THE SIGNIFICANCE OF ADOPTING INTERNATIONAL FINANCIALREPORTING STANDARDS IN ETHIOPIA

SCHOOL OF GRADUATE STUDIES
SAINT MARY UNIVERSITY

By

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Advisor: Abebaw Kassie (PhD)

A THESIS SUBMITTED TO THE SCHOOL OF GRADUATES PROGRAM OF SAINT MARY UNIVERSITY IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF MASTERS OF ARTS IN MASTER OF ARTS DEGREE IN ACCOUNTING AND FINANCE

December, 2020

ADDIS ABABA, ETHIOPIA

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Approved by Board of Examiners

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Chairman	**Signature**	**Date**

DECLARATION

I, Bereket Wubshet, the undersigned person declare that the thesis entitled “The Significance of Adopting International Financial Reporting Standards in Ethiopia” is my original and submitted for the award of Masters of Arts in Master Of Arts Degree in Accounting and Finance, St Mary University at Addis Ababa and it hasn’t been presented for the award of any other degree. Under this study, fellowship of other similar titles of any other university or institution of all sources of material used for the study has been appropriately acknowledged and notice.

Bereket Wubshet	____________________	_________________
Candidate	Signature	Date

CERTIFICATION

This is to certify that Bereket Wubshet as properly completed her research work entitled "The Significance of Adopting International Financial Reporting Standards in Ethiopia" with my guidance through the time. In my suggestion, her task is appropriate to be submitted as a partial fulfillment requirement for the award of Master Of Arts Degree in Accounting and Finance.

Research Advisor

Abebaw Kassie (PhD)

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Signature and Date

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LIST OF ABBREVIATION AND ACRONYMS

ECXA	Ethiopian Commodities Exchange Authority
EU	European Union
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IFRS	International Financial Reporting Standards

ABSTRACT

The study aimed to assess the benefits of various stockholders of using and IFRS compliance and conformity to norms of acceptable behavior or accounting practices in Ethiopia. It applied both qualitative and quantitative research approach and descriptive research design. Both probability and non-probability sampling methods were used (purposive sampling for companies, accountants and probability method used for selection individuals from regulatory body). This study attended 78 % of responses rate as a total of 265 questionnaires were distributed and only 207 of them were filled and returned properly. The study found that IFRS in Ethiopia less contributed on greater access to capital, adaptability to changes in economic environment, information for control, robustness against manipulations, promotion of cross-border investment and lower cost of capital. IFRS in Ethiopia provided to enhance efficient capital allocation, easier access to financial reporting, strengthened and more effective capital market, understanding of risk and return, attract investors and having better access to the global markets. The overall benefit is the highest mean and legitimate and policy maker benefit are the lowest mean scores; the country are not effectively harvested the benefits of IFRS but investors, business organizations and regulatory bodies are being benefited through IFRS in Ethiopia. Thus, the study suggests that IFRS awareness creation campaign should be prepared for companies, auditors, professionals and others. In addition, much work should be done to effectively implement IFRS in Ethiopia to get best result in greater access to capital, adaptability to changes in economic environment, information for control, robustness against manipulations, and promotion of cross-border investment and lower cost of capital.

Key words: Capital, IFRS, Report

CHAPTER ONE

INTRODUCTION

1.1Background of the Study

International Financial Reporting Standards (IFRS) has been widely acceptable since 2001 after the International Accounting Standards Board (IASB) developed. For example, European Union (EU)member states dedicated to demanding IFRS for all listed corporations in their jurisdictions effective year 2005 (Karthik and Ewa, 2009). According to them the first IFRS was issued in 2003, by which time at least 19countries required compliance with the international standards. Since then, nearly 70 countries have mandated IFRS for all listed companies. Further, about 23countries have either mandated IFRS for some listed companies or allow listed companies to voluntarily adopt IFRS.

Tohmatsu (2010) reasoned out as value relevance is a distinctive feature of financial reporting that is desirable at least according to IASB. He also showed that where stock markets exist, in 123 jurisdictions, domestic listed companies are required to report according to IFRS while 95 worldwide jurisdictions require unlisted companies to report according to the provisions of IFRS. Even if understanding countries' adoption decisions can provide insights into the benefits and costs of IFRS adoption, most countries have been continued to require domestically developed accounting standards over IFRS, and this list includes some large economies like Brazil, Canada, China, Japan, India, and the US (Barth, 2008).Karthik and Ewa (2009) investigated why there isheterogeneity in countries' decisions to adopt IFRS; in other words, why some countries adopt They did not find evidence that levels of and expected changes in foreign trade and investment flows in a country affect its adoption decision: thus, they could not confirm that IFRS lowers information costs in more globalized economies. They found that a country is more likely to adopt IFRS if its trade partners or countries within its geographical region are IFRS adopters while others do not.

Here, we understood that IFRS has evolved into a global benchmark with many countries having already adopted it into their local regulations and more are still in the process of converging with IFRS. It is intended to investigate the degree to which financial reporting remains different, by country, even within the area of the world that has apparently IFRS (Karthik and Ewa, 2009).

With the aim of increasing private investment in its economy towards reaching its development and growth objectives, an initiative was taken by the Ministry of Finance and Economic Development(MOFED) in crafting a draft financial reporting proclamation of Ethiopia in 2011(Teferi and Pasricha, 2016). It was developed taking into consideration different points like to have a sound, transparent, and understandable financial reporting by entities and to establish a body that assumes regulatory responsibilities in financial reporting (Fikru, 2012). Succeeding that, the developed draft on financial reporting was approved and documented by the responsible government body for its final implementation on December 2014 on proclamation No. 847/2014 (Teferi and Pasricha, 2016 cited Federal Negarit Gazette, December 2014).

Fikru (2012) mainly suggested that Ethiopia as being no exclusion to the impact of economic globalization has now taken the initiative to develop and adopt the International Financial Reporting Standards to hold the benefits of having uniform IFRS when the international adoption of the standards accelerates, the amounts of changes to the standards are quickening. This poses challenges for companies, auditors and other members of society to keep up with the pace particularly in the banking industry. Thus, this study focused its analysis the significant of adopting a set of standards like IFRS can be more appealing for a country that do not have network effects at the regional and trade levels. This study is intended to analysis in the case of the IFRS adoption decision by a country like Ethiopia which has anticipated direct benefits over local standards.

1.2Statement of the Problem

It becomes critical for countries adopting the IFRS to take stock of the perceived benefits and challenges that come with IFRS adoption from stakeholders' perspective in order to effectively manage the accounting system of a nation as has been done in past studies. The effective administration of a nation's accounting system requires effective assessment and evaluation of its existing accounting practices (Singh & Newberry, 2008). Unambiguously, such analysis supports determine the worth of institutional compliance or conformity to institutional norms of acceptable international accounting behavior or practice (Ramanna&Sletten, 2014).

IFRS has been adopted in many nations as an important tool for standardizing international accounting principles and financial reporting in various Sub-Saharan Africa countries, Ethiopia was among the first to adopt the IFRS. At present Ethiopia is among other countries in Africa, with the likes of Botswana, Egypt, Ghana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Sierra Leone, South Africa, Tanzania, Zimbabwe, Swaziland and Uganda, to have adopted or converged to IFRS (Zori, 2011).Since the implementation of the IFRS in both developed and developing countries, there has been a growing interest in research in IFRS adoption and compliance among scholars and practitioners in the literature. In developing countries including Ethiopia, several research works has been done to enhance understanding of the IFRS adoption (Mbawuni, 2018).

Accordingly, various researches examined on effective implementation and sector specific. For example, Aytenew (2018) assessed challenges of practical implementation of IFRS in Ethiopia, evidence from banking sector, and Halefom (2018) assessed the adoption of IFRS in Selected Commercial Banks in Ethiopia. Others, various past studies have focused on IFRS compliance and disclosures in African countries (Zakari, 2014 and Agyei, 2013); very little research has been conducted regarding the worth of institutional compliance or conformity to institutional norms of acceptable behavior or practice (Mbawuni, 2018). Accordingly, a careful examination of the literature on IFRS in Ethiopia reveals it is valuable to study the benefit all social actors or stakeholders within the institutional network of IFRS working environment in Ethiopia. This study aims to clarify a clear idea of the benefits and need to identify various stakeholders as noted that accounting rules are not a neutral instrument for measuring but they are the results of a trial policy determined by the economic interests of stakeholders (Barth, 2008). These studies did not assess capital, transparency, cost, reporting and information and overall benefits for various stakeholders. Thus, this study incorporated capital, transparency, cost, reporting and information and overall benefits to private sector, government, public policy makers and regulatory bodies.

1.3Research questions

1.3.1 Main Research Question

The study attempted to answer the following major questions:

- What are the benefits of various stockholders of using IFRS compliance and conformity to norms of acceptable behavior or accounting practices in terms of capital, transparency, cost, reporting and information in Ethiopia?

1.3.2 Specific Research Questions

The study attempted to answer the following major questions:

1. What are the expected/legitimate benefits to IFRS adoption in terms of capital, transparency, cost, reporting and information in Ethiopia?
2. What are the benefits of IFRS adoption to different entities (business organization, investors, policy makers, regulators) in terms of capital, transparency, cost, reporting and information in Ethiopia?

1.4Objective of the Study

1.4.1 General Objective

- The general objective of this study is to assess the benefits of various stockholders of using and IFRS compliance and conformity to norms of acceptable behavior or accounting practices in terms of capital, transparency, cost, reporting and information in Ethiopia

1.4.2 Specific Objectives

The specific objectives of the study were:

1. To assess the expected/legitimate benefits to IFRS adoption in terms of capital, transparency, cost, reporting and information in Ethiopia
2. To assess the benefits of IFRS adoption to different entities (business organization, investors, policy makers, regulators) in terms of capital, transparency, cost, reporting and information in Ethiopia

1.5Significance of the Study

Within the advancement of standard accounting reporting, this study helps to present the benefit of IFRS that may promote the interests of shareholders. Without a doubt, managers have some latitude in the choice of accounting options as they look for utility maximization. Managers will be more likely to choose this study as they understand financial standards, book values and to increase the book value of equity. This study points out a delegation of authority from the principal to the agent. Each party is assumed to act so as to maximize his utility function. In this case, this study could be a mechanism to reduce conflicts of interest between the two parties. In addition, this study helps to how to recognition of assets and financial liabilities (including derivatives) at fair value, identify tougher rules on consolidation of entities, and helps to know new financial regulations emphasize the importance of corporate governance to influence the behavior of managers and to minimize the presentation of irregular accounting items by certain companies.

In addition, this study helps to reduce the magnitude of information asymmetry that is a constraint for powerful governance structures. It creates opportunistic behavior and produce richer information, present an efficient solution to attenuate information asymmetry problem among IFRS stockholders. Moreover, this study helps to understand international accounting standards on the information content of accounting figures. This study helps to understand published financial statements and promotes worldwide acceptance financial reporting standards. It also helps to understand standards board's responsibilities and acceptable interpretations of the provisions of IFRS. It also familiarizes numerous new useful, complex, confusing and/or expanding existing accounting frameworks. Finally, this study will be a significant endeavor in promoting international standard and creating well perceived financial environment in Ethiopian. Outstandingly, this study will be the input for further studies in similar researches for researchers who intend to undertake the same study. And it will be easily grasped for accounting and financial reporting and boosting investment decision as a reference. In general, this study will also be helpful to any business or industry managers, professionals, experts, academicians and other researchers when they employ effective practices and in filling the knowledge and experience gap on the concepts related to the benefit of IFRS.

1.6Scope of the Study

This study was encircled to understand the nature of IFRS in Ethiopia and to assess the benefits in using IFRS in terms of capital, transparency, cost, reporting and information. The scope of the study included the conceptual, geographical and methodological aspects.

This study assessed the international financial standard benefits for the benefit various stakeholders. Accordingly, it was based on the decision on attracting investment and financial support can bridge communication gap with stakeholders, attract more investments, and promote the uniformity in accounting language throughout the globe thereby enhancing the comparability of financial reports.

In addition, the study was confined to assessment of the IFRS benefits in Addis Ababa. The study did not include regional companies and industries interest, regional regulation and auditors benefits. Moreover, the study applied descriptive survey design and in the course of researching both primary and secondary data will be employed. With regard to the secondary sources various publications, books, and journals articles regarding the subject matter were included. Population of the study was companies, auditors, government and private concerned bodies and to achieve the research objectives, a well-designed five point like scale questionnaire, and close ended questions were prepared.

