption of IFRS into the country.

The next item on which includes questionnaires of this study was asked respondents their feeling related to IFRS increases the complexity of financial reporting related Audit especially due to ascertain fair value measurement , almost all respondents agree or strongly agree with the item with the mean & standard deviation of 4.26 & 0.572 respectively (See table 4.8 & 4.9 above). This indicates that Financial reporting Audit will be complex under IFRS particularly related to ascertain fair value measurement and will be the one challenge due to IFRS adopting.

Respondents also were asked their opinions in the issues of auditors are not familiar with the techniques used to ascertain fair value measurement, and according to survey result only few of the respondents agree& the majority became neutral with the mean & standard deviation of 2.89 & 0.649 respectively (See table 4.8 & 4.9 above). This indicates that either Auditor are familiar with the techniques used to ascertain fair value measurement or no new techniques needs to verify under IFRS , accordingly this was not the basic challenges in fully adoption of IFRS.

Finally the respondents were asked their agreement level concerning Management intervention in evaluating the fair values of an asset or liability will be the challenge related to IFRS, and very few of the respondents was agree or strongly agree and the majority of the respondents became neutral on this issue with the mean & standard deviation of 2.64 & 0.825 respectively (See table 4.8 & 4.9 above).

The respondents of this study agree with four items as the challenge on adoption of IFRS with the Minimum & Maximum mean result of were 4.07& 4.26 respectively and Minimum & Maximum standard deviation result the same were 0.526 & 0.591 respectively (See table 4.9 above). According to (Susan et al. 2015), the mean result of the items were more than 3.00 & standard deviation of less than 1.00, that can show agreement with the issues with the respondents and were the respondents opinion were close to one another.

This implies that complexity of Financial Reporting related to IFRS, Using & ascertaining fair Value of Assets & liabilities without capital market, Expected volatility of periodic Earnings after IFRS adoption, complexity of financial reporting Audit particularly due to fair value measurement after IFRS adoption are the major challenges will face through fully adoption of IFRS.

On the other hand the respondent's opinion on survey result there is no lack of Qualified People to provide IFRS related trainings, Auditors are not face challenges with techniques used ascertain fair value result and are not the major challenges face on IFRS adoption.

4.3 Results of Interview & Related Document Review

The objective of this study was to examine factors that affect fully adoption of IFRS, and discuss the related benefits & challenges from adopting of IFRS. The results of responses from interviews which were conducted with Finance & Audit Directors of sample Banks who became willing are summarized and presented as follows. Almost all interviewees agreed that Unavailability of capital market in the country, Current Level of Accounting Education, Existence of Professional Association in the country, Financial Reporting preparers & users Awareness & Attitude regarding IFRS & legal system of the country particularly tax system of the country & NBE directive related to recognition of provision for Bad loan influence fully Adoption of IFRS, mainly major public interest reporting entities that are expected to implement at the first stage of the implementation period starting 2016/17.

The respondents also showed that IFRS adoption may have many benefits to users of Financial reporting, Auditors, Investors, Government, Employees & others stakeholders through improving quality of Financial reporting, increasing transparency of operation by better reporting, improves management information for decision making and improve efficiency of Financial Reporting. In addition According to the interviewee's response, the benefits of fair value over historical cost through fully adoption of IFRS to provide accurate information for financial statement users because that fair value figures to some extent can be reliable rather than historical cost for decision-making reasons. And also some of respondents believed that the implementation of IFRS will helps to enhance foreign direct investment (FDI), improved financial statement disclosure and this enables interested stake holders to obtain detailed information about the organization performance, this also helps the preparers to provide additional information to fulfill the demands of financial reporting users.

On the other hand, in related to challenges facing by adopting of IFRS, all most all interviewees agreed that, Adoption of IFRS increase the complexity of financial reporting, difficulties on utilizing & ascertaining fair value Accounting, Volatility of earnings after fully adopting of IFRS, lack of IFRS related resources as the main challenges. In addition some issues that arise by interviewees as challenges, such as high implementation cost especially in related to consultant fee & related training costs, Our culture to accepted changes , worry about the fair value measurement of assets & liabilities, influences on investors' confidence due to disclosed of more information on reporting, IFRS knowledge gap, and expected time consuming process to prepare financial statement particularly due to fair value measurement & required disclosures will be the challenges will face fully adoption of IFRS. In addition Current Accounting curriculum of the country, managing stake holder's expectations regarding IFRS, lack of measurement of fair value are also will factors that affect the process of implementing IFRS across the country.

In related to the process of adopting IFRS on banks in Ethiopia according to survey observation from interview, the biggest Bank in the country, Commercial Bank of Ethiopia (CBE) have been provides more attention to adopt IFRS, to accomplish its vision beyond government requirement regarding implementation of IFRS. Accordingly the information obtained from interviewees the bank had been invites five of very popular consultant in the world regarding to consult in the process of Adoption & implementation of IFRS, and except one other agreed to consult & submitted the required proposal documents. And executive

Management of the bank establishes technical evaluation team to assess the information which was submitted by those consultants & provide their conclusion that helps the management to select & approves the one to consult the bank starting from July 2016 G.C. As per the Bank plan the main duties and responsibilities of the consultant are identify gaps among the existing & required knowledge about IFRS, Propose necessary changes in policies, manuals, guidelines, and procedures, Proceed implementation testing on IFRS, Prepare comparative figures of financial statements, Create awareness sessions and provide adequate trainings to the performers on the new system.

The researcher also observed on the interview & documents review of the study, the government of Ethiopia established the Accounting and Auditing Board of Ethiopia through the financial reporting proclamation, regulation no 332/2014 is issued by the Council of Ministers by defining the powers and duties of the Board.

Accordingly, Accounting and Auditing Board of Ethiopia prepared & distributed road map for implementing IFRS in Ethiopia to all banks through the bankers association, its revealed that major public interest reporting entities that are expected to implement at the first stage of the implementation period starting for the year 2016/ 17 G.C.

This implies that all major public interest reporting entities expected to implement at the first stage of the implementation period starting July 2016, must provide training, select & hire Consultants, establish IFRS Project team , identify gaps and assess the impact of IFRS on financial reporting, propose and approve necessary changes in policies, manuals, guidelines, and procedures up to December 2016 G.C.

