Challenges of International Financial Reporting Standard Implementation in Ethiopia: A Case Study of Selected Agricultural Sector under Horizon Plantation.

A Thesis Report Submitted To Business & Economics College Research & Postgraduate Coordination Offices of Jimma University In Partial Fulfillment of The Requirements For The Award of The Degree of Master of Science In Accounting And Finance

Main -Advisor: Abel Worku (Assi. Professor)

Co-Advisor: Mohammed Getahun. (Assi. Professor)

Prepared By: Tadele: Birhanu

July, 2020

Jimma, Ethiopia

Declaration

I, Tadele Birhanu hereby declare that this research project work on the topic entitled 'Challenges of International Financial Reporting Standard Implementation in Ethiopia: A Case study of selected agricultural sector under horizon plantation located in South West part of Ethiopia is my original work and has not been submitted for any degree or examination at any other institution of higher learning in Ethiopia and that all references used for the thesis was accordingly acknowledged

Declared by:

Full name: Tadele Birhanu

Signature_________________

Date: _____________

This student thesis has been submitted for examination with my approval as University advisors.

Main Advisor: Abel Worku (**Assi. Professor**.)

Signature: - --------------------------

Date: -------------------------

Co – Advisor: Mr. Mohammed G. (**Assi. Professor**.)

Signature: ---------------------------

Date: -------------------------

Approval Sheet

Members of the Board of Examiner

	External Examiner	**Signature**	**Date**
1.	______________________	______________	______________
2.	______________________	______________	______________
	Internal Examiner	**Signature**	**Date**
1.	______________________	______________	______________
2.	______________________	______________	______________
	Advisors	**Signature**	**Date**
1.	______________________	______________	______________
2.	______________________	______________	______________

Acknowledgments

I would like to extend my gratitude towards the various resourceful personalities who either directly or indirectly contributed to the successful completion of this thesis on Challenges of International Financial Reporting Standard Implementation in Ethiopia: a case study of selected agricultural sector under horizon plantation located in South West of Ethiopia.

First of all, I would like to thank and say praise be to God who gave me the health, strength and opportunity to achieve all my goals, and who made easy for me to complete this thesis.

Then I would to record my profound indebtedness to my principal research advisor Mr. Abel Worku for his valuable efforts in advising, checking, consulting and providing useful comments by virtue of his professional experience.

I would also like to express my great thanks to my co-advisor Mr. Mohammed G. for his unreserved guidance, advice, critical comments, friendly treatments, patience and constructive suggestion from the conception up to the completion of this thesis .Without their support and professional guidance, this thesis would not have attained the present form.

My everlasting respect, love and gratitude go to my wife Woynishet Otoro for her contribution in typing and whose understanding love, patience and moral support encourages me to complete the thesis.

Acronyms & Abbreviations

AABE	Accounting and Auditing Board of Ethiopia
ACCA	Association of Chartered Certified Accountants
AICPA	American Institute of Certified Public Accountants
CPA	Certified Public Accountants
ECSC	Ethiopian Civil Service College
ECX	Ethiopian Commodity Exchange
ECXA	Ethiopian Commodity Exchange Authority
EPAAA	Ethiopian Professional Association of Accountants and Auditors
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
IAS	International Accounting Standard
IASB	Internationally Accounting Standards Board
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IFRS for SMEs	International Financial Reporting Standard for Small and Medium-sized Entities
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
IOSCO	International Organization of Securities Commissions
MNE	Multi-National Enterprises
NBE	National Bank of Ethiopia
OFAG	Office of the Federal Auditor General
ROSC	Reports on Observance of Standards and Codes
SEC	Securities Exchange Commission
SIC	Standards Interpretations Committee

Table of Contents

List of Tables

List of Figures

Abstract

International Financial Reporting Standards (IFRS) becomes internationally accepted standard which is adopted and implemented in many jurisdictions to harmonize financial reporting throughout the globe. As Ethiopia is also one of those countries which accept this standard and starts adopting it. Therefore, this study aims to assess the Challenges of IFRS implementation in Ethiopia: A Case study of selected agricultural sectors under Horizon Plantation located in South West part of Ethiopia. The study employed mixed research approach to achieve the research objectives and to achieve this objective, both primary and secondary data were collected from 74 finance, internal audit, marketing staff and managers of all selected agricultural Sectors under Horizon Plantation who were selected purposively based on their role and involvement in the implementation process. Primary data were collected through questionnaire and interview whereas secondary data were collected through documentary evidence and the questionnaire data was analyzed by using different descriptive statistical tools such as SPSS version 20 and data from interview and documentary evidence were interpreted qualitatively. Finally, the result of the study revealed that lack of attention and management understanding about IFRS, Lack of qualified people to provide training in profession or workplace, lack of supports from accountancy professional bodies, weak enforcements of regulatory body, and high cost of implementation and weak management support are the major challenges of IFRS implementation by these selected agricultural sectors under Horizon Plantation. Therefore, the Horizon Plantations, regulatory organs and consultants are recommended to improve management involvement, provide workplace trainings, to implement by customizing the standard, to improve cost issues of the standard, and to improve the cooperation of the organs involving in the implementation.

Key Words; - IFRS, Implementation, Challenges, Agricultural Sectors

Chapter One

1.1 Background of the Study

The process of international convergence towards a global set of standards started in 1973 when 16 professional accountancy bodies from 9 different countries such as Australia, Canada, France, Germany, Japan, Mexico, Netherlands, United Kingdom and United States of America agreed to form the International Accounting Standards Committee (IASC),which in 2001 was reorganized in to the International Accounting Standards Board (IASB) (UNCTAD,2008).The IASC's aim was to formulate uniform and global accounting standards aimed at reducing the discrepancies in international accounting principles and reporting practices.

The IASB has updated the already existing International Accounting Standards that were issued by its predecessor, IASC and referred to them as International Financial Reporting Standards (IFRS). IFRSs are a single set of high quality understandable standards for general purpose financial reporting which are Principles based in contrast to the rules based approach (IASB, 2016).

According to Deloitte IFRS Solutions Center (2008) different countries have adopted International Financial Reporting Standards (IFRS) as the basis for financial reporting due to the benefits of single set of standards throughout the organization that allows companies to improve controls around financial reporting and to potentially achieve significant cost savings by consolidating people, systems, and processes.