1.7Limitations of the Study

This research as conducted in Addis Ababa and applied information collected from limited sampled and actors involved in the sector in the study areas. Therefore, the study is restricted activities and their benefits in the indicated specific geographic location. Since IFRS is purposely for financial reporting, there a dune of a country must stem from various aspects. However, this study did not include the institutional capacity and commitment of accounting bodies, professional knowledge and experience of qualified accountants, including auditors, to express an opinion on the true and fair view of financial statements per IFRS.

1.8Organizations of the Study

In this study, the first chapter consists of the background and statement of the problem along with objective, significance, limitation and scope of the study. The next chapter includes literature review which is organized by theoretical concepts as well as and empirical literature reviews. The third chapter embraces methods of the study and it comprise from study approach and design including sampling methods, population, analysis method and ethical consideration. The fourth chapter of this study focuses on analysis part of the study that include empirical testing and discussion of the study. Finally, recommendation, summary and conclusion of this study are followed.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Literature Review

2.1.1 Overview

The theoretical review of this study is about the content of IFRS. This includes principles underlying the standards included in IFRS and the quality of financial statements information. The description of the general content of IFRS in this chapter will start by a brief presentation of its origin, followed by the purposes of this set of standards as defined in the conceptual framework for financial reporting.

2.1.1.1 Definition of Terms

IFRS are sets of Standards for the preparation of financial statements by business entities and IFRS areaccounting rules that are principle based, market oriented and globally recognized and accepted, and published torequire more extensive disclosure in comparison with prior standards, i.e. local generally accepted accounting principles (GAAP) (Okpala, 2012) and prescribe: (i) the items that should be recognised as assets, liabilities, income and expense; (ii)how to measure those items; (iii) how to present them in a set of financial statements; and (iv) related disclosuresabout those items (Pacter, 2015). IFRSs are principle-based accounting standards in contrast to GAAPs whichare rules-based.

IFRS are also mandatory pronouncements and comprising as International Financial ReportingStandards (IFRSs), International Accounting Standards (IASs), International Financial ReportingInterpretation Committee (IFRICs) and Standing Interpretation Committee (SIC). By 2015, 15 standardshave been issued by the board as International Financial Reporting standards (IFRS) and generally IFRS includes:15 IFRSs, 26 IASs, 14 IFRICs and 7 SICs until July 1, 2015(IFRS Foundation, 2015). IFRSs are developed bythe International Accounting Standards Board (IASB), which operates under the oversight of the IFRSFoundation.

2.1.1.2 Foundation of IFRS

The IFRSs are a result of a long story started in 1973. In that year, accounting standard setters of 10 countries including the United States of America and Great Britain created the International

Accounting Standards Committee (IASC), the ancestor of the actual International Accounting standard Board (IASB). The goal of the IASC was to reduce the differences between the accounting standards of the different countries in order to facilitate the comparison of accounting information of firms form these countries. This will remain the main purpose of the IFRS. During many years, the IASC tried to elaborate accounting standards that may be recognized and adopted by the international community. Regrettably, it was very difficult to motivate public authorities of the different countries to put the reduction of differences between their local accounting standards on their agenda.

The opening of boundaries in Europe and the development of a free trade zone and free movement of capital in the 80's and 90's increased the pressure to eliminate differences between different sets of accounting standards and even to harmonize them. To face this situation, the International Organization of Securities Commissions (IOSCO) which assembles the securities-markets agencies of several countries decide to join the IASC in his effort to harmonize local accounting standards. This collaboration led to the adoption of a set of International Accounting Standard (IAS) in 1998 which could be used for international securities transactions. In 2002 the FASB and the IASB signed the Norwalk Agreement. According to this agreement, in order to facilitate the comparison between the accounting numbers of countries using IFRS and those of American's firms, and make them compatible, both boards commit themselves to reduce the differences between US-GAAP and IFRS. In 2005 the IFRS became mandatory for listed companies in the European Union by decision of the European commission. Moreover, beside the European Union almost 100 countries decided to adopt the IFRS. However, the USA kept their US-GAAP and it became a major challenge of the IASB to convince American authorities to adopt the new international standards. In 2007, the Security Exchange Commission (SEC) decided to authorize foreign firms listed in the USA to present their annual report using IFRS. According to the "Norwalk Agreement" signed in 2002 the American Financial Accounting Standards Board (FASB) is still working together with the IASB to harmonize the IFRS and the US-GAAP (Dodiya, 2013).

2.1.1.3 The Purpose of IFRS

In order to develop common guidelines underlying the preparation and the presentation of financial statements, the IASB and the FASB have started a joint project in 2004 to develop a conceptual framework. This project is subdivided in 8 phases but this research will only focus on the first phase (Objectives and qualitative characteristics) for two reasons. First, this phase is the only completed phase of the project at this moment, and secondly, it is the most relevant phase for this research because it addresses the conditions to be met for useful financial statements for capital providers (present en future shareholders). The overall objective is to define a good basis for the elaboration of consistent and principle-based accounting standards. These standards should also be convergent according to the Norwalk Agreement (Zakari, 2014).

This overall purpose is further defined in the following goals:

- The conceptual framework should help the IASB and the FASB in their elaboration and amelioration of accounting standards.
- It should help the IASB and the FASB to attempt their objective of harmonization and convergence of the IFRS and US-GAAP
- It should help managers to prepare their financial statements according to the IFRS (and the US-GAAP). It should also help them to report transactions that are not addressed by an accounting standards yet
- The conceptual framework has also the objective to help accountants to evaluate the compliance of financial statements with the IFRS (and the US-GAAP)

It should finally help external users to understand and compare the financial statements prepared according to IFRS (and US-GAAP). Al these goals should be achieved when the joint project of the elaboration of the conceptual framework is completed. But for now, only the Phase a addressing the objectives and the qualitative characteristics of accounting information is completed (Aytenew, 2018).

2.1.1.4 Objectives of Accounting Information

According to the Phase A of the conceptual framework, the most important objective of financial statements is to provide useful information to external users starting by capital providers (actual and potential shareholders and creditors). This information should be accessory useful for other users not being capital providers. Capital providers need the information to make their capital allocation decisions and should be able to rely on the quality of the accounting information reported with respect of the framework (Feenstra, et al., 2000). Capital providers should be provided with information about the resources of a reporting firm, its debts and the way the (board of) management has fulfilled its duty; with other words, how efficiently the management has used the firm's resources and how successful it has protected these resources from negative economic factors like price changes and technology obsolescence. Another goal of the conceptual framework is to ensure capital providers that reporting companies comply with the law, regulation and contractual obligations (Ernst and Young, 2010)

However, financial statements are for general purpose and not specifically addressed to capital providers. These users cannot require from a reporting entity to have specific financial statements prepared for them. They have to gather their relevant information in the financial statements published for general purpose. It specifies that financial statements are not intended for the valuation of a company. It gives information to users which can make their own valuation, based on this information (Campbell, D *et al,* 2001)

2.1.1.5 Characteristics of Accounting Information

There are two fundamental qualitative characteristics: the relevance and the faithful representation of economic phenomena. These characteristics are fundamental because they help determine whether accounting information is useful or not. They even help determine whether accounting information is misleading or not (Dalton, *et al*, 2007)

2.1.1.5.1 Relevance

An accounting information is relevant if it is able to make the difference in the decision making process of users (and more specifically capital providers). To be relevant, the information has to have a predictive and/or a confirmatory value. The information has a predictive value when users can use it to predict future returns. When users can use it to validate predicted returns, it can be considered having a confirmatory value. Predictive and the confirmatory value are linked.
The relevance is moreover linked to the materiality of the information. Because the relevance of information is defined by its ability to influence decisions, it has to be material. Otherwise it could never influence the decision making process.

2.1.1.5.2 The Faithful Representation

The faithful representation of economic phenomena implies that financial statements should present economic facts and transactions on a neutral and complete way. Accounting information should also be free of any error. A complete representation includes a description of all data, facts and transactions that an external user may need to understand accounting information. A neutral representation is an unbiased presentation of the financial statement information. There should be no selection of the information in order to influence the users in one way or another (Campbell, D *et al*, 2001).

A representation free from errors means that the reported numbers, the facts and the transactions in financial statements should be checked in order to avoid or eliminate any material error but also in order to be sure that no important phenomenon is omitted. Furthermore, the processes leading to the presentation of financial information should be chosen and used without errors. These processes and their limitations should be carefully described in order to avoid any confusion or misleading by the external users. Besides these two fundamental qualitative characteristics of useful accounting information, the conceptual framework also defines four enhancing qualitative characteristics (Bartov, *et al*, 2002).

2.1.1.6 The Content of IFRS

IRFS is the common name used to refer to the international accounting standards. But like signaled above, this abbreviation actually designates the accounting standards adopted by the IASB since 2002. Accounting standards adopted by the IASC from its creation till 2002 were named IAS (Feenstra, *et al*., 2000).

This paragraph will be divided in two main blocks. In the first block, some of the standards intended to improve the uniformity and the comparability of accounting information will be outlined. In the second block, the innovations of IFRS and the differences with the US-GAAP, the other major and broadly used accounting standards set, will be discussed using some specific standards to illustrate these differences and innovations (Bartov, *et al*, 2002).

2.1.1.7 Standards Intended to Improve Uniformity and Comparability

At this moment, the international accounting standards set include 41 standards. Many of these standards are more extensively explained in additional explanation documents. The interpretation of some standards which could be misunderstood is specified by the International Financial Reporting Interpretation Committee (IFRIC), and by the Standing Interpretation Committee (SIC). The SIC is the predecessor of the IFRIC. However it is not the purpose of this research to discuss all the IFRS, it can be useful to highlight some few standards to illustrate the wish of the

IASB to improve the quality and the comparability of accounting information.

2.1.1.7.1 IAS1: Presentation of Financial Statements

The main purpose of this standard is to improve the comparability of financial statement information. To achieve this goal, IAS 1 gives strict instructions for the presentation of financial statements. By applying these instructions, financial statements of different firms in different countries will be presented on the same and uniform way. This uniform presentation will make it easier to compare accounting information of different firms no matter their location (Danielsonand Press, 2002).

According to IAS1, financial statements should necessarily include a balance sheet, a profit and loss statement, a cash-flow statement, and a statement of changes in equity. Moreover, financial statements should also include notes explaining the accounting policy and the items reported in the balance sheet and in the other statements signaled before (Feenstra, *et al*., 2000). According to IAS 1, every entity willing to claim that its financial statements are prepared in conformity with the IFRS must make an explicit and unreserved statement of this compliance. This statement can only be made when all IRFS and accounting policies are applied. These accounting policies are further discussed in IAS 8

2.1.1.7.2 Accounting Policies, Changes in Accounting Estimates and Errors

According to IAS 8, entities willing to publish IRFS-based financial statements must comply with the standards adopted by the IASB and the interpretations given by the IFRIC. These standards (IFRS, IAS, IRFIC, SIC) should underlie the chosen accounting policies and the applied valuation bases. However, if a specific transaction is not addressed by these standards, the management of a firm is allowed to choose an accounting policy giving a fair view of this specific transaction. The choice of this accounting policy should be motivated in the notes.

IAS 1 and IAS 8 illustrate the purpose of the IASB to have uniform and comparable financial statements. But beside the comparability of accounting information, IFRS has another goal: improve the quality of accounting information. In the following paragraph of this research, this improvement will be illustrated using some innovation of IFRS and the differences with US-GAAP (Danielson and Press, 2002).

2.1.1.8 Standards Intended to Improve the Quality of Accounting Information

Since the introduction of a common set of accounting standards for the stock-exchange listed firms in different countries of the European Union, it is became easier for users of the financial statements to analyze and compare the financial statements without the boundaries imposed when the local GAAP's were used. The introduction of the IFRS has increased the comparability of the financial statements of different companies from different countries and extended the possibilities for in-depth analyses for investors willing to make their investment decisions (Mbawuni, 2018).

However, one of the major economic actors in the world namely, the USA has not adopted the IFRS. It keeps its US-GAAP, making the worldwide comparability of financial statements more difficult and in fact, a little weaker. Despite the "Norwalk Agreement" between the FASB and the IASB to work on the convergence of US-GAAP and IFRS many differences still exist between these two sets of accounting standards (Mbawuni, 2018).These are the two most fundamental differences the IFRS is principle based while the US-GAAP is rule based. When applying the IFRS, the substance overrides the form. To provide a relevant and accurate picture of a company, the IFRS uses an economic approach, while the US-GAAP adopts an approach that emphasizes the legal form. The IFRS has introduced the fair-value valuation of assets and liabilities instead of the historical cost approach.