And then Prepare opening balances of balance sheet items in accordance with IFRS as of January 2017, and Prepare comparative figures of financial statements as of July 2017. And consequently, Prepare Quarterly reports in accordance with IFRS in the year 2017 budget year, Auditing works on the new system on internal & External Auditors, Communicating full information on the impact of the transition to newly implemented IFRS & Finally in June 2018 must full transition to IFRS.

And also based on the requirement which was set by the Ethiopian Accounting and Audit Board road map & Ethiopian Bankers Association decision for the same, some banks established a task force that will facilitate the implementation of IFRS as well as begins providing related necessary trainings which helps the smoothly and effectively implement the IFRS across the bank industry within the official deadline.

4.4 Inferential Statistics

4.4.1 Model Assumption Test

According to classical liner regression theory, a model is said to give economically intuitive result if it is free of serial correlation, multi linearity & normality problems. Based on this the researcher conducted a test of serial correlation, Multi linearity test & Normality Test.

Serial correlation test

If the Durbin Watson Statistic (D.W) can up to zero to four, on which statistics has value two indicates there is no serial correlation to the model, if D.W less than two there is positive serial correlation and ifD.W close to zero indicates perfect positive serial correlation. And if D.W greater than two, there is negative serial correlation andif it is close to four perfect negative serial correlation. That is a D.W value of 1.5 to 2.5 is desirable in any model to say it is free from serial correlation (Richard, 2015).

According to table No 4.10 below, the model of this study was free from serial correlation with the D.W value of 1.94, it was close to two. This indicates that the study model within the acceptable D.W value range & close to perfect positive serial correlation, which was between the desirable interval of between 1.5 and 2.5, and we can conclude that our model is free of serial correlation.

Multi co linearity test

Multi colinearity problem mainly affects our model by making some independent variables insignificant while they actually significant. Multi co linearity most of the time may occurs in a model but it becomes an issue if it severe. Multi co linearity test mainly checked by a system called variance inflation factor (VIF). In this case, a model is said to suffering from

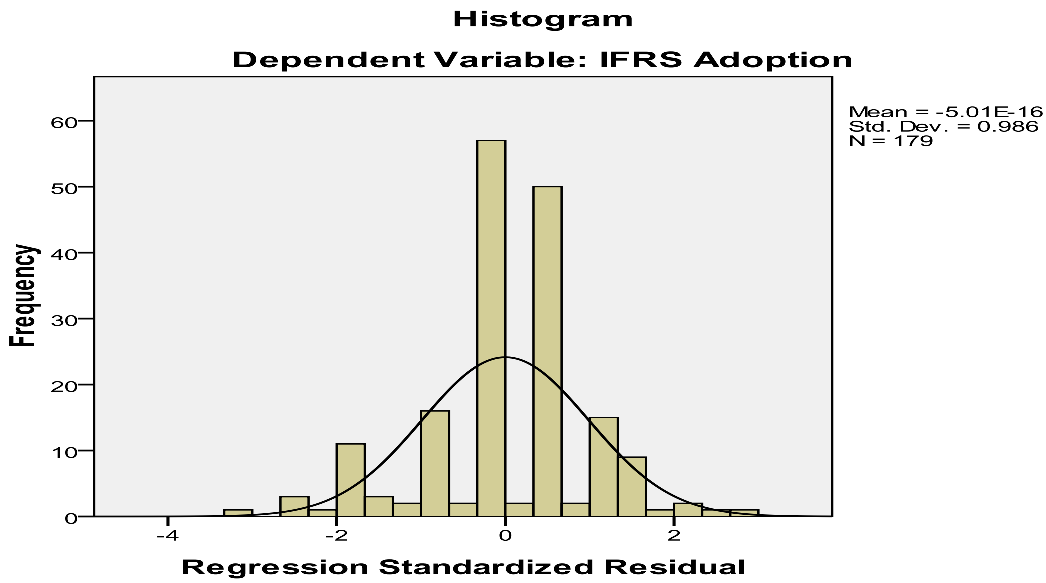
Multi co linearity problem if the VIF is greater than 10 (Richard, 2015). Based on this, since our model VIF is less than two we can conclude that model of the study free of Multi co linearity problem (see table No 7.2 below).

Normality test

Normality test will help to determine whether the data used is normal, and therefore, that this assumption is met in your data for statistical tests. The approaches can rely on visual inspection or statistical tests. Graphical interpretation has the advantage of allowing good judgment to assess normality in situations when numerical tests might be over or under sensitive, but graphical methods do lack objectivity. If do not have great deal of experience to interpreting normality through graphically view, it is probably best to rely on the numerical methods. When visualize the fit of the normal distribution, examine the probability plot and assess how closely the data points follow the fitted distribution line. Normal distributions tend to fall closely along the straight line. Skewed data form a curved line.As we can confirmed by visual inspection of the histogram of survey result from SPSS 20 above, our residuals seem normally distributed which means our model is free of normality problem.

And also Normality distributed of the study also confirmed by result of Skewness & Kurtosis. Skewness is a measure of symmetry, or more precisely, the lack of symmetry. A distribution, or data set, is symmetric if it looks the same to the left and right of the center point. The one on the left is positively skewed. The one on the right is negatively skewed. That mean a positive skewness value indicates positive (right) skew; a negative value indicates negative (left) skew (Pallant, 2013).

Figure 4.2 – Histogram with normal curve plotted (SPSS output)



Kurtosis is a parameter that describes the shape of a random variable's probability distribution. Kurtosis characterizes the relative peakedness or flatness of a distribution compared to the normal distribution. Positive kurtosis indicates relatively peaked distribution. Negative kurtosis indicates a relatively flat distribution As the kurtosis statistic departs further from zero, a positive value indicates the possibility of a leptokurtic distribution (that is, too tall) or a negative value indicates the possibility of a platykurtic distribution (that is, too flat, or even concave if the value is large enough). A positive kurtosis value indicates positive kurtosis; a negative one indicates negative kurtosis (Pallant, 2013).

According to Pallant (2013), applying the rule of thumb of dividing each value by its standard error (Std. Error), gives both well within ±1.96 limits, suggesting that the departure from normality is not too extreme

Accordingly on survey result shown on table No 4.4 above, related to the factors that affect IFRS adoption indicates that the minimum Skiwness & Kurtosis of a negative 0.288 & 0.293 respectively and maximum Skiwness & Kurtosis of negative 0.019 & positive 0.293 within the accepted level of ±1.96 limit. This also confirmed that the normality of the data in this study was within accepted level.