IFRS is also believed to be able to achieve a degree of comparability that will help investors make their decisions while reducing costs of Multi-National Enterprises (MNE) in preparing multiple sets of accounts and reports. However, those countries which adopt IFRS has faced many practical challenges which they overcome by devising various methods including changing their laws and enhancing the awareness of the IFRS among the stakeholders (Radebaugh, et.al, 2006).

According to NBE (2018), Ethiopia adopted IFRS after issuing the Financial Reporting Proclamation in 2014. The Accounting and Auditing Board of Ethiopia which was entitled to lead the adoption of IFRS in Ethiopia has developed roadmap which sets the mandatory IFRS adoption for businesses, governmental organizations and not for profit entities. The adoption was scheduled to start with significant public interest entities, financial institutions and public enterprises owned by federal or regional governments who are expected to adopt the IFRS by 8, July, 2017.

Other public interest entities (ECX member companies and reporting entities that meet public interest entities quantitative threshold, two if assets 100 Million, 100 employees, Liability 100 Million, revenue 50 Million) and IPSASs for charities and societies are expected to adopt IFRS/IPSAS by 8, July 2018. All other small and medium sized entities are required to adopt IFRS by 8, July, 2019. In light of this, the study focused on assessing the challenges of implementing IFRS in Ethiopia in case of selected agricultural sector under Horizon Plantation located in South West parts of Addis Ababa who are currently implement IFRS by 8, July, 2019.(Limmu Coffee Farm, Bebeka Coffee Plantation and Gojeb Agricultural Development).

1.2 Statement of the problem

In 2007 the World Bank and IMF conducted a joint initiative which mainly focuses on review of corporate sector accounting, auditing, and financial reporting practices and supporting infrastructure in Ethiopia. In the report, the World Bank and IMF suggested that Ethiopia need to have a well- defined financial reporting standards and a professional body that has a legal enforce able right to monitor the accounting and auditing practice in the country (World Bank and IMF joint initiative, 2007).

In 2014, the Ethiopian Government issued Financial Reporting Proclamation which has the objectives of establishing a uniform financial reporting law and establishing a body that undertakes regulatory responsibilities in financial reporting (Proclamation 847/2014, Article 4 and Regulation 332/2014).

Some government and business enterprises claimed that they were adhering to the requirement of IFRS before Ethiopia adopt IFRS as per the Proclamation 847. However, that claim was not certifiable as in the absence of the infrastructure in IFRS implementation (including the shortage of qualified accountants, etc.), the auditors of those entities not fully complying with the International Standards on Auditing (Alemi & Pasricha, 2016).

Currently, the IFRS implementation process has been started in the country businesses and government entities are employing consultants to help them in the implementation process- including the conversion process which incorporate developing the accounting policy manual, training of staff and the actual conversion of the books for the effects of the adoption of the IFRS and the current accounting practice.

Previously, there were few studies conducted in Ethiopia's adoption of IFRS. One of the studies conducted by Tesfu (2012) focuses on adoption of International Financial Reporting Standards (IFRS) in Ethiopia including the factors that could influence its adoption, with particular reference to companies which adopted this standard which he did not address the implementation challenges faced by Agricultural Sectors.

Hailemchael (2016) conducted his study in the case of financial intuitions but the study took its target population only from finance departments /directors as his respondents, which could not give the correct IFRS implementation teams and failed to address the implementation challenges faced by Agricultural Sectors.

Mihre (2016), conducted his study was from the cost perspective in implementation International financial reporting standards and but, he failed to address the challenges faced by IFRS implementation by Limmu Coffee Farm, Bebeka Coffee Plantation and Gojeb Agricultural Development.

The majority of researches that have been done on the IFRS implementation in our country focused on problems related to cost on the implementation of IFRS. As far as the researcher's knowledge, no research studies appear to have been made on challenges to implement IFRS in Ethiopia in general and in Limmu Coffee Farm, Bebeka Coffee Plantation and Gojeb Agricultural Development in particular. Nevertheless, these studies were not go through specifically in exploring the challenges from management, institutional or education and training, technical and cost challenges to implement IFRS in Horizon Plantation selected agricultural sectors (Limmu Coffee Farm, Bebeka Coffee Plantation and Gojeb Agricultural Development).

Thus, the first motives to undertake this research study was to fulfill the research gap that were not addressed by any one of the earlier studies, specifically issues related to the challenges to implement IFRS. Therefore, this study is designed to assess and identify the challenges that were encountered by selected agricultural sectors under Horizon Plantation to implement IFRS.

1.3 Objectives of the Study

1.3.1 General Objectives

The general objective of this study is to assess the challenges of implementing International Financial Reporting Standards (IFRS) in selected agricultural sectors under Horizon Plantation.

1.3.2 Specific Objectives

The specific objectives of this study are:

- To assess challenges from management of Limmu Coffee Farm, Bebeka Coffee Plantation and Gojeb Agricultural Development to implementing IFRS.
- To assess the technical challenges to implement IFRS in Limmu Coffee Farm, Bebeka Coffee Plantation and Gojeb Agricultural Development.
- To analyze the challenges of cost to implement IFRS in Limmu Coffee Farm, Bebeka Coffee Plantation and Gojeb Agricultural Development.
- To examine the influence of institutional factors to IFRS implementation.

1.4 Research Questions

The following research questions are tried to be addressed in this study:

i. What are challenges from management of these selected agricultural sectors under Horizon Plantation in implementing IFRS?

ii. What are the technical challenges of the IFRS to implement in Horizon Plantation selected agricultural sectors?

iii. What are the challenges related to cost to implement IFRS in Horizon Plantation selected agricultural sectors?

iv. What is the influence of institutional factors to IFRS implementation?

1.5. Scope and Limitation of the Study

The study has examined the challenges to implement IFRS in selected agricultural sectors under Horizon Plantation. The study has not considered any post implementation challenges. This study is delimited to the selected agricultural sectors under Horizon Plantation located in South West part of Ethiopia that currently implementing IFRS on 8, July 2019. In addition, this study has not considered the detailed and specific accounting principles and application of the IFRS.

1.6. Significance of the Study

All companies in Ethiopian are expected to adopt and implement IFRS as mandatory financial reporting standard. This study has assessed challenges of encountering the smooth implementation. The study result will benefit implementing companies and the regulatory body (AABE). Researchers and other any information seekers regarding to IFRS implementation process will obtain information from the study and use the findings as an input to their future consideration.

1.7. Organization of the Study

This study was organized in to five chapters. The first chapter deals with the general introduction and background of the study; chapter two presents the literature review regarding the research area of International Financial Reporting Standards to set out the theoretical foundations for the research; the third chapter outlines the research methodology. The research results are presented in chapter four and the last chapter is about the conclusions and recommendation and windup the report by highlighting future research areas.