In the International Accounting Standard (IAS) 39 (Financial Instruments: Recognition and Measurement), the IASB defines the fair-value as "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction" (Mbawuni, 2018).The fair value can be approximated by the market value of a property. In the absence of an acceptable of "normal" market price, the fair value can be determined using specific valuation techniques such as the present value (PV). By using market valuation's instruments like "the present value", or "the market price", the principle of fair-value should help investors reconcile the financial accounting information with their information needs, and consequently make the accounting information become more useful for them (Lee &Runge, 2001).

2.1.1.9 IFRS compared with GAAP

Obviously, before their recognition, development costs should first meet similar conditions as the conditions required by the IFRS (measurable costs, intention to use or sell with profit, technical completion). US-GAAP seems to be more restrictive than IFRS in the capitalization of development costs but the similarities are more important than the differences (Peek, 2005).

2.1.1.9.1 Inventories

Accounting standards defining inventories are: ASC 330 Inventory under US-GAAP and IAS 2 Inventories under IFRS. However both standards define inventories as assets held with intention to be sold or to be consumed in the production process, there is one major difference in the treatment of inventories. The last in First out method (LIFO) is not allowed by IFRS but acceptable under US-GAAP. Another difference is that an eventual impairment of inventory is not reversible under US-GAAP but can be reversed under IFRS if the reasons of the impairment disappear (Lee &Runge, 2001).

2.1.1.9.2 Financial Instruments

Financial instruments have always been difficult to account. The last global financial crisis has illustrated this difficulty once again. The globalization and the complexity of some financial transactions make them particularly difficult to understand for common peoples and stockholders. It is consequently not surprising that standard setters have given and continue to give their utmost attention to these financial instruments (Mbawuni, 2018).Nevertheless, in their attempt to frame the reporting of these financial instruments, they have also created a lot of differences between the different set of standards. There is an impressive list of standards in US-GAAP addressing financial instruments: ASC 310 receivables, ASC 320 investments-Debt and Equity Security, ASC 470 Debt, ASC 480 Distinguishing liabilities from Equity, ASC 815 Derivatives and Hedging, ASC 820 Fair Value Measurement and disclosure (Ernst and Young, 2010).

On the other side, the IFRS has its own standards to regulate the reporting of financial instruments. These standards are including the IAS 32 financial instruments: Presentation, the IAS 39 Financial instruments: Recognition and Measurement, the IFRS 7 Financial instruments: Disclosures and the IFRS 9 Financial instruments. This last standard is mandatory since 1

January 2013. The most important differences in the reporting of financial instruments can be subdivided in 2 categories: the differences concerning their classification and the differences concerning their recognition and their measurement (Peek, 2005).

2.1.1.9.3 Differences in Classification and Recognition and Measurement

These differences could be illustrated by the specific example of convertible bonds that have not to be split into debt and equity under US-GAAP compound of financial instruments while IFRS required the division of these instruments in equity, debt and eventual derivatives. When the fair-value of a financial instrument available for sale (debt instruments) is declining impairment should be performed under the US-GAAP as well as under the IFRS. According to the US-GAAP, the cause of this declining could be a change of the interest rate but other causes could also be accepted. The IFRS is more restrictive and only accept an evidence of credit default as cause of impairment. Another difference between the US-GAAP and the IFRS on this matter is the possibility to reverse impairment (Mbawuni, 2018).According to the US-GAAP; an impairment loss recognized the income statement is not reversible. On the contrary, the IFRS allow the impairment loss to be reversed if there is a new event after the recognition of the impairment loss. According to the US-GAAP as well as to the IFRS, there should be an impairment-test for instruments held to maturity. However, there is a difference in the evaluation of the impairment losses. US-GAAP measures the impairment losses by relating the fair-value to the amortized cost basis of the financial instrument while IFRS estimate the impairment losses by comparing the present value of the future cash-flows and the carrying amount of the instrument (Lee &Runge, 2001).

2.1.2 Foundation Theories

Accounting frameworks follow stipulations of existing Accounting Theories. This chapter sets out important accounting theory and fundamental related theories of IFRS.

2.1.2.1 Accounting Theory

Accounting theory is a material field in Accounting. Historically, accounting predates monetary economy. The development of accounting theory was to ameliorate the inherent problems encountered in barter economy, unlike monetary economy. It is pertinent to understand the meaning, scope and application of a theory in humanities and management sciences in order to appreciate the work of accounting theory. A theory according to American Institute of Certified Public Accountants (AICPA) is a structure that unifies the underlying logic or system of reasoning. Such theoretical structure, though abstracts from the complexities of the real world is designed to achieve a level of simplicity necessary for analysis. Osuala (2005)views theory as an attempt at synthesizing, interacting and integrating empirical data for maximum clarification and unification. Wolk,Dodd and Rozycki (2008) opine that accounting theory consists of the basic assumptions, definitions, principlesand concepts and how they are derived. They further assert that it includes the reporting of accounting andfinancial information. Thus, this theory is considered in this study, it is the logical reasoning in the form of broadprinciples that provide a general frame of reference to every accountant to evaluate and guide the developmentof new practices and procedures. It is the rationalization of the rules of accounting which further explains themanner in which accountants gather, record, classify, report and interpret financial data especially whenmonetary amount is determined in the financial statements. Accounting theory is used to explain existing practices and procedures to obtain a betterunderstanding and to provide a coherent set of logical principles that form the general frame of reference for the evaluation and development of sound accounting practices. In accounting however, theory has loose and overlapping meaning with principles, concepts, conventions, doctrines, standards, rules, assumptions, tenets, postulates and procedures which are used interchangeably in this case.

2.1.2.2 Network Theory

Network theory suggests that there are generally two factors to consider in adopting network-dependent products: the intrinsic value of the product and the value of the product's network (Dodiya, 2013). The decision to adopt IFRS can be analyzed as a decision to adopt a product with network effects. To see this, note that a standard like IFRS is likely to be more appealing to a country if other countries choose to adopt it as well. This suggests we can use insights from the economic theory of networks to develop hypotheses on why countries choose to adopt IFRS. Economic network theory predicts that in addition to network benefits (synchronization value), a product with network effects can be adopted due to its direct benefits (autarky value). In the case of the IFRS adoption decision by a country, we argue the direct benefits are represented by both the net economic and net political value of IFRS over local standards.

2.1.2.3 Institutional Theory

Institutional theory recognizes the influence of institutions on many levels ofsocial life, including organizations, organizational fields, and countries (for acomprehensive review. Institutions are social structures and practices that have become widely accepted. Money, a common language, a unified legal system are all examples of institutions which influence behavior routinely and almost universally by providing organizations with scripts for acceptable action in a given context (Scott, 2001). This theory is considered in this study as it establishes scripts for what is socially acceptable and credible and influence organizations to act in a manner that demonstrates legitimacy to external constituents.

2.1.2.4 Diffusion theory

Diffusion theory of innovations provides a framework that allows investigating how innovations are spread across members of social system. Diffusion theory recognizes the importance of the surrounding social system for adoption and diffusion of innovations. Diffusion theory has been used to investigate the spread of technological innovations (Lee &Runge, 2001). It has also been used in this study to examine the diffusion of social phenomena, such as organizational management practices and accounting practices. Such systems are believed to condition the behavior through social norms. The social norms consist of various types of rules that are enforced by social approval or disapproval. The structure of the social system and the pre-existing norms can hinder or facilitate the diffusion of the innovation.

2.1.2.5 Agency Theory

Agency theory is defined as an agreement between two or more parties where one part can be seen as the investors and the other as the firm. The firm is working on behalf of the investors. The two parties want to maximize their self-interest but often they do not have the same interests. The theory can explain how annual reports can be used as a mechanism to solve the information asymmetry that exists between the firm and its investors (Deegan and Unerman, 2006). Since IFRS has been developed to create a harmonized accounting system whose objective is to reduce the differences in firms' annual reports, a better understanding of the annual report will lead to that more investors dare invest in the firm which in accordance with will lead to increased liquidity and lower costs of capital within the firm. In addition, it can be said that a better understanding of the annual report will lead to that more investors dare invest in the firm which in accordance with will lead to increased liquidity and lower costs of capital within the firm. Thus, this study is considered this theory to above benefits and to attract more investors which lead to more equity which, in turn, reduces the need of liabilities.

It is understood that IFRS has been developed to create a harmonized accounting system whose objective is to reduce the differences in firms' annual reports. It can from this assume that in this case the firms are more likely to apply IFRS on a voluntary basis. A better understanding of the annual report will lead to that more investors dare invest in the firm which lead to increased liquidity and lower costs of capital within the firm. Accordingly, if firms voluntarily apply IFRS, they will attract more investors which lead to more equity which, in turn, reduces the need of liabilities.

2.1.3 IFRS Content, Definitions and Concepts

2.2 Empirical Review

2.2.1 Evidences form Global Studies

Lo and Lys (2000) preferred to investigate the usefulness of financial statement information. They tried to find out how the value relevance of financial statements could decline while the quantity of relevant information include in these financial statements was stable or even increasing. They conducted their researches on 234.240 firms' quarter's data recorded by developing three formulas to measure the information content, the valuation relevance of the information and the value relevance of the information. In these formulas, the information content is measured by a U-statistic based on the Abnormal Return (AR) caused by an information disclosure while the valuation relevance is measured by a regression between the Abnormal Return (independent variable) and difference in earnings before and after the information disclosure.

On other hand, Feenstra, Huijgen and Wang (2000) inspected in their paper published in the year 2000 and described the practices of accounting for investors benefits. They found that accounting institutional network helps the importance or the usefulness of accounting information. Similarly, Danielson and Press (2002) reconsidered the institutional for network for investors' benefits. They fund that the usefulness of financial statement information for investors decisions.

Danielson and Press (2002) came to this question because of their observation that, users of accounting information (like analysts and investors) use to replace the IRR by the easier to calculate ARR, since the IRR is very difficult to calculate. According to Danielson and Press (2002) this replacement of the IRR by the ARR is only acceptable if it is proven that the IRR is a suitable proxy of the ARR. After the selection of the sample, the authors developed a theoretical model to derive the IRR from the ARR. The results of this research led the authors to conclude that the ARR is a good proxy for the most firms' IRR with exception of firms with large amount of intangibles on their balance sheet and firms whose asset grew very quickly. The ARR (and consequently accounting information) is useful for users of financial statements like investors and creditors.

Peek (2005) investigated more specifically the impact of the adoption of historical cost accounting instead of current cost accounting and the choice of capitalization instead of expensing on the forecast accuracy of financial analysts. Peek performed this research on annual report of 254 firms listed on the Amsterdam stock-exchange from 1988 to 1999.Using statistical non-parametric tests namely the Wilcoxon signed rank tests and the Wilcoxon rank sum tests, the author tested whether the analyst's earnings forecast errors significantly change in the year of an accounting change or one year after the accounting change. The results of his tests gave rise to conclude that a change in the accounting method (like a change from current costs accounting to historical cost accounting) significantly improves the forecast accuracy of analyst as long as that this change is disclosed before it implementation. Based on this conclusion, Peek (2005) recommended that the most important changes should be disclosed before the introduction of IFRS.Barron, Harris and Stanford (2005) proved the usefulness of financial statement information in 2005 was different. Instead of the market-value, they chose to use the change in trading volume of securities as indicator of a possible impact of financial accounting information on investors' decisions. In order to validate these underlying models, the researchers selected a sample of 2.724 firms' quarter's data of companies listed on AMEX, NYSE and NASDAQ. They gathered these data from Compustat. Using a correlation between the volume of traded shares and the event-period information (information released on the day-before, D-day and the day-after earnings announcement). For them, earning announcement is important to trigger trading and consequently, earnings are value relevant for investors (and traders). Balanchandran and Mohanram (2006) have studied the relationship between the value relevance of financial statements and the use of conservatism in accounting. The authors performed their research on data of security prices, splits information and share information of available firms in Compustat Annual Industrial Dataset from 1978 up to and included 2002. They used a Cross-sectional analysis and a trend-analysis to measure the link between value relevance of financial statements and conservatism. They measured the value relevance as a correlation (R^2) between share prices, earnings and book-value. They found no evidence of a correlation between the increase of conservatism and the decrease of the value relevance of accounting information.