4.4.2 Inferential Statistics of Model of the study

As it was stated the responses of this study that was gathered from Accountants, Officers & Auditors from sample Ethiopian banks (Commercial Bank of Ethiopia, Dashen Bank, United Bank, Abyssinia Bank & Abay Bank), and analyzed with use of both regression model for quantitative nature of data collected and to descriptive statistics used for qualitative data that was analyzed above in this section. According to survey result Table 4.10 below shows the results of the regression model. The result reveals that there has a significant relationship between independent variables of this study, Capital Market, Level of Accounting Education, Existence of Professional Association, Level of Awareness regarding Adoption of IFRS & Legal system the country and dependent variable that was adoption of IFRS.

4.10 Summary of regression model for Variables

Variable	Regression Coefficient	Sig. (P-value)	t-Value	Pearson Correlation coefficient
Constant	-0.789	0.006	-2.796	1.000
Capital Market	0.221	0.000	5.046	0.424
Level of Accounting Education	0.203	0.000	4.126	0.474
Existence of professional association	0.216	0.000	4.409	0.487
Level of Awareness regarding IFRS	0.272	0.000	5.238	0.608
Legal system of the Country	0.306	0.000	6.868	0.636

R	R square	Adjusted R square	Sig	D.W
0.822	0.676	0.666	0.000	1.94

Source: Researchers Survey Result (Appendix No. 7.1 to 7.3 of SPSS version 20 outputs)

As shown in the above tables (table No 4.10), the total five independent variables were tested in this study and P-value of all independent Variable at almost zero, for social science studies were statistically significant at P-Value 5% percent or lower.

This indicates that significance of model of the study in addition to investigation analysis of each independent variable below and post model test presents above.

Accordingly the Model of this study was:-

Adoption of IFRS = 0.22 CM + 0.20 EL + 0.22 PA + 0.27 AW + 0.31 LE + -0.79

Where:-

IFRS = Fully Adoption of IFRS (Dependent variable of the study)

$\beta0$ = constant or intercept with the value of negative 0.79 above

CM = Availability of Capital Market (an independent Variables)

EL = Current Accounting education level of the Country (an independent Variables)

PA = lack of Professional association (an independent Variables), and

AW = level of awareness about IFRS (an independent Variables)

LE = Legal system of the country that can be affect IFRS adoption (an independent Variables)

As can observe from the model all independent variables are positively related and highly significance with dependent variable, which reveals our independent variables increases by one unit the dependent variable will also increase by the specified coefficients.

We can also observed that the independent variables of this study (availability of Capital Market, Level of Accounting Education, Existence of Professional Association, Level of Awareness regarding Adoption of IFRS & Legal system the country) have a significant effect on the dependent variable (IFRS Adoption), with a p-value of less than 0.05 (almost zero for all variables of the study). This indicating that, the model used for the study is significantly good enough in explaining the variation on the dependent variable.

In addition, as shown in the table above, both R2 and adjusted R2 measure the fitness of the model, they measure the proportion of the variation independent variable explained by the model. Thus, as it was shown on table 4.10 above, the value of adjusted R2 is 0.667, indicating that the independent variables in the model are explaining 67% variation on the dependent variables. Thus, we can understand that the model of the study was providing a good fit to the data. This outcome empirically indicates that the independent variables in this study are the major determinants of IFRS adoption.

4.4.3 Regression Analysis of variables of the study

Capital Market

In this study, both the correlation and the regression result shown there was a significant positive relationship between capital market and adoption of IFRS. As it is presented on table 4.10 above, the correlation result shows that a significant correlation between capital market and IFRS adoption with Pearson correlation coefficient of 0. 424 and regression result also shows a significant relationship between capital market and IFRS adoption, with a regression coefficient of 0.221, t-statistic of 5.046 and P-value of at almost zero level.

Thus, from the result can conclude that unavailability of capital market have a significant relationship with IFRS Adoption, and will influences the fully adoption of IFRS. The implication of this finding is unavailability of capital market in the country will affect fully adoption of IFRS particularly in related to the required fair value measurement. The findings of this study in related to relationship between Capital Market and fully adoption of IFRS was consistent with the previous related study's conclusion which were carry out by (Fikru, 2012; Zegal & Mehadi, 2006; & Abate, 2015).

Level of Accounting Educational

As we can show on table 4.10 above, there is a positive correlation between adoptions of IFRS adoption and accounting education level with a Pearson correlation coefficient of 0.474 and the regression correlation coefficients between education level and adoption of IFRS reveals that significant positive relationship with a regression coefficient of 0.203, t-statistic of 4.126 and P-value at almost zero. This indicates that Accounting education & existing Accounting curriculum of the country will significantly affect the adoption of IFRS.

This finding of the study indicates that Accounting Education & fully Adoption of IFRS have direct positive relation & lack of the Accounting Education & Existing Accounting Curriculum based on GAAP will have strong implications on fully adoption of IFRS. The findings of this study in related to impacts of Accounting Education on fully adoption of IFRS was supported by previous related studies carry out by Matthew (2015); Iyoha & Jimoh (2011).

Existence of Professional Bodies

As shown on table 4.10 above , there is a positive correlation between adoption of IFRS and professional bodies with a Pearson correlation coefficient of 0.487 and the regression result also shows that a significant positive relationship between IFRS adoption and Accounting professional bodies, with a regression coefficient of 0.216, t-statistic of 4.409 and P-value of at almost zero. This indicates that lack of professional bodies' in the country will affects the fully adoption of IFRS, particularly they helps the organization through providing consultant service & related training in connection to IFRS.

This implies that Professional Association & fully Adoption of IFRS have significant relationship & Lack of Professional Bodies in the country will affect fully adoption of IFRS in connection to their expected important through providing related consultant & training service regarding IFRS standards & requirements. The finding of this study was also consistent with a number of prior empirical evidences forwarded by (Matthew, 2015; Mir & Rahman, 2005; & Chamisa, 2000).

Level of Awareness & Attitude Regarding IFRS Adoption

As it was shown on table 4.10 above, there is a positive correlation between adoption of IFRS and level of Awareness & attitude regarding IFRS with a Pearson correlation coefficient of 0.608 and a regression coefficient of 0.272, t-statistic of 5.238 and P-value at almost zero. This indicates that Level of awareness & attitude regarding IFRS have a positive relationship and significantly influences the process of IFRS adoption.