Chapter Two
Literature Review

1. **Introduction**

This chapter deals with the review of related literatures related to International Financial Reporting Standards (IFRS) in general and challenges to implementation of IFRS in particular. The chapter has four sections; theoretical reviews, empirical reviews, knowledge gap and conceptual framework. The reviews include understanding IFRS, use of IFRS around the world, IFRS for agricultural sectors, Roadmap to IFRS implementation in Ethiopia, approaches to adopting IFRS, advantages and disadvantages of adopting IFRS for financial reporting, practical implications and challenges of adopting IFRS, factors affecting the adoption of IFRS, Ethiopia's accounting practice and the journey to IFRS adoption and lessons learned from other IFRS adopters.

2.1 Theoretical Review

2.1.1 Understanding IFRS Financial Reporting:

The Conceptual Frame work of the IASB states that: 'The objective of general purpose financial reporting is to provide information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity'(BPP Learning Media,2016). These users need information about: the economic resources of the entity; the claims against the entity; and changes in the entity's economic resources and claims.

A complete set of financial statements includes a statement of financial position (formerly known as balance sheet), a statement of comprehensive income (formerly known as income statement),a statement of changes in equity, a statement of cash flows, and accounting policies and explanatory notes (IASB, 2016)

2.2 The IASB and IFRS:

The need for a global set of high-quality financial reporting standards has long been apparent. The process of international convergence towards a global set of standards started in 1973 when 16 professional accountancy bodies from 9 countries namely: Australia, Canada, France, Germany, Japan, Mexico, the Nether lands, United Kingdom and United States of America agreed to form the International Accounting Standards Committee (IASC), which in 2001 was reorganized into the International Accounting Standards Board (IASB). The IASB develops global standards and related interpretations that are collectively known as International Financial Reporting Standards (IFRS) (United Nations Conference for Trade and Development, 2008).

The International Accounting Standards Board, based in London, began operations in 2001. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. The IASB is selected, over seen and funded by the IFRS Foundation (formerly called the International Accounting Standards Committee (IASC) Foundation). The IFRS Foundation is financed through a number of national financing regimes, which include levies and payments from regulatory and standard- setting bodies, international organizations and other accounting bodies (accounting firms, private financial institutions and industrial companies, central and development banks, national funding regimes, and other international and professional organizations throughout the world). The Trustees provide oversight of the operations of the IFRS Foundation and the IASB (IASB, 2016).

The IASB has full discretion in developing and pursuing the technical agenda for setting accounting standards, subject to consultation with the Trustees and a public consultation every three year. Approval of International Financial Reporting Standards (IFRSs) and related documents, such as the Conceptual Framework for Financial Reporting, exposure drafts, and other discussion documents, is thereponsibility of the IASB. The IASB issues its Standards in a series of pronouncements called International Financial Reporting Standards (IFRS). Upon its inception the IASB adopted the body of International Accounting Standards (IAS) issued by its predecessor, the Board of the International Accounting Standards Committee. The term ‘International Financial Reporting Standards ’includes IFRS,IAS and Interpretations developed by the Interpretations Committee or the former Standing Interpretations Committee (SIC) (IASB, 2016).

Below is the structure of the IASB

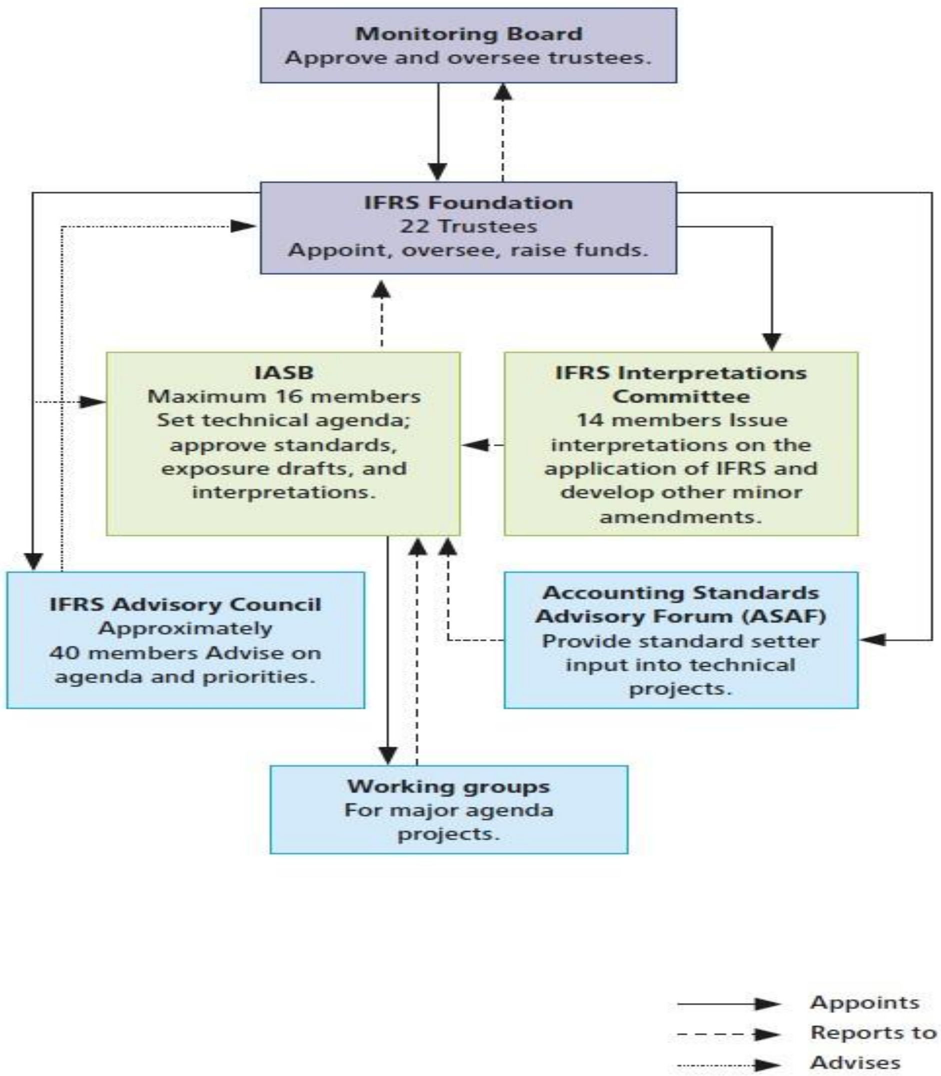


Figure 2. 1: IASB Structure (Source: Deloitte IFRS in your Pocket 2016)