Oyerinde (2009), a Nigerian researcher has performed a research in 2009 to find out whether there is a relationship between accounting numbers and share prices. The author conducted this research on the 30 firms with the highest yield listed on the Nigerian Stock Market from 2001 to 2004. She started the study by identifying 4 approaches to measure the value relevance of financial statement information: the predictive view, the information view, the fundamental analysis view, and the measurement view.

2.2.2 Evidences from Ethiopia

Fikru (2012) studied on the factors affecting adoption, benefits and challenges of IFRS in Ethiopia based on the mixed research approach on 21 selected companies. It aimed to describe the adoption of IFRS on the selected companies using probability random sampling method. 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, reduce cost of capital of firms through lower cost of information, reduction in bad earnings management, greater marketability of shares, and reduced information asymmetry, Investors will benefit, amongst others, more confidence in the information presented in financial statements which they can understand and use. The Pearson correlation and multiple linear regression result revealed that variables including capital market, professional bodies, education level, and company size have significant effect on the adoption of IFRS in Ethiopia.

On other hand, Teferi and Pasricha (2016) also identified the challenges of adopting the IFRS in Ethiopia for Auditors firms and preparers like IFRS knowledge gap, shortage of qualified professionals, resistance to change, management knowledge gap, costs, and absence of professional institutions and emergence of unfair competition among professionals. Besides, they added that the challenges for newly established board for the adoption of IFRS include the board structure, work overload of member of board directors, lack of experience in setting standards, resistance from preparers and Auditors, and employees‘ turnover.

Moreover, Yitayew (2016) also conduct a research on the IFRS Adoption in Ethiopia and found that the Ethiopian IFRS adoption experience illustrates the macroeconomic rationale driven nature of IFRS adoption, the rationales and the processes of translating the idea into Ethiopian context illustrates the socially constructed nature of IFRS adoption. The study suggests that more efforts need to be coordinated to build the capacity of preparers in terms of financial reporting knowledge within the framework of the IFRS before enforcing the financial reporting law in the case of non-compliance with IFRS by prepares. Finally, he recommended that future research should focus on the factors affecting, challenges and prospects of the adoption of IFRS in other unstudied companies and Evaluation of the IFRS implementation status by reporting entities on challenges and problems.

2.3 Literature Summary

Accounting standards are easier for users of the financial statements to analyses and compare the financial statements without the boundaries imposed. The introduction of the IFRS has amplified the comparability of the financial statements of different companies from different countries and extended the possibilities for in-depth analyses for investors, business organization, policy maker (Mbawuni, 2018).Standards make the worldwide comparability of financial statements more difficult and in fact, a little weaker. In the previous research, some of the different approaches used by the researchers to investigate the usefulness of the published accounting information have been exposed. For example, Oyerinde (2009) used earning numbers like the earning per share, the earnings yield and the return on equity to show evidences of the usefulness of the published accounting information. Other researchers such as Danielson and Press (2002) investigated the impact of the introduction of IFRS on the usefulness of the published accounting information and Mohanram (2006) studied the relationship between the value relevance of financial statements and the use of conservatism in accounting. Most previous scientific researches related to the usefulness of published accounting information have been exposed.

2.4 Research Gap

Organisations must conform to societal norms of acceptable practice in order to benefit from the continuous support they require for survival from their relevant stakeholders (Agyei-Mensah, 2013).These institutional forces are significantly felt by developing and emerging economies as they frequently rely or desire to seek foreign direct investment and other resources from developed countries and international organisations. The network benefits weaker institutions would derive from conforming to the social norms of stronger institutions (Ramanna & Sletten, 2014). This means countries adopting IFRS would derive some legitimate benefits within the institutional network (Ramanna & Sletten, 2014). Basically, the institutional theory allows us to understand that some actors would adopt and conform to IFRS as acceptable norm of accounting practice for its business entities due to the perceived benefits of IFRS to its users or stakeholders (Mbawuni, 2018).

However, previous studies such as Lo and Lys (2000) preferred to investigate the usefulness of financial statement information. On other hand, Feenstra, *et al.*,(2000) described the practices of accounting for investors benefits. Similarly, Danielson and Press (2002) reassessed the institutional for network for investors' benefits. Danielson and Press (2002) developed a theoretical model to derive the IRR from the ARR. Peek (2005) examined the impact of the adoption of historical cost accounting instead of current cost accounting and the choice of capitalization instead of expensing on the forecast accuracy of financial analysts. Barron, Harris and Stanford (2005) proved the usefulness of financial statement information in 2005 was different and Teferi and Pasricha (2016) also identified only the challenges of adopting the IFRS in Ethiopia for Auditors firms and preparers.

These studies ignored the benefits of various stockholders of using IFRS compliance and conformity to norms of acceptable behavior or accounting practices in terms of capital, transparency, cost, reporting and information in Ethiopia. Thus, this study attempted to answer the expected/legitimate benefits to IFRS adoption in terms of capital, transparency, cost, reporting and information in Ethiopia and the benefits of IFRS adoption to different entities (business organization, investors, policy makers, regulators) in terms of capital, transparency, cost, reporting and information in Ethiopia. In this regard, Ethiopia adopted IFRS in order to conform to the norms of global accounting standards and share the collective value it brings towards all nations involved. Thus, its needs to review the worth of their conformance to IFRS network of various stockholders. It is valuable to study the benefit all social actors or stakeholders within the institutional network of IFRS working environment in Ethiopia. This is because the effective management of a nation's accounting system requires effective assessment and evaluation of its existing accounting practices. Therefore, it becomes critical for countries adopting the International Financial Reporting Standard (IFRS) to take stock of the benefits that come with IFRS adoption from stakeholders' perspective in order to effectively manage the accounting system of a nation. Thus, these studies ignored the benefit of enhancing capital, transparency, cost, reporting and information and overall benefits for various stakeholders. This study was dedicated to fill these gaps.

2.5 Conceptual Framework

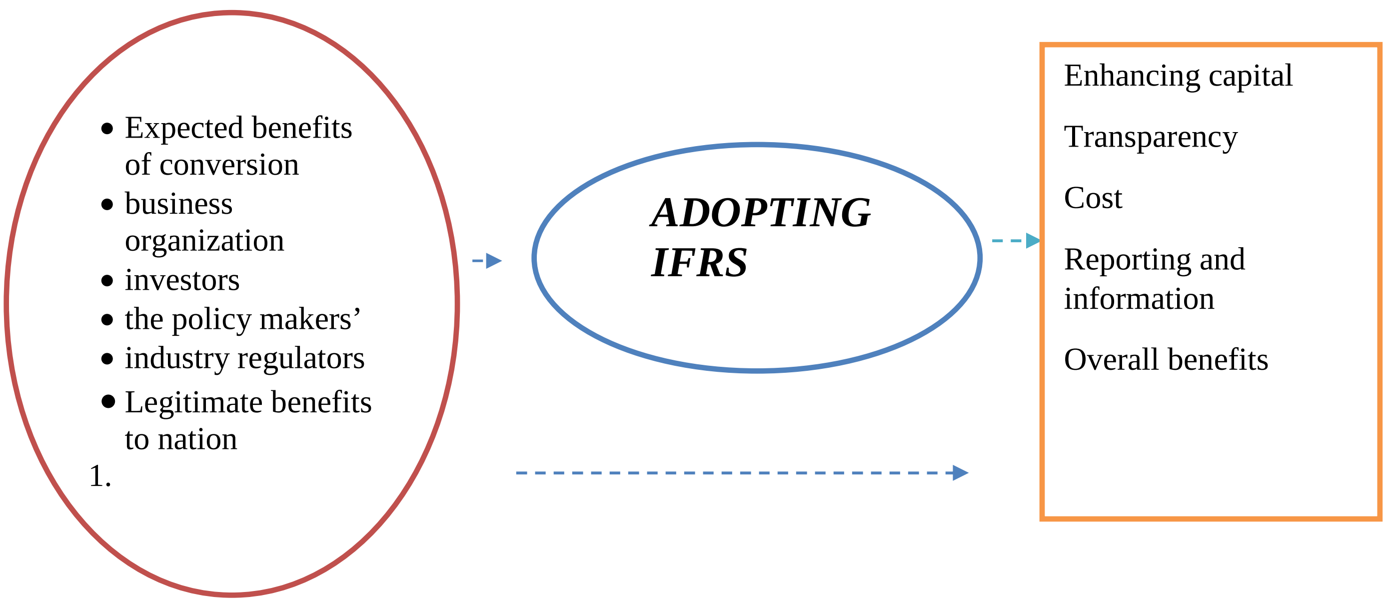


Figure 2.1 Conceptual Framework

Adapted from Danielson and Press (2002)

CHAPTER THRE

METHODOLOGY

3.1 Research Approach

There is a tendency to divide research in to qualitative and quantitative when approach to research has been considered as the criterion of classification. In this study, a quantitative research approach was employed that involves studies that the objective of quantitative research is to develop and employ mathematical models and theories and pertaining to IFRS. The process of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of an attribute. In addition, it used qualitative research as it seeks to describe various aspects about IFRS benefits in Ethiopia with its perceived business decision and society welfares. Overall, the study applied both methods and it can be said that it is a mixed research approach.

3.2 Research Design

The research design can be classified using a variety of ways, such as the methods of data collection, time dimension, researcher participation and the purpose of the study. On the other hand, the most widely-used classification is the one based on the purpose of the study. There are three types of research design based on the study's purpose: exploratory, descriptive and causal (Creswell, 2009). The exploratory study provides more insight and ideas to discover the real nature of the issue under investigation. Descriptive study stems from prior knowledge and is concerned with describing specific phenomena; it is a means to an end rather than an end, since it encourages future explanation. Causal or explanatory research explains causal relationships between variables. These three basic designs are interrelated, and the research can combine more than purpose. This study assessed the society and companies benefits as well as auditors and regulatory benefits on facilitating and smoothing business functions across the country. Therefore, for this purpose, the research design was descriptive. Because of this, the research was conducted to explain IFRS benefits for social welfares and business market benefits.

3.3 Data Source and Type

In this study, it took a primary data that was ready for analysis and describes the problem raised in the statement of the problem. Primary data was originated by the researcher for the specific purpose of addressing the problem at hand. Thus, the primary data was originated by the researcher for the specific purpose of addressing the problem that was indicated in the first chapter.

3.4 Population and sampling

3.4.1 Target Population

The total target population of the study was 1307 individuals composed of category "A" tax payer being a company or any other person having an annual gross income of Birr 1,000,000 or more. 384 companies found in Addis Ababa that are Group ''A'' top tax payers companies managers and accountants and employees of tax collector which estimated as unknown size and 155 managers of accredited auditing firms as member of accounting and auditing board of Ethiopia (established under proclamation No. 847/2006).

3.4.2 Sample Size Determinations

Table 3.1: Sample Size Determinations

No	Attendants	Total Population	Proportion	Sample size
1	Selected companies	384	0.334	128
2	Audit Firms	155	0.334	52
3	Employees of Tax collectors head quarter	254	0.334	85
	Total	**793**		**265**

4 Source: Accounting and auditing board and

5 Ethiopia Revenue and Customs Authority, 2020

In order to sample size determination and allocation to respondents, the study employs the known sampling formula called Yamane's formula for calculating sample size. Yamane (1967) suggested simplified formula for calculation of sample size from a population which is an alternative to Cochran's formula. The formula to be used to calculate the sample size of the study is the statistical formula given by Yamane (1967) formula. Sample size for ±5% precision levels

Where Confidence Level is 95% and P=.5. For 793 size of population, the sample Size (n) for precision (e) of 5% was 265. The formula is presented below:

$$n = \frac{N}{1+N(e)^2} \quad (6)$$

$$n = \frac{793}{1+793(0.05)^2} \quad (7)$$

$$= 265 \quad (8)$$

Where n = number of sample size and N = Total number of study population e= level of confidence to have in the data or degree of freedom which is 95% apply for this study with 5% error. Therefore, sample size of the study was 265 in Addis Ababa.