This also implies that level of awareness & attitude regarding fully adoption of IFRS will be one of the major barriers that will affect the successful adoption of IFRS in the country. The findings of this study to investigating the relationship between level of Awareness regarding IFRS Adoption and its impact on fully adoption of IFRS was consistent with the findings of previous related study forwarded by Matthew (2015).

Legal System of the Country

As shown on table 4.10 above, there is a positive correlation between adoption of IFRS and legal system of the country with a Pearson correlation coefficient of 0.636, a regression coefficient of 0.306, t-statistic of 6.868 and significant level result of almost zero. This indicates that existing Financial related Legal system of the country significantly affects the adoption of IFRS, and will be the related factor.

This implies that Legal System of the country & fully Adoption of IFRS have significant positive relationship & fully adoption of IFRS may require some amendments on existing financial related laws & regulation. The findings of this study in related to investigating the implication of legal system one fully adoption of IFRS was consistent with the findings of previous related studies carry out by (Sharif, 2010; and Shelefer & Vishny, 2003).

4.4.4 Hypothesis Test

Hypothesis testing performs with the main purpose of either to reject the null hypothesis (HO) and accepts the alternative hypothesis (H1), or rejects the alternative hypothesis & accepts the null hypothesis. Accordingly execute hypothesis test of this study to either reject the null hypothesis (HO) of the study, which states that there is no significant relationship between dependent Variable of the study, IFRS Adoption & each independent Variables, Capital Market, Level of Accounting Education, Existence of Professional Association, Level of Awareness regarding Adoption of IFRS & Legal system of the country and accepts the alternative hypothesis (H1) which indicates there are significant relationship between dependent variable & independent variables of the study Or to accept the null hypothesis (HO) of the study and reject the alternative hypothesis (H1).

We can perform the rejection & acceptance issue linked to study hypothesis which was formulated in prior chapter related to each independent variables of the study through comparing calculated & tabulated F Values, and the decision criteria of the test if the calculated (statistics) value of F is higher than the tabulated value of F reject the null hypothesis (HO) & accept the alternative one (H1) by using the ANOVA table from survey result, or decided the same based on the respective significant level values on regression result.

Hypothesis I

H1: Financial Markets have great impact in adoption of IFRS, so it will be affect fully adoption of IFRS.

HO: Financial Markets have no great impact in adoption of IFRS, so it does not affect the fully adoption of IFRS.

Table 4.11: Summary of ANOVA Statistics

Variables	df1	df2	F Statistics	F Tabulated	Significant Level
Capital Market	1	177	38.73	6.78	0.000
Level of Education	1	177	51.29	6.78	0.000
Professional Association	1	177	55.06	6.78	0.000
Awareness level	1	177	103.89	6.78	0.000
Legal System	1	177	120.07	6.78	0.000

Source: Researchers Survey Result (Appendix No. 8 of SPSS version 20 outputs)

We can show from the table No 4.11 above, which was constructed from ANOVA table attached on the appendix part, the first independent variable of this study that mean availability of financial Market has strong significant positive impact on the dependent variable of the study which was IFRS adoption at significant value of almost zero, or calculated value of F-statistics was 38.73 was higher than F tabulated was 6.78 at one percent significance level.

Hence the null hypothesis (H0), Financial Markets have no great impact in adoption of IFRS was rejected and alternate hypothesis (H1), Financial Markets have great impact in adoption of IFRS was accepted.

This result was consistent with the previous related study's results which were carrying out by Zegal & Mehadi (2006).

Hypothesis II

H2: There are relationships between the country levels of accounting education & fully adoption of IFRS.

HO: There are no relationships between the country levels of accounting education & fully adoption of IFRS.

According to the table No 4.11 above, which was constructed from ANOVA table attached on the appendix, one of the independent variable of this study that was Level of Accounting Education & dependent variable of the study IFRS adoption have strong relationship with ANOVA significance result of almost zero, or calculated value of F-statistics of the variables was 51.29 was higher than F tabulated was 6.78 at one percent significance level.

Hence rejects the null hypothesis (H0), there are no relationships between the country levels of accounting education & fully adoption of IFRS and accepts alternate hypothesis (H1) of there are relationships between the country levels of accounting education & fully adoption of IFRS.

The result of this study is supported by the decision forwarded by the study of Iyoha and Jimoh (2011).

Hypothesis III

H3: There are relationships between the existence of professional accounting bodies & fully adoption of IFRS.

HO: There are no relationships between the existence of professional accounting bodies & fully adoption of IFRS.

According to the table No 4.11 above, Professional association &fully adoption of IFRS have strong relationship with significance p value result of almost zero, or calculated value of F-statistics of the variables on ANOVA table was 55.06 was higher than F tabulated was 6.78 at one percent significance level.

Hence rejects the null hypothesis (H0), there are no relationships between Accounting professional bodies & fully adoption of IFRS and accepts alternate hypothesis (H1) of there are relationships between Accounting Bodies & fully adoption of IFRS.

The finding of this test was also consistent with a prior hypothesis test forwarded by Matthew (2015); Mir & Rahman (2005).

Hypothesis IV

H4: There are relationships between level of awareness regarding IFRS & fully adoption of IFRS.

HO: There are no relationships between level of awareness regarding IFRS & fully adoption of IFRS.

As we can show on table No 4.11 above, Level of Awareness & Attitude regarding IFRS & fully adoption of IFRS have strong relationship with ANOVA significance p-value of almost zero, or calculated value of F-statistics of the variables on ANOVA table was 103.89 is higher than F tabulated was 6.78 at one percent significance level.

Hence rejects the null hypothesis (H0), there is no relationships between awareness & attitude regarding IFRS & fully adoption of IFRS and accepts alternate hypothesis (H1) of there are relationships between awareness & attitude regarding IFRS & fully adoption of IFRS.

The acceptance of the alternative hypothesis result of this study was consistent with the result of previous related study forwarded by Matthew (2015).

Hypothesis V

H5: There are relationships between legal system of the country & fully adoption of IFRS.

HO: There are no relationships between legal system of the country & fully adoption of IFRS.