2.2.1. Trustees

The governance of IASB rests with the Trustees of the International Accounting Standards Committee Foundation (the "IASC Foundation Trustees"or, simply, the "Trustees") (Ankarath et al., 2010, Mirza et al., 2006, Hussey & Ong, 2005).The Trustees comprise 22 individuals who are chosen from around the world. In order to ensure abroad international representation, it is required that six Trustees are appointed from North America, six from Europe, six from Asia/Oceanic region, and four from any part of the world, subject to establishing over all geographical balance (Ankarathetal., 2010).The Trustees are in dependent of the standard-setting activities (which is the primary responsibility of the Board members of the IASB).Instead, the Trustees, on the other hand, are responsible forbroad strategic issues, such as

- Appointing the members of IASB, the IFRIC, and the Standards Advisory Council (SAC);
- Approving the budget of the IASC Foundation and determining the basis of funding it;
- Reviewing the strategy of the IASC Foundation and the IASB and its effectiveness including consideration, but not determination, of the IASB’s agenda (which if allowed may impair the Trustees ’in dependence of the standard-setting process);
- Establishing and amending operating procedures, consultative arrangements and due process for the IASB, the IFRIC, and the SAC;
- Approving amendments to its constitution after consulting the SAC and following the required due process;
- Fostering and reviewing the development of the educational programs and materials that are consistent with the objectives of the IASC Foundation; and
- Generally, exercising all powers of the IASC Foundation except those expressly reserved for IASB, the IFRIC, and the SAC.

2.2.2. Board

The Board is responsible for all standard-setting activities, including the development and adoption of IFRS (Ankarathetal. 2010, Mirzaetal. 2006). The Board has 14 members from around the world who are selected by the Trustees based on technical skills and relevant business and market experience. The Board members are from mix of backgrounds, including auditors, preparers of financial statements, users of financial statements, and academics.

The IASB has the complete responsibility for all IASB technical matters including preparation and issuing of IFRS and Exposure Drafts that precede issuance of the final standards (i.e., the IFRS).

There are 17 IFRS Issued by the IASB to July, 2017

IFRS 1, First-Time Adoption of International Financial Reporting Standards

IFRS 2, Share-Based Payment

IFRS 3, Business Combinations

IFRS 4, Insurance Contracts will be replaced by IFRS 17 effective January, 2021

IFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations

IFRS 6, Exploration for and Evaluation of Mineral Resources

IFRS 7, Financial Instruments: Disclosures

IFRS 8, Operating Segments

IFRS 9, Financial Instruments

IFRS 10, Consolidated Financial Statements

IFRS 11, Joint Arrangements

IFRS 12, Disclosure of Interests in Other Entities

IFRS 13, Fair Value Measurement

IFRS 14, Regulatory Deferral Accounts

IFRS 15, Revenue from Contracts with Customers

IFRS16, Lease

IFRS 17, Insurance Contracts published on May 17, 2017 to replace IFRS 4

2.2.3. Standards Advisory Council

IASB is advised by the Standards Advisory Council (SAC). It has about 40 members appointed by the Trustees and provides a forum for organizations and individuals with an interest in international financial reporting to provide advice on IASB agenda decisions and priorities (Mirza.et.al, 2006). Members currently include chief financial and accounting officers from some of the world's largest corporations and international organizations, leading financial analysts and academics, regulators, accounting standard setters, and partners from leading accounting firms.

2.2.4. International Financial Reporting Interpretations Committee (IFRIC)

IFRIC members are appointed by the Trustees. The IFRIC is the IASB's interpretive body and is in charge of developing interpretive guidance on accounting issues that are not specifically dealt with in IFRS or that are likely to receive divergent or unacceptable interpretations in the absence of authoritative guidance (Ankarathetal.,2010).The Trustees select members of the IFRIC keeping in mind personal attributes such as technical expertise and diversity of international business and market experience in the practical application of IFRS and analysis of financial statements prepared in accordance with IFRS. The IFRIC shall comprise 14 voting members.

2.3 IFRS for Agricultural Sectors

Accounting Standards Board issued the International Accounting Standard No. (41) For agriculture. Agricultural accounting, as noted earlier, is among the specialty accounting types since enterprises in agricultural activities tend to acquire specific branches and objectives of activity. They all utilize the data provided by financial, cost and managerial accounting. Within this framework, while recording offinancial transactions in agricultural production process necessitates the use of financial accounting; estimationof production costs incurred during the cultivation of agricultural goods necessitates the use of cost accounting and provision of new data, either obtained from financial or cost accounting, for decision-making practices of enterprise managers necessitates the use of managerial accounting. When dealing with the theoretical accounting of Agriculture, one must review the main paragraphs of IAS (41) and how this standard addresses the biological assets in terms of recognition, measurement anddisclosure during the period of possession by purchase or self-production, growth, loss and reproduction, as wellas the accounting treatment of the initial measurement of the agricultural production at harvest time. Keeping track of how to use accounting treatments for items of agricultural activity and it is clear that there is anapplication of some of the international accounting standards, as appropriate. Moreover, it is clear that the magnitude of the size and diversity of the agricultural sector requires many accounting treatments.

2.3.1. Recognition:

IAS 41 specifies the usual tests in order that a biological asset or agricultural produce be recognized on the statement of financial position (an entity can only recognize a biological asset or an item of agricultural produce when and only when):

- **Control**: the enterprise (entity) must have ownership or rights of control akin to ownership that result from a past event
- **Value/probable**: future economic benefits are expected to flow to the enterprise from its ownership or control of the asset (it is probable that future economic benefits associated with the asset will flow to the entity)
- **Measurement**: the cost or fair value of the asset must be measured with reliability (the fair value or cost of the asset can be measured reliably).

 Biological Asset: Biological assets should be measured date subsequently, At-fair value less estimated point-of-sale costs except in limited circumstances.

 Agricultural Produce: Agricultural produce harvested from an entity‘s biological assets is Measured, at the point of harvest at fair value less estimated point of-sale-costs.