3.4.3 Sampling Technique

A non-probability and probability sampling technique was used in this study. The non-probability sampling method was chosen because it is the most commonly associated survey based research method that helps to make inferences from the sample about a population so as to answer the research questions and to meet the research objectives. Samples was purposively chosen for the reason that the researcher believes it would be appropriate for the study to carefully identify appropriate data sources in order to get depth of information or saturate information. To select the respondents, this study employed non-probability sampling specifically convenience sampling technique for selection of local shareholders and managers to distribute questionnaire which to be full filled in a self-administration manner. On the other hand, random sampling was used for academicians and audit firms.

3.5 Instruments of Data Collection

For collection of primary data the researcher was used two tools for data collection, interview and questionnaire.

3.5.3 Questionnaire

Questionnaires were prepared and distribute to targeted respondents listed above. The questionnaire is adapted from Mbawuni(2018) and Balanchandranand Mohanram (2006). The questionnaire had closed ended questions were rated on a five-point Likert scales ranging from ‘1’ “Strongly Disagree” to ‘5’ “Strongly Agree” and it also included open questions. Open-ended questions were questions that allow someone to give a free-form answer. These tools use in order to increase the validity of the data and minimize dropping of information.

3.5.4 Interview

Interview guide was used for issues that require further elaboration and clarifications benefits if IFRS from the major stake holders in legislating and implementing financial policies: Ministry of Finance and Economic Development (MoFED), Ministry of Trade (MoT), Ministry of Industry (MOI), NBE (in its role as a central bank), Banks (as intermediaries, issuers and investors), Investors (private and institutional, e.g. insurance companies), Accounting and Audit Practitioners of the year.

3.6 Instruments Validity and Reliability

3.6.3 Instrument Validity

Content validity of a measuring instrument was used to see if the extent to which it provides adequate coverage of the investigative questions guiding the study. In this study, content validity was determined by consulting the expertise of the supervisor and two financial marketing experts. These experts and the research advisor looked at every question in the questionnaire and do their own analysis to ascertain that the questions answer research objectives of the area understudy. Recommendations (to continue with the instrument with some correction) from the experts was taken into consideration in order to improve the instruments.

3.6.4 Instrument Reliability

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. Therefore, Cronbach's alpha gives the proportion of the total variation of the scale scores that is not attributable to random error.

Table 3.2Reliability Statistics

Items	Cronbach's Alpha	N of Items
Conversion	.838	7
Legitimate	.945	10
Companies	.875	7

Investors	.860	5
Policy Makers	.921	7
Regulatory Bodies	.733	5
Overall	.947	41

Source: Survey Results, 2020

The above table shows the result of Cronbach's alpha test. The purpose of deriving a scale score by having multiple items is to obtain a more reliable measure of the construct than is possible from a single item. The resultranged above 0.7 and it is concluded that the data collection instrument is reliable.

3.7 Data Analysis Methods

The data collected through survey questionnaire and interview was analyzed using descriptive statistics. Thus, percentage, mean and standard deviation were used in the analysis. Accordingly, the percentages show the frequency distribution of the variables, the composite mean value shows the average of all respondents' perceptions on a certain questions. While, standard deviation shows how diverse are the perceptions of respondents for a given questions. In this regard, deviation means that the data are wide spread, which implies respondents give variety of opinion while, low standard deviation implies respondent's close opinion whether positively or negatively. Based on these, the result mean score value and standard deviation of the study determined using rule of thumb that pertaining to the intervals for breaking the range in measuring variables that are captured with five point scale (that ranges from strongly disagree to strongly agree) is 0.8, which is actually found by dividing the difference between the maximum and minimum scores to the maximum score (Bart and Landsman, 2001). Consequently, a calculated composite mean value that ranges from 1 to 1.80 implies strong disagreement, whereas the remaining ranges of 1.81 to 2.6, 2.61 to 3.40, 3.41 to 4.2 and 4.21 to 5.00 representing respondents perceptions of disagreement, neutrality, agreement and strong agreement respectively.

3.8 Ethical Consideration

This study kept standard research ethics and practices that included basic ethical codes of conduct throughout the research process. The data was collected based on the willingness of participants. Before actual data collection based on interview guide, respondents were informed about the objectives of the study. Covering letter was attached to the interview guide to ensure the participant's anonymity and confidentiality that information obtained from them disclosed to the third party. The questionnaire was designed out in such a way that respondents are not required to write the names and reveal their personal information on the questionnaire and the confidentiality of data being collected is handled with due care and used for academic purpose only.Moreover, the study provides anonymity that means the information from the respondents was kept confidential and not biased for any other personal interest. The interview also was presented in terms of data coding methods like respondent one two and three structures.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

This part of the study analyzed the benefits of various stockholders of using IFRS compliance and conformity to norms of acceptable behavior or accounting practices in Ethiopia. Based on the gathered data the respondents profile and importance of using IFRS are discussed.

4.1 Response Rate

The respondent's response rate of the interview is 80 percent that is the researcher got saturated information from all samples. The data from questionnaire has collected from the management of share companies and their respective managers and accountants (102), audit firms (40) and employees of tax collectors (65). Accordingly, the study attended 70% of response rate.

Table 4.1.Response Rate

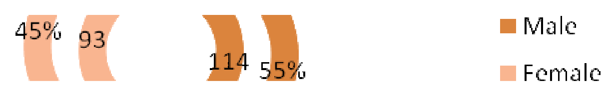
No	Attendants	Sample size	Response received	Response rate
1	Companies Managers	128	102	80%
2	Audit Firms	52	40	77%
3	Employees of Tax collectors	85	65	77%
	Total	**2**65	207	78%

Source: Survey Result, 2020

The above table shows that 128 individuals such as mangers and accountants from selected companies' returned the given questionnaire on time and the response rate is 80%. Only 40 respondents were participated in this study from audit firms. A total of 265 questionnaires were distributed and made 78 % (207) of them were filled and returned. The interview sessions were made with 12 interviewees. Consequently, it can be said that the response rate was rated as good and it was allowed due to Covid 19 struck and its consequence.

4.2 About the Respondents

In this section the researcher tries to include age, sex, and educational level of the respondents. First, gender and age composition of respondents were presented on graph.



Source: *Survey Result, 2020*

Figure 4.1 - Respondents' Profile Gender

As revealed in the above doughnut graph, out of 207 the total of respondents of this study, 55 % of the respondents are males and 45% of the respondents were female. It shows the distribution of gender participants in the study is relatively equal even if most of the respondents are male.

Source: *Survey Result, 2020*

Figure 4.1 - Respondents' Profile Age Composition

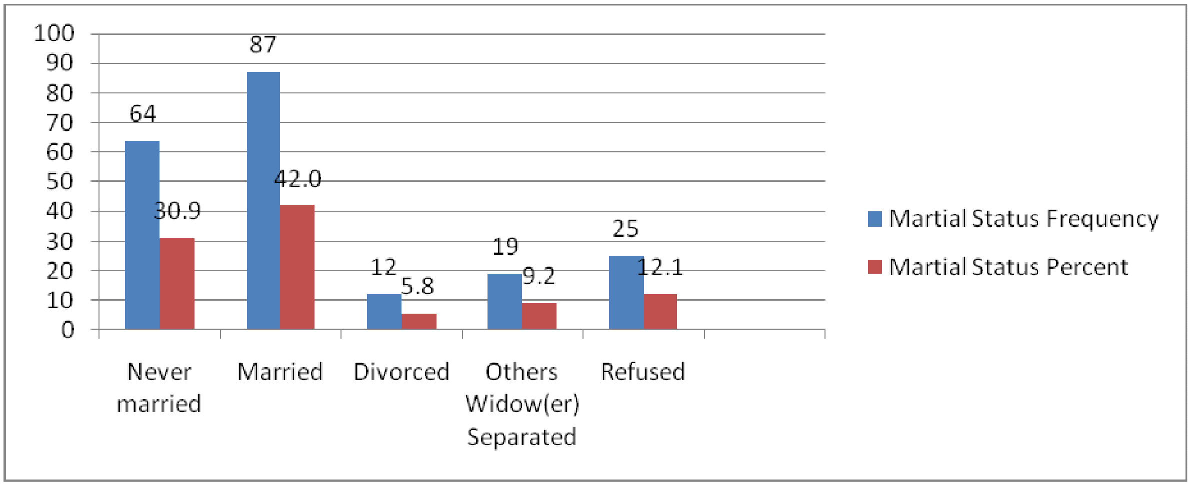
Similarly, the doughnut graph shows the age group of the respondents. It shows that the majority of respondents sampled lie within the age group of above 36 -45 (44%) and 27 % of them aged between 46 to 55 years and 13 % of them are old aged (more than 55 years).It indicates that most of the respondents are in energetic stage and at the age of maturity where they can feel more responsible to properly play the roles expected of them with the sense of accountability.

Table 4.2. Respondents' Profile

Educational Status			**Monthly Income**		
	Frequency	Percent		Frequency	Percent
Diploma	91	44.9	Below 5,000	24	11.6
First Degree	90	43.5	5,001 – 10,000	71	34.3
Masters Degree & above	26	12.6	10,001 – 15,000	74	35.7
			Above 15,001	38	18.4
Total	207	100.0	Total	207	100.0

Source: Survey Result, 2020

The educational profile of respondents indicate that 39% of the respondents sampled lie within the educational category of diploma; 44% of the respondents have bachelor degree and most of the remaining respondents (12%) have master or higher degree. From the educational profile of respondents, it can be seen that majority of the respondents are appropriate educational background with a capable filling self-administrated questionnaire and able to understand IFSR, GAAP, financial transactions and business practice in Ethiopia.



Source: *Survey Result, 2020*

Figure 4.2 - Respondents' Profile Martial Status

Most of the respondents 42%) are married and single (31 %). In view of this, the majority respondents are married showing that they have been exercising the role of accountability and responsibility and in better social relations they are taking part. Over all, the study collected data from compatible and energetic respondents with various age category and gender participants.

Table 4.3. Respondents' Job Level and Profession

Job level			worked in accounting, financial reporting, users of financial statements or related activities in Ethiopian Accounting system		
	Frequency	Percent		Frequency	Percent
Manager Executive	41	19.8	Less than a year	39	18.8
Owner	57	27.5	1-5 years	50	24.2
Expert or Professional	70	33.8	6- 10years	92	44.4
Others	39	18.8	More than 10 years	26	12.6
Total	207	100.0	Total	207	100.0

Source: *Survey Result, 2020*

The above table shows that job level of respondents and it shows that 19.8 % are manager or executive in their position, 27.5 % are business owner and 33.8 % are expert or Professional and others 18.8%. This shows that the respondents have various job levels with different job title. The study attempted to find out their experience worked in accounting, financial reporting, users of financial statements or related activities in Ethiopian accounting system. As result, the data shows that 18.8 % have less than a year experience, 24.2 % have 1-5 years, 44.4 % 6- 10years and 12.6 % of them have more than 10 years working experience in the indicated filed.

This shows that the respondents' perception, rating and opinion have a great value for this study. This is due to the fact that the data was collected from the respondents who have top management experience, managers at various functional levels, auditors and accountants. These signify that respondents have ample experiences to respond to the research questionnaires and interview. The data refers that of the total respondents many of the respondents were at their modal and energetic ages. This might enable to appropriately respond the given questionnaires for the data to be collected.

4.3 Response Analysis

The discussion about the benefits is made by classifying those benefits as benefits to companies and benefits to investors. For this study the researchers used 5 point Likert scale and indicate the extent they agree with the statements that: 1 = Strongly agree, 2 = agree, 3 = Undecided, 4 = disagree 5 = Strongly disagree. A mean (M) score between 0.8 and 1.6 means that there respondents strongly disagreed, between 1.6 to 2.4 means they disagreed, between 2.4 to 3.2 means the respondents were neutral or undecided, between 3.2 and 4 means they agreed, and a mean of greater than 4 means the respondents strongly agreed as of (Ramanna & Sletten, 2014).

4.3.1 The Expected Benefits of Conversion to IFRS in Ethiopia

The respondents were asked to rate their opinion on benefits of conversion in terms of lower cost of capital, increased cross-border listings and investment opportunities, better comparability with other businesses, greater reporting transparency, improved quality and timeliness of management information and harmonization and streamlining of internal and external reporting.