As per table No 4.11 above, one of the independent variable of this study legal system of the country & the only dependent variable of the study fully adoption of IFRS have strong positive relationship with ANOVA significance result value of almost zero, or calculated value of F-statistics of the variable on ANOVA table was 120.07 was higher than F tabulated was 6.78 at one percent significance level.

Hence rejects the null hypothesis (H0), there is no relationships between legal system of the country & fully adoption of IFRS and accepts alternate hypotheses (H1) of there are relationships between legal system of the country & fully adoption of IFRS.

CHAPTER FIVE
CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The main objective of this study was to investigate the main factors that will influences the Adoption of IFRS in Ethiopia, as well as specify the potential benefits that will derive and related challenges that will face on fully adoption of IFRS.

The results in accordance to analysis in the previous chapter in terms of Data that was collected reveals that all factors which were investigates in this study (unavailability of Capital Market, Current level of Accounting Education, existence of Professional Association, level of Awareness & Attitude regarding IFRS & legal system of the country) will influences a fully adoption & implementation of IFRS in the country.

The Adoption of IFRS in Ethiopia will result in a number of important benefits for a wide range of stakeholders. Among the benefits on which realizes through Adoption of IFRS, enhancement on efficiency of financial reporting, improvements on reliability & comparability on Financial statements prepared based on IFRS standards, improvement on quality of Management information for decision Making and enhancement of transparency of the operation through better reporting are the major Ones. According to data analysis in previous chapter were also indicated that growth on FDI, utilization of fair value over historical cost for better Financial reporting & detailed information in the form of Accounting disclosures are the other benefits will obtains through adopting of IFRS.

On the other hand there are a number of challenges will be confront & must overcome those in the process of adoption of the new IFRS related standards & requirements. The challenges among others include, using & ascertaining fair value measurement in financial reporting without capital market in the country, Complexity of Financial reporting particularly due to fair value measurement, the required detailed Accounting disclosures, high potential volatility of earnings after adoption of IFRS , lack of professional association to provide consultant & training service associated to IFRS standards & requirements, implementation cost will incurred allied to consultant fee & related training costs, Our culture to accepted changes , worry about the fair value measurement of assets & liabilities, influences on investors' confidence due to disclosed of more information on reporting including confidential ones, IFRS related knowledge gap, and expected time consuming in the process to prepare financial statement under IFRS particularly due to fair value measurement & required disclosures will be the other challenges will face on fully adoption of IFRS. And differences on some financial related regulation of the country against IFRS standards, such as tax system of the country & regulation related to periodic provision to Bad debt against IFRS standards & requirements are also the other major challenges to be faced in the adoption of IFRS.

Accounting and Auditing Board of Ethiopia prepared a road map (time table) for Adopting IFRS in Ethiopia specifically for major public interest reporting entities that are expected to implement at the first stage of the implementation period starting 2016/ 17 G.C. And banks in Ethiopia must perform such activity that are important to successfully adopt IFRS which includes provide training, select & hire Consultants, establish IFRS Project team, identify gaps and assess the impact of IFRS on financial reporting, propose and approve necessary changes in policies, manuals, guidelines, and procedure up to December 2016 G.C.

Then Prepare opening balances of balance sheet items in accordance with IFRS as of January 2017 G.C, and Prepare comparative figures of financial statements as of July 2017 G.C. After that Prepare Quarterly reports in accordance with IFRS in the year 2017 G.C budget year, Auditing works on the new system on internal & External Auditors, Communicating full information on the impact of the transition to newly implemented IFRS & finally on June 2018 G.C must be achieved fully transition to IFRS through preparing Comparative Financial statements based on IFRS standards & requirements.

4.2 Recommendations

The study revealed that Adoption of IFRS has been influenced by many factors, such as availability of Capital Market, current level of Accounting Education, Existence of professional association, Awareness & attitude regarding adoption of IFRS & Financial related Legal system of the country.

On the other hand, IFRS adoption has appreciable positive effects as a benefit on financial reporting quality of the organization, and there are also a number of challenges will be faces in the process of adoption of IFRS related to standards & Requirements of IFRS.

Abstracting from the findings of the study, the paper makes the following recommendations:-

- Raising awareness on the potential factors which will be impacts the fully adoption of IFRS & establish frame work to overcome the challenges in connected to IFRS.
- The government and other concerned association & individual must be responsive & play the key role to establish at least one stock Market into the country, which will facilities the fair value related issues arises in associate to IFRS standards, in addition to other stock market benefits to the country economic growth.
- Effective coordination and communication among preparers and users of financial statements, auditors, regulators, educators and other stakeholders regarding the Adoption of IFRS and its practical implications on financial reporting.
- Identifying and communicating the Knowledge gap in connection of IFRS standards & requirements and must update this from time to time, and provide necessary related

training on time. Also update education, expertise, technical capacities of available staff in relation to IFRS standards & requirements

- Careful planning and allocation of resources, implementing a legal and regulatory support system with strong management system to help the effective adoption of IFRS.
- Continuous IFRS capacity building programs should be embarked upon by all regulatory bodies, firms and training institutions in order to provide the needed manpower for IFRS implementation.
- Accounting education, continuous & periodic training and literature in connection with IFRS standards & requirements also focus by concerned bodies. This includes upgrading accounting & Auditing education & proper curriculum development in connection to IFRS standards & requirements in order to ensure effective IFRS adoption.
- Extensive and on-going support with government & other concerned bodies for existing Professional Accounting Association to participate on IFRS adoption activities through providing related training & consultant.

5.3 Suggestion for Further Studies

The study focused mainly on the factors that will affect fully adoption of IFRS, its benefits & challenges. The study was conducted only on commercial Banks in Ethiopia. The results of the study established a significant relationship between IFRS Adoption & its factors on which will influences the successful Adoption. The study outcome suggested that there may also other factors that will influences the fully Adoption. A similar study could be done on either on similar sector or other sector on which enables to compare the outcome of those study with findings of this study as well as to determine those other factors that will affect IFRS Adoption.

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Appendix 1:-Questionnaire& Interview instruments used to collect Information

Dear Respondent

This questionnaire is being administered to collect data on the topic **"Factors affecting adopting of International Financial Reporting Standards (IFRS) of commercial banks in Ethiopia.** You are kindly requested to participate in this research and provide honest information on the questions asked. Your responses are important and the information will be strictly confidential. And request you to complete this questionnaire with your consent in accordance with instructions given.

Thank you very much for your cooperation.