What is included in 'Costs to sell**' (Point-in of sale)?** Costs to sell are the incremental costs incurred in selling the asset, they include:

- Commissions paid to brokers and dealers,
- transfer taxes and duties
- Fees paid to regulatory agencies or commodity exchanges

2.4. Roadmap to IFRS Implementation in Ethiopia

Although some reporting entities in Ethiopia says they are already using IFRS for their financial statements, during the world bank 2007 review of financial statements that focused on issues of presentation and disclosure (not issues of recognition and measurement which are not detectable through a review of financial statements requirements) on sample of 35 financial statements from financial institutions, public enterprises, share company and NGOs revealed that there were significant differences between the actual accounting practices and IFRS requirements and concluded that the actual accounting practice in Ethiopia differ from IFRS.

The reference to IFRS by such entities prior to the national mandatory requirement date shall be referred herein as "voluntary" adoption and treated accordingly. Such claim by reporting entities and their auditors shall be scrutinized strictly and any infraction shall be dealt with firmly. The following three phases stated to adopt IFRS in Ethiopia (AABE 2015).

Phase 1: Significant Public Interest Entities and all Financial Institutions and public enterprises owned by Federal or Regional Governments at July 8, 2016 are recommended as the date for adoption of IFRS for financial institutions and large public enterprises. The choice of July 8, 2016 is anchored on the need to give sufficient period (22 months) over which to effectively transit to IFRS.

Phase 2: Other Public Interest Entities (ECX member companies and reporting entities that meet PIE quantitative thresholds) and IPSAs for Charities and Societies for statutory purposes, by July 8, 2017. This means that all other public interest entities and Charities and Societies in Ethiopia will statutorily be required to issue IFRS and IPSAs based financial statements respectively for the year ending July 7, 2018.

Phase 3: small and Medium-sized entities IFRS for SMEs shall mandatorily be adopted as at July 8, 2018. This means that all Small and Medium-sized Entities in Ethiopia will statutorily be required to issue IFRS based financial statements for the year ending July 7, 2019.

2.5.Acceptance of Worldwide

The international accounting standard-setting process has been able to claim a number of successes in achieving greater recognition and use of IFRS.

A major breakthrough came in 2002 when the European Union (EU) adopted legislation through European Union Act1606/20020 that required listed companies in Europe to apply IFRS in their consolidated financial statements (Needles & Powers, 2011, Ankarathetal, 2010, Epstein & Jermakowicz, 2010). The legislation came into effect in 2005 and applies to more than 8,000 companies in 30 countries, including countries such as France, Germany, Italy, Spain, and the United Kingdom.

In addition, in November, 2007, in surprise move that is considered by some as the most significant nod of friend lines and a astounding move toward convergence in recent times, the U.S.SEC opened its doors to IFRS. The SEC dropped the reconciliation to US GAAP requirement that had formerly applied to foreign private registrants; thereafter, those reporting in a manner fully compliant with IFRS (i.e., without any exceptions to the complete set of standards imposed by IASB) do not have to reconcilement income and shareholders ’equity to that which would have been presented under US GAAP. This defining moment in the fast-tracked race of the IASB has helped gain global acceptance of the SEC’s standards. Since then, International Financial Reporting Standards (IFRS) regaining acceptance worldwide and about 150 jurisdictions in the world have been adopted or required IFRS as their reporting standard (www.ifrs.com).

2.6. Approaches to Adopting IFRS

There are two approaches to adopting IFRS: adoption and convergence.

Adoption would mean that the Government (the accounting regulatory body entrusted by the Government) sets a specific timetable when companies would be required to use IFRS as issued by the IASB. Convergence means that the local financial reporting issuing body and the IASB would continue working together to develop high quality, compatible accounting standards over time. More convergence will make adoption easier and less costly and may even make adoption of IFRS unnecessary. Supporter of adoption, however, believe that convergence alone will never eliminate all of the differences between the two sets of standards (i.e. the local GAAP and the IFRS) (AICPA, 2008).

2.7. Advantages of adopting IFRS

Multinational companies have to comply with multiple local or statutory reporting requirements that typically involve different standards. As IFRS becomes allowed or in some cases required for local or statutory reporting purposes, it provides an opportunity to reduce the number of financial reporting standards used. The ultimate outcome is that a single set of standards is used throughout the organization, which allows companies to improve controls around financial reporting and to potentially achieve significant cost savings by consolidating people, systems, and processes (Deloitte IFRS Solutions Center, 2008).

Growing interest in the global acceptance of a single set of robust accounting standards comes from all participants in the capital markets. Many multinational companies and national regulators and users support it because they believe that the use of common standards in the preparation of public company financial statements will make it easier to compare the financial results of reporting entities from different countries. They believe it will help investors understand opportunities better. Large public companies with subsidiaries in multiple jurisdictions would be able to use one accounting language company-wide and present their financial statements in the same language as their competitors. Companies may also benefit by using IFRS if they wish to raise capital abroad (AICPA, 2011).

IFRS is believed to be able to achieve a degree of comparability that will help investors make their decisions while reducing costs of Multi-National Enterprises (MNE) in preparing multiple sets of accounts and reports (Radebaugh, et.al, 2006). Convergence of accounting standards make information more comparable, thereby enhancing evaluation and analysis by users of financial statements and reducing user costs. Internationally converged standards also help maintain credibility of financial reporting to the public and increase the efficiency of auditing that information (www.essay.uk.com).

Another benefit some believe is that in a truly global economy, financial professionals, including CPAs, will be more mobile, and companies will more easily be able to respond to the human capital needs of their subsidiaries around the world (AICPA, 2011).

Convergence is not an end by itself, but it is a means to an end. Adoption of different accounting standards causes difficulties in making relative evaluation of performance of companies. This phenomenon hinders the valuation and consequently the decision making process. There are numerous instances around the world of bad accounting practices leading to corporate failures.

Another significant benefit that is expected to accrue from global convergence of accounting standards relates to facilitating cross–border mergers and acquisitions. Adopting international standards will make this easier by increasing the transparency and credibility of the financial reporting (International Journal of Business and Management, 2009).

The IFRS can help new and small investors by making reporting standards to have better quality and become simpler, putting these investors in a similar position with professional investors, which was not feasible under previous standards. This also entails a reduced risk for these investors when they trade, as the professionals will not be able to take advantage because the nature of financial statements will just be simple to be understood by all (connect us fund.org) Using a philosophy that is based on principles (the approach of IASB in setting standards), instead of rules (the approach taken by national standards setters, e.g.in the U.S.),will have the goal of arriving at a reason able valuation with various ways to accomplish tasks. This would give businesses the freedom to adopt IFRS to their specific situations, which will result in financial statements that are more easily read and useful (connect us fund.org).