Table 4.4. Respondents' Responses on benefits of conversion

Items	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	sd
	Count	%	Count	%	Count	%	Count	%	Count	%		
Greater access to capital	42	20.3%	41	19.8%	35	16.9%	46	22.2%	43	20.8%	3.03	1.439
Lower cost of capital	27	13.0%	39	18.8%	25	12.1%	58	28.0%	58	28.0%	3.39	1.403
Increased cross-border listings and investment opportunities	32	15.5%	32	15.5%	14	6.8%	71	34.3%	58	28.0%	3.44	1.433
Better comparability with other businesses	26	12.6%	23	11.1%	20	9.7%	85	41.1%	53	25.6%	3.56	1.320
Greater reporting transparency	26	12.6%	25	12.1%	22	10.6%	60	29.0%	74	35.7%	3.63	1.397
Improved quality and timeliness of management information	21	10.1%	42	20.3%	14	6.8%	64	30.9%	66	31.9%	3.54	1.382
Harmonization and streamlining of internal and external reporting	17	8.2%	52	25.1%	15	7.2%	60	29.0%	63	30.4%	3.48	1.365
Grand Score											3.43	1.39

Source: *Survey Result, 2020*

The above table displays that most of the respondents' (43%) have at least agreed indicating that the benefit of conversion is related to greater access to capital. It is the lowest mean vale of all. Interviewees indicates that greater access to capital is the main benefit but our country business experience shows that companies do not have well recorded, documented and fair valued capital due to these reasons; the benefit may be invisible. Similarly, lower mean was computed for factor named lower cost of capital; only 46 % of them have at least agreed demonstrating that the companies benefit has been lower with similar reasons as previous.

Obviously, most of the interviewees and including most of the respondents (62%) agreed that the conversation benefit is mainly involved in improved quality and timeliness of management information. The mean value (3.54) of this factor was considered as the highest among this category. Since we are in emerging state of accounting practice, such benefit will benefit our country accounting practice. It includes providing to produce good reporting and understanding of the financial transaction with good financial information management.

In addition, most of the respondents (66%) have at least agreed indicating that the benefit of conversion is associated to better comparability with other businesses. The mean vale (3.56) is rated as good and a standard computation of reporting will help to comparison various business particularly affiliated companies will be more benefited. Similarly, most of the respondents' (63%) have at least agreed indicating that the benefit is considered also increased cross-border listings and investment opportunities and the mane 3.44 score is rated as good. Almost 65% of them most of the respondents' preferred the category of agree indicate that the benefit is involved in greater reporting transparency and 59 % agreed that the benefit included harmonization and streamlining of internal and external reporting. The overall mean (3.43) was rated as good and indicated that the respondents agreed that the conversion benefit is optional. Jermakowicz and Gornik (2006) used a sample of 112 large companies coming from eight EU countries; they found that the main expected benefit from the conversion to IFRS was the opportunity for better comparisons with other companies and greater reporting transparency.

4.3.2 The Legitimate Benefits of IFRS Adoption to Ethiopia

In this study, respondents were asked to rate their perception on legitimate benefits IFRS provide to nation. It include credibility to compete for FDI in world capital markets greater mobility of capital at a decreased cost, more efficient allocation of resources, improved quality of financial reporting, avoidance of the necessity of having to develop national accounting standards, contribution to prosperity and wealth of society, inclusion of relevant information from all parts of the economy stability over time, adaptability to changes in economic environment and robustness against manipulations.

Table 4.5 Respondents' Responses on LegitimateBenefits

Items	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	sd
	Count	%	Count	%	Count	%	Count	%	Count	%		
the credibility to compete for FDI in world capital markets	23	11.1%	42	20.3%	18	8.7%	49	23.7%	75	36.2%	3.54	1.434
greater mobility of capital at a decreased cost	23	11.1%	26	12.6%	17	8.2%	76	36.7%	65	31.4%	3.65	1.335
more efficient allocation of resources	20	9.7%	22	10.6%	15	7.2%	104	50.2%	46	22.2%	3.65	1.213
improved quality of financial reporting	23	11.1%	25	12.1%	13	6.3%	82	39.6%	64	30.9%	3.67	1.325
avoidance of the necessity of having to develop national accounting standards	18	8.7%	33	15.9%	11	5.3%	84	40.6%	61	29.5%	3.66	1.289
contribution to prosperity and wealth of society	18	8.7%	23	11.1%	16	7.7%	81	39.1%	69	33.3%	3.77	1.262
inclusion of relevant information from all parts of the economy	17	8.2%	27	13.0%	13	6.3%	80	38.6%	70	33.8%	3.77	1.271
stability over time	21	10.1%	37	17.9%	12	5.8%	87	42.0%	50	24.2%	3.52	1.307
adaptability to changes in economic environment	33	15.9%	57	27.5%	12	5.8%	60	29.0%	45	21.7%	3.13	1.437
robustness against manipulations	28	13.5%	55	26.6%	14	6.8%	54	26.1%	56	27.1%	3.27	1.445
Grand Score											3.56	1.33

Source: *Survey Result, 2020*

The above table displays that most of the respondents (60%) have at least agreed indicating that the legitimate benefit to nation includes credibility to compete for FDI in world capital markets. The mean value (3.54) is rated as good score. These respondents almost to (67%) preferred the category of agree on that the greater mobility of capital at a decreased cost is legitimate benefit of the nation. In addition, most of the respondents (72%) have at least agreed indicating that IFRS helps to be more efficient allocation of resources. The interviewees confident that this may be related to capital mobility and transfer of investment as well defined and registered capital accordingly. 70 % of them have at least agreed that the legitimate benefit includes improved quality of financial reporting. Jermakowicz and Gornik (2006) state that IFRS improves the quality of financial reporting at country level. It improves the business environment, contributing investment attraction and improved economic activity, ultimately reducing the level of poverty in a nation.

On other hand, almost 70 % of them have at least agreed showing that the legitimate benefit contains avoidance of the necessity of having to develop national accounting standards. Interviewees stated that good financial reporting framework will be established which will result into well-established financial reporting system due to this (IFRS) conducive environment for having single high quality accounting standards both inside and outside. In relation to investment opportunity, the study found that 73 % of them agreed showing that the legitimate benefit encompasses contribution to prosperity and wealth of society.

In the same way, almost 71 % of them have at least agreed designating that the legitimate benefit comprehends inclusion of relevant information from all parts of the economy and 66% of them have at least agreed that it includes stability over time. However, less number of respondents (50 % with lowest mean score 3.13) preferred the category of agree demonstrating that it embraces adaptability to changes in economic environment and 53 % of them preferred to the category of agree signifying that robustness against manipulations with low mean score (3.27). Mbawuni (2018) stated that financial reporting often comes under the spotlight due to its strategic nature in helping users making economic decisions and capital allocation, which in turn can improve the nation's economy. One of the many aspects of financial reporting is the accounting standards from which the financial report is based on.

4.3.3 The Business Organization Benefits of IFRS in Ethiopia

Table 4.6 Respondents' Responses on Business Organization Benefits

Items	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	sd
	Count	%	Count	%	Count	%	Count	%	Count	%		
Greater transparency and understand ability	27	13.0%	31	15.0%	19	9.2%	51	24.6%	79	38.2%	3.60	1.448
Reduced the cost of capital to organizations	15	7.2%	40	19.3%	16	7.7%	67	32.4%	69	33.3%	3.65	1.313
Reduced national standard-setting costs	20	9.7%	19	9.2%	16	7.7%	93	44.9%	59	28.5%	3.73	1.239
Enhance efficient capital allocation	15	7.2%	27	13.0%	14	6.8%	84	40.6%	67	32.4%	3.78	1.234
Wider market development	20	9.7%	19	9.2%	15	7.2%	93	44.9%	60	29.0%	3.74	1.241
Improved and higher market liquidity and value	19	9.2%	27	13.0%	15	7.2%	93	44.9%	53	25.6%	3.65	1.249
Boosted comparability	17	8.2%	19	9.2%	18	8.7%	101	48.8%	52	25.1%	3.73	1.175
Grande mean											3.69	1.27

Source: *Survey Result, 2020*

The above table displays that 62.80% of the respondents have at least agreed specifying that organization have greater transparency and understand ability benefit in using IFRS. 65.70% of them preferred to the category of agree indicating that reduced the cost of capital to organizations as benefit for organizations. Almost 73 % of them have at least agreed indicating that benefits for organization including reduced national standard-setting costs enhance efficient capital allocation, wider market development and boosted comparability. Only 70.50% of them preferred to the category of agree signifying that the benefits include improved and higher market liquidity and value. The grand mean (3.69) was rated as good with 3.6 lowest and 3.78 highest means (improve efficient capital allocation). As result, the study found that business organizations have benefits using IFRS including reduced national standard-setting costs, augment efficient capital allocation, broader market development, improved and higher market liquidity and value and enhanced comparability.

4.3.4 Investors' Benefit of IFRS in Ethiopia

The respondents requested to rate their opinion about investors' benefits encompassed higher quality information for investors for investment decisions, more confidence in the information presented; better understanding of risk and return, companies can be compared to a peer group of companies, more timely financial reports and easier access to financial reporting.

Table 4.7 Respondents' Responses on Investors' Benefits

Items	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	sd
	Count	%	Count	%	Count	%	Count	%	Count	%		
higher quality information for investment decisions	20	9.7%	26	12.6%	19	9.2%	75	36.2%	67	32.4%	3.69	1.304
more confidence in the information presented	22	10.6%	34	16.4%	6	2.9%	77	37.2%	68	32.9%	3.65	1.363
better understanding of risk and return	17	8.2%	23	11.1%	6	2.9%	81	39.1%	80	38.6%	3.89	1.263
companies can be compared for more timely financial reports	20	9.7%	26	12.6%	6	2.9%	102	49.3%	53	25.6%	3.69	1.251
easier access to financial reporting	21	10.1%	16	7.7%	6	2.9%	95	45.9%	69	33.3%	3.85	1.252
Grand Mean											3.75	1.28

Source: *Survey Result, 2020*

The above table shows table the grand mean (3.75) was rated as good and 3.85 mean scored as the highest and 3.69 as lowest mean. Most of the respondents (68%) have at least agreed indicating that investors' benefits encompassed higher quality information for investors for investment decisions, more confidence in the information presented; better understanding of risk and return, companies can be compared to a peer group of companies, more timely financial reports and easier access to financial reporting. Aytenew (2018) stated that IFRS adoption has its own benefits for investors. It included IFRS ease for communication, provided better information for decision making, provide easier access to financial reporting, guaranteed more confidence in the information presented, provide better understanding of risk and return and provided more timely financial reports respectively. Interviewees identified that IFRS adoption has ease to have effective commination with internal and external users of information followed by better information acquired for decision making.

4.3.5 Policy Makers' Benefit of IFRS in Ethiopia

Table 4.8 Respondents' Responses on Policy Makers' Benefits

Items	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	sd
	Count	%	Count	%	Count	%	Count	%	Count	%		
Strengthened Financial Transaction	19	9.2%	32	15.5%	0	0.0%	98	47.3%	58	28.0%	3.70	1.281
Create effective capital market	12	5.8%	22	10.6%	14	6.8%	92	44.4%	67	32.4%	3.87	1.152
better access to the global capital markets	12	5.8%	22	10.6%	6	2.9%	100	48.3%	67	32.4%	3.91	1.139
promotion of cross-border investment	23	11.1%	62	30.0%	6	2.9%	67	32.4%	49	23.7%	3.28	1.396
better information for control	32	15.5%	52	25.1%	6	2.9%	69	33.3%	48	23.2%	3.24	1.444
decision-making purposes	21	10.1%	53	25.6%	6	2.9%	65	31.4%	62	30.0%	3.45	1.406
more realistic planning experiences	30	14.5%	39	18.8%	14	6.8%	51	24.6%	73	35.3%	3.47	1.487
Grand Mean											3.56	1.329

Source: *Survey Result, 2020*

The exceeding table displays that the grand mean score (3.56) was rated as good. Accordingly, most of the respondents (75%) have at least agreed showing that IFRS benefits policy makers by strengthened financial transaction; 77 % of them by creating effective capital market an 81% of them using better access to the global capital markets. Almost 60 % of them preferred to agree signifying that decision-making purpose and more realistic planning experiences, among others. The lowest mean (3.24) indicates that most of them disagreed on the fact that government does not use IFRS for better information for control. The reason behind using GAAP still has been a attaching remark that government believes GAAP is better than IFRS. Companies have been enforced to prepare two reports one for IFRS for regulatory body and one for tax payment system. In addition, the government using IFRS for promotion of cross-border investment is less materialized. This shows that the government uses IFRS for capital assessment and to fulfill the global investment requirements and to attract investment. However, IFRS adoption has its own benefits for policy makers. Different authors and literatures defined that creditability for the attraction of foreign direct investment, establishment and expansion of capital market, greater mobility of capital, efficient allocation of resources, and improved quality of financial reporting are some of the benefits of the adoption (Balanchandran and Mohanram, 2006).