Section 1:- Demographic information

The following questions needs to get general information about the Respondents. Please provide your response by ticking (√) in the appropriate boxes OR writing your view on the space provided (if required).

1. Gender:
   ☐ Female ☐
2. What is your highest level of education?
   ☐ Technical / vocational certificate (Diploma)
   ☐ Bachelor's degree ☐ Master's degree
   ☐ PhD Other (specify) ______________________________
3. Working Experience:
   ☐ Less than 5 years ☐ 6 to 10 years
   ☐ 11 to 15 years ☐ 16 to 20 years
   ☐ Over 20 years
4. Current position in your organization___________________________________

Section 2:- Factors affecting fully adoption of IFRS & General Information

Please kindly indicate the appropriate Response for your opinions by ticking (√) on the boxes from the options that range from strongly agree, Agree, Neutral, Disagree to strongly disagree OR writing your view on the space provided (if required).

(I) Factors Affecting Fully Adoption of IFRS

Factors	Scale				
A Unavailability of Capital Market	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
5. The absence of capital market in Ethiopia has negative impact on fully adoption of IFRS	☐	☐	☐	☐	☐
6. It is not a good time to adopt IFRS in Ethiopia, because of there is no Capital market in the country, especially for fair value measurement.	☐	☐	☐	☐	☐
B. Level of Accounting Education					
7. Weak accounting educational level of the country will be barrier for the fully adoption of IFRS.	☐	☐	☐	☐	☐
8. The lack of IFRS related resources directly impacts on educational as well as practical issues of adopting IFRS.	☐	☐	☐	☐	☐
9. Ethiopia has no adequate educated man power that will be help to adopt IFRS effectively.	☐	☐	☐	☐	☐
C. Professional Associations					
10. Lack of existing Professional association in the country will be a basic challenge for effectively adopting of IFRS.	☐	☐	☐	☐	☐
11. We have Lack of competent specialists and professionals bodies (to consult regarding IFRS) for fully and properly adoption of IFRS.	☐	☐	☐	☐	☐
D. Level of Awarness & Attitude					
12. Level of awareness regarding IFRS will be the basic challenge in fully adopting of IFRS	☐	☐	☐	☐	☐
13. There is lack of understanding about IFRS standards & requirements.	☐	☐	☐	☐	☐
E. Legal System of the country					
14. The country tax, Financial regulation & other legal issues will be negatively affect adoption of IFRS.	☐	☐	☐	☐	☐
15. The need of Renegotiation of Existing Contracts will be the major challenge in adopting of IFRS.	☐	☐	☐	☐	☐

(II) General Information

17. Adoption of IFRS will improve usefulness of Accounting information.	☐	☐	☐	☐	☐
18. Use of Fair value Measurement in preparation of statements under IFRS helps to provide useful and accurate information for economic decision making.	☐	☐	☐	☐	☐
19. Financial statements prepared based on IFRS are reliable and comparable	☐	☐	☐	☐	☐
20. IFRS helps to improves management information for decision making.	☐	☐	☐	☐	☐
21. Adoption of IFRS enhances transparency of Banking operation through better reporting.	☐	☐	☐	☐	☐

22. What other benefits from your viewpoint are occur from adoption of IFRS other than those mentioned above (if any)?

(I) ....

(II) ....

(III) ....

23. IFRS can increases the complexity of financial reporting, especially due to fair value measurement & required Accounting disclosures.	☐	☐	☐	☐	☐
24. Ascertaining the fair value of assets without an active market is difficult.	☐	☐	☐	☐	☐
25. IFRS will be the case to increase volatility of earnings, especially due to fair value measurement, provision for Bad Loans & Impairment loss.	☐	☐	☐	☐	☐
26. There is a lack of people qualified to provide IFRS related training in the workplace, it will be major challenge in the process of adopting IFRS.	☐	☐	☐	☐	☐
27. IFRS increases the complexity of financial reporting related Audit, especially due to fair value measurement & various Accounting disclosures required.	☐	☐	☐	☐	☐
28. Auditors are not familiar with the techniques used to ascertain fair value measurements.	☐	☐	☐	☐	☐
29. Management intervention in evaluating the fair values of an asset or liability is the most challenging task.	☐	☐	☐	☐	☐

30. What Other Major Factors from Your viewpoint would Challenges the adoption of IFRS,other than those mentioned above (if any)?

(I) ……………………………………………………………………

(II) ……………………………………………………………………

(III) ……………………………………………………………………

Reference for Questionnaires

1. Fikru, F. (2012), *The Adoption of International Financial Reporting Standards (IFRS) in Ethiopia: Benefits & challenge*. Addis Ababa University, Ethiopia
2. Gyasi, A. (2010), *Adoption of International Financial Reporting Standards in developing Countries, The case of Ghana*. Business economic & Tourism, Ghana
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Appendix 2:- Time schedule & Financial Plan

Time schedule has become appropriate to prepare work schedule and allocate budget for the proper execution of the study. By doing so, it is possible to manage the work flow and avoid irregularities and task missing. The time schedule of and budget allocated to the study are presents in table 1 and 2 respectively.

Time schedule

S/ No	Activity	Time allocated (months)				
		March 2016	**April 2016**	**May 2016**	**June 2016**	**Predecessor**
1.	Collecting Source Data & Decides on the Topic					
2.	Writing Introduction part					1
3.	Review of related literatures in detail.					2
4.	Collecting data.					3
5.	Data computation, analysis and interpretation of results.					4
6.	Finalizing the write up of the draft report, editing the draft report, and producing the final report.					5

Budget of the study		
S/No.	**Services/resources**	**Expenses (in ETB)**
1.	Internet fee and taxi fare for transport services while collecting data	2,000.00
2.	Payment to secretarial services like writing, printing, binding, etc.	2,800.00
3.	Library fee to be paid	350.00
4.	Miscellaneous expense.	650.00
	Total expenses	**5,800.00**

Appendix 3:- Descriptive Statistics of Demographic Information

Appendix 3.1 Descriptive Statistics of Gender of Respondents

Gender of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Female	56	31.3	31.3	31.3
Male	123	68.7	68.7	100.0
Total	179	100.0	100.0	