2.8. Disadvantages of Adopting IFRS

Despite all its benefits mentioned above, adopting IFRS has the following disadvantages:

It requires high costs

Whether large or small, all businesses would feel the impact if a country adopts IFRS. However, small companies would not have sufficient resources to implement the changes that come with it, not to mention that they would need to train staff or hire accountants or consultants for assistance. They would simply bear more financial burden than their larger counterparts (connect us fund.org). Convergence would generate both transition cost and the process costs of maintaining a standard-setting for global accounting principles. Transition cost that will include the cost of training, retraining and education of accounting professionals and students. Costs of training and re-training would also arise to retrain preparers, users, auditors, students and regulators to apply and interpret the converged global standards (www.essay.uk.com).

It is prone to manipulation

As businesses can only use the methods that they wish, this would lead to financial statements show only desired results, which can lead to profit manipulation. While this new set of standards requires changes to how the rules should be applied to be justifiable, it is often possible for businesses to come up with reasons for making such changes. This means that stricter rules should be implemented to ensure all companies will value their statements in a similar fashion (connect us fund.org).

It is not globally accepted

Although many countries have adopted IFRS, there are also significant hold-outs. This means that accounting by foreign companies operating in these countries are facing difficulties because they have to prepare financial statements using such a set of standards and another set of principles that is generally accepted in these countries.

2.9 Challenges of Adopting IFRS

Conversion to IFRS is much more than an accounting exercise. It will affect many aspects of a company's operations, from information technology systems and tax reporting requirements, to internal reporting and key performance metrics and the tracking of stock-based compensation-compensation plans may be based on the local GAAP performance criteria (AICPA, 2011).

The quality of financial reporting depends on the quality of accounting standards as well as the effectiveness of the process by which those standards are implemented. Adequate regulatory and other supports are necessary to ensure proper implementation of standards. Implementation of accounting standards is not an easy task. In spite of convergence, there is no assurance they will be implemented with same amount of vigor in every jurisdiction (International Journal of Business and Management, 2009). Convergence of accounting standards with international approach will inevitably raise the questions of rules versus principles. IASB standards are principles-based. Thus the countries that have rules-based standards (like the U. S.) are expected to experience considerable difficulty in converging their standards with IFRS (International Journal of Business and Management, 2009). Although IFRS is not without its rules, it is clear that finance professionals will have less interpretive guidance to use under

IFRS. This will require more professional judgment in the determination of accounting out comes, which poses an organizational challenge–especially for large multinational companies that need to make sure that professional judgment is applied consistently throughout the organization. In response, companies may need to focus on creating a frame work for making these judgments (Deloitte IFRS Solutions Center, 2008).

As IFRS grows in acceptance, most accountants, financial statement preparers and auditors will have to become knowledgeable about the new rules. Others, such as actuaries and valuation experts who are engaged by management to assist in measuring certain assets and liabilities, who are not currently taught IFRS and will have to undertake comprehensive training. Professional associations and industry groups have to integrate IFRS in to their training materials, publications, testing, and certification programs, and many colleges and universities should include IFRS in their curricula (AICPA, 2011).

The primary reasons of adopting IFRS were built on one perspective that all countries need to prioritize investors over other firms' stake holders, and all countries have a considerable number of MNE; the perspective which is widely shared by capitalists and neoclassical economists. Consequently, countries that have less developed capital markets and higher concentration of Small and Medium Enterprises (SME) may not be able to reap the optimum benefits of adopting IFRS (Lasmin, 2011).

Despite a belief by some of the inevitability of the global acceptance of IFRS, others believe that their local GAAP (especially the U.S. GAAP) is the gold standard, and that a certain level of quality will be lost with full acceptance of IFRS. Further, certain issuers without significant customers or operations outside their country of jurisdiction may resist IFRS because they may not have a market incentive to prepare IFRS financial statements. They may believe that the significant costs associated with adopting IFRS outweigh the benefits. Another concern is that worldwide, many countries that claim to be converging to international standards may never get to 100% compliance. Most reserve the right to carve out selectively or modify standards they do not consider in their national interest, an action that could lead to in comparability –the very issue that IFRS seek to address (AICPA,2011).

The notion of “one set of standards fits all countries”stands on one premise that all countries share common institutional contexts where the relation of the IFRS adoption and its associated economic benefits (such as a higher inflow of Foreign Direct Investment (FDI) and higher Gross Domestic Product (GDP) growth rate) established in a country or a group of countries is also applicable in other regions. However, IFRS that is crafted by developed countries might not be able to induce the same relationship in developing countries because of different socio economy and political-economy environments. Thus, while some countries might enjoy the benefits of IFRS internalization, countries like Botswana, Malawi, Panama, Papua New Guinea, Tajikistan, and Tanzania are among countries that have substantially adopted IFRS but have not experienced significant grow in their FDI inflows and GDP growth. This hints that the process of internationalization of IFRS might not be exclusively related to its corresponding economic benefits (Lasmin, 2011).

According to Mwaura and Nyaboga (2009) Non-existence of functional professional accounting organizations; Complex nature of the IFRS; translating to the native languages, lack of accounting infrastructure with corporate governance and financial reporting practices; and impact of IFRS on the existing corporate and tax law are the main challenges in Africa.

According to Thompson (2016),challenges of implementing IFRS can be overcome by Devised transition plan to IFRS, as well as all implications that come with it, to be effectively communicated and coordinated to all users, preparers, educators and stakeholders; Gradual implementation of IFRS was deemed to be the most effective strategy; Receive financial help from outside sources for the implementation of the IFRS- such as World Bank and the International Monetary Fund; Amended local laws in order to facilitate IFRS application; and Better coordination between the various organizations during the process of adoption

2.10. Empirical Evidence

In a broader view, as set of accounting standards as part of accounting systems is continuously influenced by several differing institutional factors where that set of standards operates. These factors include culture (e.g. in regards to the implementation of IFRS in the Arab world, it could be complicated to harmonize accounting standards to those of western civilizations-Sanchez (2015)), enterprise owner ship and activities, finance and capital markets, economic growth and development, accounting regulation, legal system, social system, political system, accounting profession, accounting education and research, inflation, and international factors put it in a simpler sentence: free market capitalism cannot be universal (Lasmin, 2011).