4.3.6 Industry Regulators Benefit of IFRS in Ethiopia

Table 4.9 Respondents' Responses on Industry Regulators Benefits

Items	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	sd
	Count	%	Count	%	Count	%	Count	%	Count	%		
improved regulatory oversight and enforcement	23	11.1%	18	8.7%	12	5.8%	84	40.6%	70	33.8%	3.77	1.304
a higher standard of financial disclosure	34	16.4%	15	7.2%	23	11.1%	58	28.0%	77	37.2%	3.62	1.456
better information for market participants	27	13.0%	18	8.7%	34	16.4%	51	24.6%	77	37.2%	3.64	1.393
stronger ability to attract	18	8.7%	15	7.2%	22	10.6%	68	32.9%	84	40.6%	3.89	1.257
monitor listings by foreign companies	26	12.6%	11	5.3%	24	11.6%	83	40.1%	63	30.4%	3.71	1.298
Grand Mean											3.73	1.34

Source: *Survey Result, 2020*

The above table shows that almost 75 % of the respondents have at least agreed indicating that improved regulatory oversight and enforcement the main benefits of regulatory body. Almost 73 % of them agreed that the benefits included stronger ability to attract and monitor listings by foreign companies. The highest means (3.89, 3.77 and 3.71) scored for these benefits. However, the lowest means (3.62 and 3.64) and almost more than 60 % have at least agreed showing that a higher standard of financial disclosure and better information for market participants are the last benefits. This shows that the main benefits include improved regulatory oversight and enforcement, to attract and monitor listings by foreign companies but less benefited for standard of financial disclosure and information for market participants. In Ethiopia case according to interviewees, the regulatory body has less and incapable professions of various category including engineers, technicians, mechanics, logisticians and others.

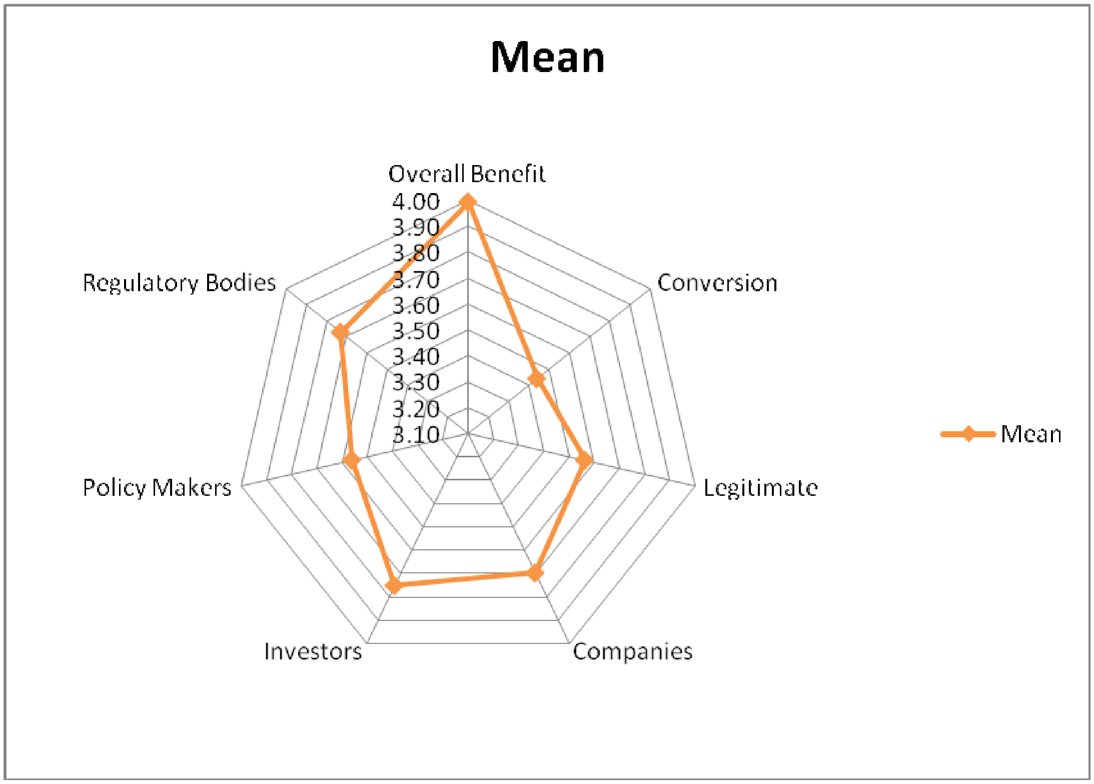
4.3.7 Overall Benefit

Table 4.9 Respondents' Responses on Industry Regulators Benefits

Items	Low	Medium	High	Mean	sd
Overall Benefit	10.60%	10.60%	78.70%	3.906	1.05

Source: *Survey Result, 2020*

Aytenew (2018) stated that IFRS adoption benefits are unequally distributed among different firms and different countries due to differences in institutions and incentives, there may have been negligible benefits or even negative effects rather than benefits for particular firms or countries. The developing countries transition modalities to the IFRS differ from those of developed countries. But, this study requested respondents to put their opinion on overall benefits of IFRS. The study found a positive response as the majority of the respondents (78 %) claimed that it has a high benefit. The mean score (3.906) was rated as very good approaching to 4.00. Interviewees agreed that Ethiopia has enacted financial reporting proclamation in the year 2014 which can be applicable by all reporting entities operating in Ethiopia in recognizing of the benefits of IFRS adoption. Accordingly, the Accounting and Auditing Board of Ethiopia has established as per council of ministers regulation no.332/2014 as an autonomous governing organ to Promote high quality reporting of financial and related information by reporting entities and to regulate the accounting Auditing profession of Ethiopia. However, there are various challenges such as man power, compulsory to prepare to financial report, corporate culture and others.



Source: *Survey Result, 2020*

Figure 4.3 Grand Mean

The above graph shows that the grand mean score of overall benefit 3.906, conversion benefit 3.44, legitimate 3.56, companies 3.70, investors 3.75, policy makers 3.56 and regulatory Bodies 3.73. As result, the overall benefit is the highest mean and legitimate and policy maker benefit are the lowest mean scores. This shows that the country are not harvested the benefits of IFRS but investors, business organizations and regulatory bodies are being benefited through IFRS in Ethiopia. Study from Kazakhstan showed that the creation of favorable conditions for the introduction of companies in foreign markets, the improvement of transparency, reliability and comparability of financial statements and the increase of foreign direct investments, according to the survey are some of the benefits from IFRS introduction (Tyrral et al., 2007). It seems that IFRS can benefits more to private sectors and regulatory bodies than government tax collection and others. However, Floropoulos (2006) showed that the use of IFRS was constantly low among Greek companies and that accountants did not have the necessary experience and knowledge regarding the new accounting regime.

4.4 Inferential Analysis

This study used the independent samples t-test that is probably the single most widely used test in statistics. It is used to compare differences between separate groups such as conversion, policy, companies, investors and regulatory benefits with overall benefits. .

Table 4.10 Independent Sample Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
Benefits		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Conversion	Equal variances assumed	1.231	.269	-.474	205	.636	-.080	.169	-.413	.253
	Equal variances not assumed			-.505	74.565	.615	-.080	.158	-.396	.236
Legitimate	Equal variances assumed	2.492	.116	-.257	205	.797	-.048	.186	-.414	.319
	Equal variances not assumed			-.282	78.016	.779	-.048	.170	-.385	.290
Companies	Equal variances assumed	.238	.626	-.374	205	.709	-.061	.164	-.385	.262
	Equal variances not assumed			-.384	70.519	.702	-.061	.160	-.380	.257
Investors	Equal variances assumed	4.940	.027	-.904	205	.367	-.158	.175	-.504	.187
	Equal variances not assumed			-1.056	87.472	.294	-.158	.150	-.456	.140
Policy	Equal variances assumed	6.743	.010	-1.881	205	.061	-.350	.186	-.716	.017
	Equal variances not assumed			-2.134	82.794	.036	-.350	.164	-.676	-.024
Regulatory Bodies	Equal variances assumed	2.950	.087	-.252	205	.801	-.040	.159	-.354	.273
	Equal variances not assumed			-.224	59.166	.824	-.040	.179	-.399	.318

Source: *Survey Result, 2020*

Any differences between groups can be explored with the independent t-test, as long as the tested members of each group are reasonably representative of the population. The null hypothesis is the opposite of what we hope to find. In this case, this research hypothesis is that there are differences between IFRS benefits. Therefore, the null hypothesis is that there are NO differences between IFRS benefits. Or the first case, SPSS provides a t-value of -4.74 with 205 degrees of freedom. As long as this p-value falls above the standard of ".05," we can declare no significant difference between IFRS benefits. Since ".636" is above ".05" we can conclude respondents of the study confirmed that there is no difference between IFRS overall benefits and conversion benefits. Other results also show that there is no deference between overall benefits and legitimate, companies, investors and regulatory bodies' benefits. On other hand, SPSS provides a t-value of -1.881 with 205 degrees of freedom. As long as this p-value falls below the standard of ".05," we can declare there is a significant difference between IFRS benefits. Since ".036" is below ".05" we can conclude respondents of the study confirmed that there is a difference between IFRS overall benefits and policy makers' benefits. As previously, explained, policy makers does not use IFRS for tax collection purpose instead they have been using GAAP. It shows that their benefits of IFRS are less likely.

Table 4.11 Paired Samples Test

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	CC - LB	-.122	.660	.046	-.212	-.032	-2.660	206	.008
Pair 2	BB - LB	.136	.595	.041	.055	.218	3.289	206	.001
Pair 3	IB - LB	.190	.927	.064	.063	.317	2.955	206	.003
Pair 4	PB - LB	-.003	1.166	.081	-.163	.156	-.041	206	.967
Pair 5	RB - LB	.165	1.533	.107	-.045	.375	1.551	206	.122

Source: *Survey Result, 2020*

Paired Sample t test is used when the two scores being compared are paired or matched in some way (not independent of one another) or if the two scores are repeated measures. This is used to compare two groups which only differ by one intervention.

Ho: two beneficiaries make no difference to benefits.

vs.

Ha: two beneficiaries having different benefits.

Thus, as p is less than 0.05 one can conclude that two beneficiaries having different benefits except policy makers and legitimate nation benefit that have p is more than 0.05 (.967). On that, it can be said that the government has more interested to collect tax and the nation announced IFRS to attract investors and to make the business environment more competitive.

4.5 Discussion

Fikru (2012) recognized challenges in the process of adopting IFRS in Ethiopia like 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. IFRS's use of fair value accounting instead of historical cost is considered as a challenge due to achieving observable market prices and accurate estimates of liquid market prices due to less perfect market liquidity. These financial statements are differences which have probably been caused by a variety of social, economic and legal circumstances and by different countries having in mind the needs of different users of financial statements when setting national requirements (Yitayew, 2016).

However, Mazars (2005) recorded 12 EU countries their attitude during the initial introduction of IFRS in EU and stated that the increased comparability of financial statements was identified as one of the main benefits of transition. On the other hand, the complexity of new standards was recorded as an obstacle. However, no clear aspect of view was recorded on whether the benefits will exceed the costs of the accounting transition. This study found that the benefits are paramount in terms of capital, cost, and recording and reporting. However, there are manpower and beneficiaries targeted various are challenges.

Opposing to the above studies, Tyrral et al. (2007) found that benefits of IFRS included reprting transparency, reliability and comparability of financial statements and the increase of foreign direct investments, according to the survey are some of the benefits from IFRS introduction. However, the complexity of many IFRS, the necessity for improvements of information systems, together with the hard and long process of personnel training, makes the accounting transition challenging and time consuming. Lantto (2006) found from after studying Finland market and stated that the accounting information reflects the true and fair value and hence, is useful. In addition, regarding information requiring personal judgments from account preparers, managers expressed doubts for their reliability.