Appendix 3.3 Descriptive Statistics of Working Experience of Respondents

Working Experience

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than Five Years	54	30.2	30.2	30.2
6 to 10 Years	104	58.1	58.1	88.3
11 to 15 Years	13	7.3	7.3	95.5
16 to 20 Years	5	2.8	2.8	98.3
Over 20 years	3	1.7	1.7	100.0
Total	179	100.0	100.0	

Appendix 3.4:- Descriptive Statistics of Current Position of Respondents

current Position

	Frequency	Percent	Valid Percent	Cumulative Percent
Accounta	95	53.1	53.1	53.1
Auditor	20	11.2	11.2	64.2
Jr. Acco	21	11.7	11.7	76.0

Manager	5	2.8	2.8	78.8
sr. Acco	23	12.8	12.8	91.6
Sr. Audi	15	8.4	8.4	100.0
Total	179	100.0	100.0	

Appendix 4.1:- Descriptive Statistics of Factors Affecting Adoption of IFRS

	N	Range	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
IFRS Adoption	179	2	4.25	.577	-.068	.182	-.415	.361
Impact of Capital Market	179	2	4.18	.601	-.092	.182	-.378	.361
Level of Accounting Education	179	2	4.26	.564	-.028	.182	-.435	.361
Lack of Existing Professional	179	2	3.96	.554	-.019	.182	.293	.361
Level of Awareness Regarding IFRS	179	2	4.23	.572	-.038	.182	-.360	.361
Effect of Country Legal Issues	179	3	4.04	.648	-.288	.182	.261	.361
Valid N (listwise)	179							

Appendix 4.2:- Descriptive Statistics of frequency table for Capital market one

Impact of Capital Market

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	19	10.6	10.6	10.6
	Agree	109	60.9	60.9	71.5
	Strongly Agree	51	28.5	28.5	100.0
	Total	179	100.0	100.0	

Appendix 4.3:- Descriptive Statistics of frequency table for Education level two

Level of Accounting Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	11	6.1	6.1	6.1
	Agree	110	61.5	61.5	67.6
	Strongly Agree	58	32.4	32.4	100.0
	Total	179	100.0	100.0	

Appendix 4.4:- Descriptive Statistics of frequency table for Professional Association One

Lack of Existing Professional

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	31	17.3	17.3	17.3
	Agree	124	69.3	69.3	86.6
	Strongly Agree	24	13.4	13.4	100.0
	Total	179	100.0	100.0	

Appendix 4.5:- Descriptive Statistics of frequency table for Level of Awareness one

Level of Awareness Regarding IFRS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	13	7.3	7.3	7.3
	Agree	111	62.0	62.0	69.3
	Strongly Agree	55	30.7	30.7	100.0
	Total	179	100.0	100.0	

Appendix 4.6:- Descriptive Statistics of frequency table for Legal system of the country one

Effect of Country Legal Issues

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	2	1.1	1.1	1.1
	Neutral	28	15.6	15.6	16.8
	Agree	110	61.5	61.5	78.2
	Strongly Agree	39	21.8	21.8	100.0
	Total	179	100.0	100.0	

Appendix 5.1:- Descriptive Statistics of the Benefits from adopting of IFRS

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Helps to provide accurate information	179	4.13	.575	-.002	.182	-.087	.361
Reliable & Comparable Statements	179	4.07	.600	-.185	.182	.404	.361
Improve Management Information	179	3.94	.616	-.114	.182	.094	.361
Enhances Transparency	179	3.92	.617	-.384	.182	.833	.361
Valid N (listwise)	179						

Appendix 5.2:- Descriptive Statistics of frequency table of the Benefits from adopting of IFRS one

Helps to provide accurate information

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	19	10.6	10.6	10.6
	Agree	117	65.4	65.4	76.0
	Strongly Agree	43	24.0	24.0	100.0
	Total	179	100.0	100.0	

Appendix 5.3:- Descriptive Statistics of frequency table of the Benefits from adopting of IFRS two

Reliable & Comparable Statements

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	.6	.6	.6
	Neutral	23	12.8	12.8	13.4
	Agree	117	65.4	65.4	78.8
	Strongly Agree	38	21.2	21.2	100.0
	Total	179	100.0	100.0	

Appendix 5.4:- Descriptive Statistics of frequency table of the Benefits from adopting of IFRS three

Improve Management Information

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	.6	.6	.6
	Neutral	36	20.1	20.1	20.7
	Agree	114	63.7	63.7	84.4
	Strongly Agree	28	15.6	15.6	100.0
	Total	179	100.0	100.0	

Appendix 5.5:- Descriptive Statistics of frequency table of the Benefits from adopting of IFRS four

Enhances Transparency

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	3	1.7	1.7	1.7
	Neutral	33	18.4	18.4	20.1
	Agree	119	66.5	66.5	86.6
	Strongly Agree	24	13.4	13.4	100.0
	Total	179	100.0	100.0	

Appendix 6.1:- Descriptive Statistics of the Challenges on adopting of IFRS

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Increases Complexity of Financial reporting as challenge	179	4.21	.587	-.074	.182	-.355	.361
Fair value Without active Market is as challenge	179	4.20	.591	-.077	.182	-.351	.361
Increase Volatility of Earnings as challenge	179	4.07	.526	.080	.182	.609	.361
Lack of qualified People to provide training as challenge	179	2.79	.711	.142	.182	.430	.361
Complexity of Financial Reporting Audit as challenge	179	4.26	.572	-.240	.182	.554	.361

Auditors are not familiar with techniques as challenge	179	2.89	.649	-.019	.182	-.316	.361
Management Intervention In Fair Values as challenge	179	2.64	.825	-.100	.182	.689	.361
Valid N (listwise)	179						

Appendix 6.2:- Descriptive Statistics of frequency table of the Challenge on adopting

Increases Complexity of Financial reporting as challenge

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	16	8.9	8.9	8.9
	Agree	110	61.5	61.5	70.4
	Strongly Agree	53	29.6	29.6	100.0
	Total	179	100.0	100.0	

Appendix 6.3:- Descriptive Statistics of frequency table of the Challenge on adopting of IFRS two

Fair value Without active Market is as challenge

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	17	9.5	9.5	9.5
	Agree	110	61.5	61.5	70.9
	Strongly Agree	52	29.1	29.1	100.0
	Total	179	100.0	100.0	

Appendix 6.4:- Descriptive Statistics of frequency table of the Challenge on adopting of IFRS three