Ramanna & Sletten (2009) have found in their study that, in addition to the macro-level economic and political factors, it is likely that country's decision to adopt IFRS is influenced by its internal politics: e.g., the actions of special-interest lobbyists and ideology-driven regulators. They also have the view that a country is more likely to implement IFRS if other countries in its geographical region (and its trade partners in other regions) are IFRS adopters (called it the network effects).

Adopting IFRS can be costly if local governance institutions that include auditor training, auditing standards, enforcement (regulatory and judicial), precedent for the protection of property rights, government corruption, and the role of the press, among others are collectively not compatible with the international standards. The relative quality of extant governance institutions refers to the ability of these institutions to facilitate the efficient allocation of capital in an economy (Ramanna&Sletten, 2009).Ramanna & Sletten (2009) also argue that, in countries where the quality of the existing governance institutions is relatively high, IFRS adoption is likely to be less attractive. High quality institutions represent high opportunity and switching costs to adopting international accounting standards. The opportunity costs arise because in adopting IFRS, countries forgo the benefits of any past and potential future innovations in local reporting standards specific to their economies. The switching costs arise because countries with well- developed governance institutions are likely to have well developed capital markets, and thus more market participant's needing retraining in IFRS. Ramanna & Sletten(2009) also established that the more powerful countries like the United

States are less likely to adopt IFRS because they do not want to cede power or control to an international organization.

Thompson (2016) found that education level of a country, existence of a financial market and cultural membership are also factors tied to IFRS adoption. Higher economic growth was found to beafactoras well, as the need for effective communication of information between businesses and shareholders becomes more important. The more complex a country's economy becomes the more complex the accounting systems need to be in order to effectively communicate information.

Gyasi (2013) as cited by Thompson (2016) found that the adoption of IFRS is influenced by internal political and organizational factors, but also external factors. The study found that external agents, including foreign investors, international accounting firms, and international financial organizations play a major role in influencing a country to adopt IFRS.

The study conducted by Edward Chamisa (n.d) as cited by Thompson (2016) confirmed the relevance of a capital market with in a country. This study found, predictably, that those who implement a communist system of government are less likely to adopt international standards, as it is not deemed to be relevant to their system (Thompson 2016).

Leuz & Verrechia (2000) as cited by Zehri & Chouaibi (2013) explained that for German companies, firm size, financing needs (creditors might require compliance with debt covenants based on specific calculations) and financial performance significantly explain the decision of adoptinginternational standards.

Zeghal & Mhedhbi(2006) as cited by Zehri & Chouaibi(2013) concluded that the developing countries enjoying capital markets, advanced education levels and high economic growth rates are most inclined to adopt the IFRS. Zehri & Chouaibi (2013), based on the empirical evidence of their research, concluded that the developing countries most favorable to the adoption of IFRS are those having a high economic growth rate, a high level of education and common law based legal system. The other variables, relevant to their model: culture, the existence of a capital market, the political system and internationality, has turned out to have no significant impact on the decision to adopt IFRS in developing countries.

Shima &Yang (2012) on the other hand tried to explain the adoption of IFRS in relation to the legal system of countries. According to their study, in common law countries, information asymmetry is likely to be resolved by timely and greater public disclosures to shareholders (“share holder model”), where as communication in code law countries is more likely to be conducted more privately between major political groups (“stake holder model”).As a result, accounting standards in common law countries may be similar to IFRS, thus making adoption of IFRS easier and more enforceable

Tilahun (2009) claims that since the establishment of professional bodies like the Ethiopian Professional Association of Accountants and Auditors (EPAAA), Ethiopian Accountancy and Finance Association (EAFA) and Accounting Society of Ethiopia (ASE), extensive work had been done to capitalize the pool of knowledge and experience in the areas of accounting, auditing and finance. Establishing an academic journal to serve as medium of ideas contributed by members and others take holders, building good reputation and professionalism, plus most importantly efforts towards adopting/adapting Financial Reporting Standards are some of the work that has been done.

Gizaw (2009) reiterates that adopting IFRS will have significant benefits in improving corporate transparency that is required by investors and governments. A strong financial reporting environment is also an important institutional infrastructure for developing a robust stock exchange market. Gizaw also pointed out that currently in Ethiopia, selection and application of accounting principle for measurement and disclosure of financial transaction is left for company’s management and its auditor (if the company has one). Hence, without a uniform guide at a national level to select appropriate accounting policies by the companies, different companies are currently using different accounting rules or principles that ultimately lead to production of different set of financial statements that have different bases for measurement and disclosure of financial transactions. These do not significantly assist users of financial statements for decision making. He also argues for the benefits of adopting IFRS by stating the disadvantage of not to adopt that is countries that use their own national accounting standards or fragmented accounting practices will be at their own peril. Because of risk premium on investors cost of capital, such countries may not be destinations for foreign investments or may be perceived as risky investment destinations. Unless such countries offer huge (unwarranted) incentives to attract capital, the countries may eventually be excluded from consideration by foreign investors.

Gizaw (2009) also assessed the advantages and disadvantages of the adoption of IFRS. The most obvious disadvantage of adoption (in contrast to adaptation), in his opinion, is that the standards are not set to serve the Ethiopian economy and cannot fully be expected to be utilized by all the companies at the country's current stage of development. One of the significant advantages for Ethiopia to use the global accounting standards is the Anglo-Saxon orientation of the country's accounting profession. The country's business schools teach and the practicing accountants are qualified on Anglo- Saxon model of accounting. This background will shorten the training that is needed to re-train existing accountants and auditors at least to head start phased implementation of the standards. The other advantage is that the country's accountants, unlike many other developed and developing countries, that were forced to translate the standards to their own working language, Ethiopian accountants are trained using English language as a medium of instruction and the accounting practice in the country is also predominantly English. If the country makes important decision right from the start to adopt the English language version of the standards as its national Financial Reporting Standards as it is, it will save significant resources subsequently in implementing the standards. Gizaw (2009) proposed that for the medium to long-term, an intensive education is required through revision of accounting syllabuses of universities and colleges for nation- wide application of the standards. He further strengthens his argument for the adoption of IFRS by stating that Ethiopian government and businesses can save significant investments on developing alternative national standards to resolve the country's pressing financing reporting problems.

2.11. Summary and Research Gap

The financial reporting process is concerned with providing information that is useful in the business and economic decision-making process. IFRS are meant to facilitate this financial reporting process. The globalization of the financial reporting standards started in 1970s when the International Accounting Standards Committee (IASC) was established in 1973 and started issuing standards that are followed by countries. The adoption of those standards was getting momentum through decades and currently approximately 120 nations and reporting jurisdictions permit or require IFRS or a local variant of them for domestic listed companies. IFRS implementation is not an easy task as it required countries huge amount of resources, and results changes in the laws of the countries who adopt it (BPP Learning Media, 2016; United Nations Conference for Trade and Development, 2008).