Aljifri and Khasharmeh (2006) found the improvement of comparability and reliability of financial reporting and the increase of Foreign Direct investments were recognized as such. BDO et al. (2003) found that there are many reasons that impede the implementation of IFRS, the most important of which is the complicated nature of particular standards. Furthermore, the different orientation of IFRS with many national accounting standards, the insufficient guidance on first-time application of IFRS, the limited development of many capital markets, the general satisfaction of investors with national accounting standards and the difficulties in translation of IFRS, were found as obstacles for the accounting transition. Grant Thornton (2003) presented, that although the level of acceptance of IFRS by Greek companies was satisfactory, the degree of readiness of Greek firms was quite low. Coppens et al. (2007) examined the perspectives of unlisted companies about IFRS. Although their conclusions are not directly comparable with our study, it is mentioned that the improvement of comparability of financial statements is recognized by both studies as one of the major advantages of IFRS for unlisted companies as of Ramadhan (2002).

CHAPTER FIVE

SUMMARY OF KEY FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This part of the study presents the key findings, conclusion and appropriate recommendations.

5.1 Major Findings

The study aimed to assess the benefits of various stockholders of using and IFRS compliance and conformity to norms of acceptable behavior or accounting practices in Ethiopia. It applied both qualitative and quantitative research approach and descriptive research design. Both probability and non-probability sampling methods were used (purposive sampling for companies, accountants and probability method used for selection individuals from regulatory body). The data shows that the response rate is 65%. 65 accountants also entirely returned the given questionnaire on time. A total of 297 questionnaires were distributed and only 207 of them were filled and returned properly. The study found that

- The grand mean score of overall benefit 3.906, conversion benefit 3.44, legitimate 3.56, companies 3.70, investors 3.75, policy makers 3.56 and regulatory Bodies 3.73.
- IFRS in Ethiopia less contributed on greater access to capital, adaptability to changes in economic environment, information for control, robustness against manipulations, promotion of cross-border investment and lower cost of capital
- IFRS in Ethiopia provided to enhance efficient capital allocation, easier access to financial reporting, strengthened and more effective capital market, understanding of risk and return, attract investors and having better access to the global capital markets
- The overall benefit is the highest mean and legitimate and policy maker benefit are the lowest mean scores; the country are not effectively harvested the benefits of IFRS but investors, business organizations and regulatory bodies are being benefited through IFRS in Ethiopia.
- Various stockholders have been harvesting the benefit of conversion, legitimate, companies, investors and regulatory bodies' except policy makers ' since government does not apply IFRS properly and lack its benefits and focused on GAAP for tax collection

5.2 Conclusions

IFRS stands for International Financial Reporting Standards and they are standards for reporting financial results and are applicable to general purpose financial statements and other financial reporting of all profit oriented entities. IFRS set out recognition, measurement, presentation and disclosure requirements dealing with transactions and other events and conditions that are important in general purpose financial statements. They may also set out such requirements for transactions, events and conditions that arise mainly in specific industries. Even though Ethiopia has officially adopted IFRS, it is already required for more activities to be done by various stakeholders and institutions. National Bank of Ethiopia (NBE) and Ethiopian Commodities and Exchange Authority (ECX) are the main institutions in this regard which required the companies under their domain. Thus, IFRS in Ethiopia is weak and harvested some portion of benefits including enhance efficient capital allocation, easier access to financial reporting, strengthened and more effective capital market, understanding of risk and return, attract investors and having better access to the global capital markets. Investors will benefit, amongst others, more confidence in the information presented in financial statements which they can understand and use. For management, the adoption of IFRS will create improved management information for decision making and enables better risk management. Similarly, other stakeholders such as regulatory bodies and accounting professionals would benefit from improved regulatory oversight and greater credibility and improved economic prospects for the accounting profession.

5.3 Recommendations

- IFRS awareness creation campaign and implementation plan IFRS may be necessary in Ethiopia to get best result in greater access to capital, adaptability to changes in economic environment, information for control, robustness against manipulations, promotion of cross-border investment and lower cost of capital
- Even if the government of Ethiopia has expressed an initiative to integrate its financial statements with international standards, the government may harvest its benefits by amending its IFRS proclamation and incorporate public interest entities' to follow IFRS in their financial reporting.
- Various stockholders of IFRS and the public at large may be believe on standards; thus, awareness creation may be useful to adapt international standards in accounting,

performance measurement and quality issues and these may solve standard associated problems such as in preparing financial reports, financial performance measurement and quality of reporting

- Stakeholders should solve the lack of man power on estimating the fair or market price of the assets by creating unique excellency centre to offer special short term trainings but producing high quantity of trainees and preparing implementation IFRS guidance and IFRS capacity building program should be embarked upon by all regulatory bodies, firms and training institutions in order to provide the needed manpower for IFRS implementation.

5.4 Implications for Various Stakeholders

Since the benefits are more than what stockholders expects, they may need to prepare financial statements based on this international standard. This implies that the government of Ethiopia should enhance IFRS application, awareness and transition and adoption of IFRS by Ethiopian companies should be announced in earnest. This implies that the concerned institutions such as regulatory bodies such as the National Bank of Ethiopia, the Ethiopian Commodities Exchange Authority and others may take initiative to advance the benefit of IFRS and strictly adhere to the application of all the standards. Ethiopia's adoption of IFRS should be supported by all stake holders to solve the main problems of IFRS adoption and to harvest more benefits of IFRS.

5.5 Future Research Areas

Future study may focus various factors that impact adoption of IFRS in Ethiopia including technology, role of institutions, academic centers, reporting formats and others. In addition, they may focus on the effect of training on reaping IFRS and encourage its adoption, the issue of disclosure and compliance with IFRS in Ethiopia. Moreover, future study may investigate regional and Addis Ababa regulatory bodies practices and investors and companies' perception on IFRS. Furthermore, they may focus on the effect of IFRS adoption on profitability, financial statements and quality performance measurements. The role of small and medium scale enterprises on adopting IFRS may be assessed by future studies including technological, industrial and technical factors that affecting the adoption of IFRS by Ethiopia.

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Appendix I - Questionnaire

SCHOOL OF GRADUATE STUDIES
SAINT MARY UNIVERSITY
Department of Accounting and Finance

Dear respected participant,

I am Bereket Wubshet a postgraduate student of St Marry University. I am conducting an academic research and I invite you to participate in a research study entitled: “The Significance of Adopting International Financial Reporting Standards in Ethiopia”. The purpose of the research is to emphasize the benefit if IFRS in Ethiopia.

Your participation in this research project is completely voluntary. You may decline altogether, or leave blank any questions you don’t wish to answer. Your responses will remain confidential and anonymous. There are no known risks to participation beyond those encountered in everyday life. Data from this research will be kept secretly and key and reported only as a collective combined total. No one other than the researchers will know your individual answers to this questionnaire.

Thank you for your support in this significant endeavor.

Sincerely yours,

Bereket Wubshet
Tel: 09 12 139966
bereketat2013@gmail.com

Personal Information

Direction - *Direction - Demographic or personal information, **please insert (x) in the box for your appropriate answer***

1. Age

Below 35	O	36 - 45	O	46 -55	O	Above 56	O

2. Gender

Male	O	Female	O

3. Education Level

High School and below	O	Diploma	O	First Degree	O	Masters Degree & above	O

4. Marital Status

Never married	O	Married	O	Divorced	O	Others Widow(er) Separated	O
Refused	O						

5. Monthly Income

Below 5,000	O	5,001 – 10,000	O	10,001 – 15,000	O	Above 15,001	O

6. Your job level?

Manager Executive	O	Owner	O	Expert or Professional	O	Others	O

Please indicate if possible _________________

7. How long have you worked in accounting, financial reporting, users of financial statements or related activities in Ethiopian Accounting system?

Less than a year	O	1-5 years	O	6- 10years	O	More than 10 years	O

Questions related with the study

Question 1 – How do you perceive and rate the expected benefits of conversion to IFRS in Ethiopia? Please put "X" mark with the answer you choose. Please note that 1 represents for "Strongly Disagree"; 2 for "Disagree"; 3 for "Neutral"; 4 for "Agree" and 5 for "Strongly Agree.

Items	Measurement				
	1	2	3	4	5
1. **Greater access to capital**					
2. **Lower cost of capital**					
3. **Increased cross-border listings and investment opportunities**					
4. **Better comparability with other businesses**					
5. **Greater reporting transparency**					
6. **Improved quality and timeliness of management information**					
7. **Harmonization and streamlining of internal and external reporting**					

Question 2 – How do you perceive and rate the legitimate benefits of IFRS adoption to nation in Ethiopia? Please put "X" mark with the answer you choose. Please note that 1 represents for "Strongly Disagree"; 2 for "Disagree"; 3 for "Neutral"; 4 for "Agree" and 5 for "Strongly Agree.

Items	Measurement				
	1	2	3	4	5
8. **the credibility to compete for FDI in world capital markets**					
9. **greater mobility of capital at a decreased cost**					
10. **more efficient allocation of resources**					
11. **improved quality of financial reporting**					
12. **avoidance of the necessity of having to develop national accounting standards**					
13. **contribution to prosperity and wealth of society**					
14. **inclusion of relevant information from all parts of the economy**					
15. **stability over time**					
16. **adaptability to changes in economic environment**					
17. **robustness against manipulations**					

Question 3 – How do you perceive and rate the business organization benefits of IFRS in Ethiopia? Please put "X" mark with the answer you choose. Please note that 1 represents for "Strongly Disagree"; 2 for "Disagree"; 3 for "Neutral"; 4 for "Agree" and 5 for "Strongly Agree

Items	Measurement				
	1	2	3	4	5
18. **Greater transparency and understand ability**					
19. **Reduced the cost of capital to organisations**					
20. **Reduced national standard-setting costs**					
21. **Enhance efficient capital allocation**					
22. **Wider market development**					
23. **Improved and higher market liquidity and value**					
24. **Boosted comparability**					

Question 4 – How do you perceive and rate investors' benefit of IFRS in Ethiopia? Please put "X" mark with the answer you choose. Please note that 1 represents for "Strongly Disagree"; 2 for "Disagree"; 3 for "Neutral"; 4 for "Agree" and 5 for "Strongly Agree

Items	Measurement				
	1	2	3	4	5
25. **higher quality information for investors for investment decisions**					
26. **more confidence in the information presented**					
27. **better understanding of risk and return**					
28. **companies can be compared to a peer group of companies, more timely financial reports**					
29. **easier access to financial reporting**					

Que

stion 5 – How do you perceive and rate policy makers' benefit of IFRS in Ethiopia? Please put "X" mark with the answer you choose. Please note that 1 represents for "Strongly Disagree"; 2 for "Disagree"; 3 for "Neutral"; 4 for "Agree" and 5 for "Strongly Agree

Items	Measurement				
	1	2	3	4	5
30. **To policy makers, the adoption of IFRS could result in financial strengthen**					
31. **Creating more effective capital market**					
32. **better access to the global capital markets**					
33. **promotion of cross-border investment**					
34. **better information for control**					
35. **decision-making purposes**					
36. **more realistic planning experiences, among others**					

Question 6 – How do you perceive and rate industry regulators benefit of IFRS in Ethiopia? Please put "X" mark with the answer you choose. Please note that 1 represents for "Strongly Disagree"; 2 for "Disagree"; 3 for "Neutral"; 4 for "Agree" and 5 for "Strongly Agree

Items	Measurement				
	1	2	3	4	5
37. **improved regulatory oversight and enforcement**					
38. **a higher standard of financial disclosure**					
39. **better information for market participants**					
40. **stronger ability to attract**					
41. **monitor listings by foreign companies**					

Question 7 – How do you perceive the overall benefit of IFRS in Ethiopia? Please put "X" mark with the answer you choose. Please note that 1 represents for "Strongly Disagree"; 2 for "Disagree"; 3 for "Neutral"; 4 for "Agree" and 5 for "Strongly Agree

Items	Measurement				
	1	2	3	4	5
42. **Overall Benefit of IFRS for Ethiopia**					

Thank you for your cooperation!

Appendix II Interview Check List

I am Bereket Wubshet a student of accounting and finance in St Marry University. I am conducting an academic research on significant of IFRS in Ethiopia. I have few questions that related to the study are.

Can I proceed?

Thank you!

1. How do you see benefits of IFRS fro society, auditors, companies and regulators in Ethiopia?

   ____

   ____

   ____

2. Do you agree UFRS facilitate on Ethiopian regulatory or companies decision making process?

   ____

   ____

   ____

3. Is that effective and efficient to adapt IFRS in Ethiopia?

   ____

   ____

   ____

. . . . *Thank you!*