Increase Volatility of Earnings as challenge

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	19	10.6	10.6	10.6
	Agree	129	72.1	72.1	82.7
	Strongly Agree	31	17.3	17.3	100.0
	Total	179	100.0	100.0	

Appendix 6.5:- Descriptive Statistics of frequency table of the Challenge on adopting of IFRS Four

Lack of qualified People to provide training as challenge

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	2.2	2.2	2.2
	Disagree	54	30.2	30.2	32.4
	Neutral	99	55.3	55.3	87.7
	Agree	20	11.2	11.2	98.9
	Strongly Agree	2	1.1	1.1	100.0
	Total	179	100.0	100.0	

Appendix 6.6:- Descriptive Statistics of frequency table of the Challenge on adopting

Complexity of Financial Reporting Audit as challenge

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	.6	.6	.6
	Neutral	9	5.0	5.0	5.6
	Agree	112	62.6	62.6	68.2
	Strongly Agree	57	31.8	31.8	100.0
	Total	179	100.0	100.0	

Appendix 6.7:- Descriptive Statistics of frequency table of the Challenge on adopting

Auditors are not familiar with techniques as challenge

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	.6	.6	.6
	Disagree	45	25.1	25.1	25.7
	Neutral	105	58.7	58.7	84.4
	Agree	28	15.6	15.6	100.0
	Total	179	100.0	100.0	

Appendix 6.8:- Descriptive Statistics of frequency table of the Challenge on adopting

Management Intervention In Fair Values as challenge

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	18	10.1	10.1	10.1
	Disagree	46	25.7	25.7	35.8
	Neutral	101	56.4	56.4	92.2
	Agree	10	5.6	5.6	97.8

Strongly Agree	4	2.2	2.2	100.0
Total	179	100.0	100.0	

Appendix 7.1:- ANOVA table for Model Testing

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	39.998	5	8.000	72.133	.000[b]
	Residual	19.186	173	.111		
	Total	59.184	178			

a. Dependent Variable: IFRS Adoption

b. Predictors: (Constant), Effect of Country Legal Issues, Impact of Capital Market, Level of Accounting Education, Lack of Existing Professional, Level of Awareness Regarding IFRS

Appendix 7.2:- Pearson Correlation Result Table

Correlations

		IFRS Adoption	Impact of Capital Market	Level of Accounting Education	Lack of Existing Professional	Level of Awareness Regarding IFRS	Effect of Country Legal Issues
Pearson Correlation	IFRS Adoption	1.000	.424	.474	.487	.608	.636
	Impact of Capital Market	.424	1.000	.060	.173	.286	.198
	Level of Accounting Education	.474	.060	1.000	.249	.383	.310
	Lack of Existing Professional	.487	.173	.249	1.000	.260	.348
	Level of Awareness Regarding IFRS	.608	.286	.383	.260	1.000	.415
	Effect of Country Legal Issues	.636	.198	.310	.348	.415	1.000
Sig. (1-tailed)	IFRS Adoption	.	.000	.000	.000	.000	.000
	Impact of Capital Market	.000	.	.214	.010	.000	.004
	Level of Accounting Education	.000	.214	.	.000	.000	.000
	Lack of Existing Professional	.000	.010	.000	.	.000	.000
	Level of Awareness Regarding IFRS	.000	.000	.000	.000	.	.000
	Effect of Country Legal Issues	.000	.004	.000	.000	.000	.

N	IFRS Adoption	179	179	179	179	179	179
	Impact of Capital Market	179	179	179	179	179	179
	Level of Accounting Education	179	179	179	179	179	179
	Lack of Existing Professional	179	179	179	179	179	179
	Level of Awareness Regarding IFRS	179	179	179	179	179	179
	Effect of Country Legal Issues	179	179	179	179	179	179

Appendix 7.3:- Liner Regression Result Table

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1	(Constant)	-.789	.282		-2.796	.006
	Impact of Capital Market	.221	.044	.231	5.046	.000
	Level of Accounting Education	.203	.049	.199	4.126	.000
	Lack of Existing Professional	.216	.049	.208	4.409	.000
	Level of Awareness Regarding IFRS	.272	.052	.269	5.238	.000
	Effect of Country Legal Issues	.306	.045	.344	6.868	.000

Appendix 8:- Survey Data for Hypotheses Test

Hypotheses I:-Capital Market Related

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.424[a]	.180	.175	.524	.180	38.730	1	177	.000	1.847

a. Predictors: (Constant), Impact of Capital Market

b. Dependent Variable: IFRS Adoption

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	10.625	1	10.625	38.730	.000[b]
1	Residual	48.559	177	.274		
	Total	59.184	178			

a. Dependent Variable: IFRS Adoption

b. b. Predictors: (Constant), Impact of Capital Market

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2		
1	.474[a]	.225	.220	.509	.225	51.285	1	177	.000	1.712

a. Predictors: (Constant), Level of Accounting Education

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	13.296	1	13.296	51.285	.000[b]
1	Residual	45.888	177	.259		
	Total	59.184	178			

Hypotheses III: -Professional Association

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.487[a]	.237	.233	.505	.237	55.055	1	177	.000	1.804

a. Predictors: (Constant), Lack of Existing Professional

b. Dependent Variable: IFRS Adoption

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	14.041	1	14.041	55.055	.000[b]
1	Residual	45.143	177	.255		
	Total	59.184	178			

a. Dependent Variable: IFRS Adoption

b. Predictors: (Constant), Lack of Existing Professional

Hypotheses IV: -Level of Awareness

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.608[a]	.370	.366	.459	.370	103.887	1	177	.000	1.683

a. Predictors: (Constant), Level of Awareness Regarding IFRS

b. Dependent Variable: IFRS Adoption

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.890	1	21.890	103.887	.000[b]
	Residual	37.295	177	.211		
	Total	59.184	178			

a. Dependent Variable: IFRS Adoption

b. Predictors: (Constant), Level of Awareness Regarding IFRS

Hypotheses V: -legal System

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.636[a]	.404	.401	.446	.404	120.070	1	177	.000	1.738

a. Predictors: (Constant), Effect of Country Legal Issues

b. Dependent Variable: IFRS Adoption

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.921	1	23.921	120.070	.000[b]
	Residual	35.263	177	.199		
	Total	59.184	178			

a. Dependent Variable: IFRS Adoption

b. Predictors: (Constant), Effect of Country Legal Issues