The IFRS and the countries adoption processes, challenges, etc. attracted many research through years. However, those researches mainly focus on the adoption processes of the developed nations as they were the pioneers in adoption and the researchers were also from those nations. Recently there were also researches on the adoption of developing nations including Ghana, South Africa, Brazil, India, Libya, Kenya, Ethiopia, etc. (Thompson, 2016;Gyasi,2009).

In relation to adoption of IFRS by Ethiopia, studies were made by Tesfu (2012) and Mihret(2016).Tesfu's(2012) and Mihret's(2016) studies mainly focused on the benefits of adoption of IFRS and the adoption process. Another study by Hailemichael (2016) was on IFRS adoption specifically to financial institutions in Ethiopia.

Given the fact that Ethiopian businesses, financial institutions and Government organizations have actually started implementing IFRS, this study seems timely as the practical implications can be studied with the companies and government enterprises that have already started the implementation of IFRS.

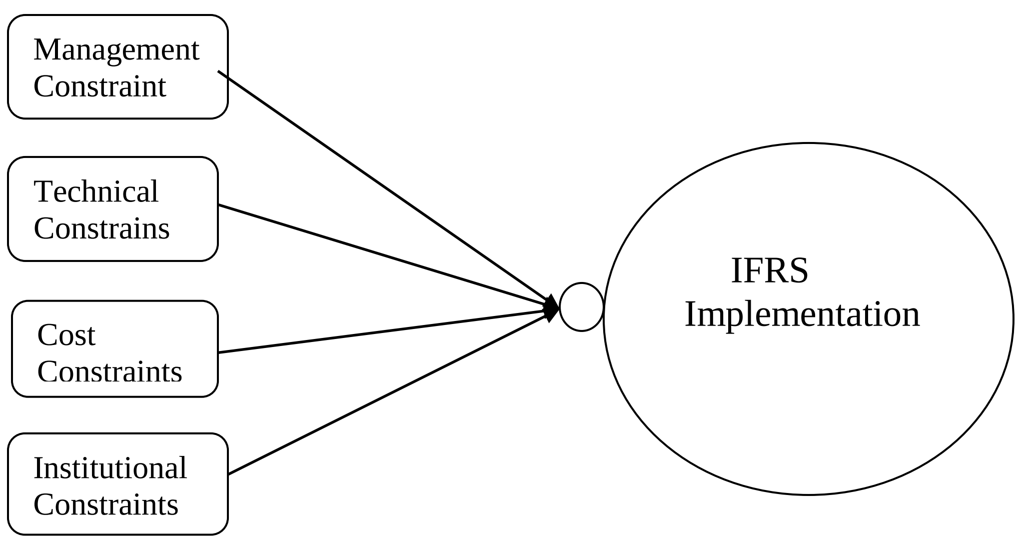
Growing bodies of literature several that more complex financial reporting requirements resulted in increased implementation costs, shortage of resources with expertise in IFRS, the ability of amendments to regulatory requirements and tax laws and impact on IT systems are the main challenges of International Financial Reporting Standards. (Iyohaand Faboyed 2011)

Although various studies have been conducted to assess the adoption of IFRS in Ethiopia most of the studies focus on the analysis of the data on adoptions and they tried to see its challenges from cost perspectives. But they failed to see challenges of implementing IFRS in Agricultural sectors by taking the complete set of IFRS implementation teams. Therefore, the focus of this study is the challenges that could influence the implementations of IFRS in Ethiopia particularly in selected agricultural sectors under Horizon Plantation which is the third phase IFRS adopters as per AABE requirement.

2.12 Conceptual Frame Work

This frame work shows the relationship between the implementation of IFRS in selected agricultural sectors under Horizon Plantation and the challenges affecting the implementation of IFRS such as challenges from management, technical challenge, challenge related to cost and institutional/education or Training factors. Based on this relationship, the conceptual frame work was shown below:

Figure 2.2 Conceptual framework



Chapter Three
Research Methodology

3.1 Research Design

Designing a study helps the researcher to implement the study in a way that help the researcher to obtain intended results, thus increasing the chances of obtaining information that could be associated with the real situation (Burns & Grove, 2001).This study has used descriptive research design. According to Kothari (2004) descriptive research is a situation or condition at hand in which information is *collected* without changing operating environment. From different methods of research designs the descriptive research design is accepted based on the purpose of the study.

3.2 Research Approaches

This study has used both qualitative and quantitative research approaches to assess the challenges to implement IFRS in selected agricultural sectors under Horizon Plantation geographically located in South West Ethiopia. Creswell (2003) explains that the three methods that are commonly implemented in a research are quantitative, qualitative and mixed, where one of them is not better than the others, all of this depends on how the researcher want to do a research of study. Quantitative research decides what to study, asks specific, narrow questions, collects numeric (numbered) data from participants and analyzes these numbers using descriptive statistics. The qualitative approach is implemented by using interview and document review to collect detailed information in the study area.

Therefore, using mixed approach, like mixed questionnaire and interview. Questionnaire is the main instrument of data collection. Interview was also utilized substantiate the data gained through the questionnaire. The other major advantage of qualitative methods is flexibility which help researcher to collect in depth and in detail. On the other hand, including quantitative data has help in controlling the extra flexibility to a manageable manner. The quantitative approach was also included to get the advantage of managing respondents.

3.3 Target Population, Sampling Techniques and Sample Size

The researcher was select 3 Agricultural Sectors operating under Horizon Plantation located in South West Ethiopia as a target population of the study (Limmu Coffee Farm, Bebeka Coffee plantation and Gojeb agricultural Development. This has helped the researcher to access the required data easily in an organized manner. Purposive non-probability sampling has employed to select the participants of the study. The selection of the sampling method was based on the findings of Tongco (2007) revealed a purposive non-probability sampling technique is most effective when one needs to study a certain cultural domain with knowledgeable experts within. Cresswell and Plano (2011) added that purposive sampling techniques employed when identifying and selecting individuals or groups of individuals that are especially knowledgeable about or experienced with a phenomenon of interest (as cited Palink as et al, 2015).

As IFRS is a new terminology to Ethiopia in general and agricultural sectors in particular, the participants of this study were need to have specialized expertise and Knowledge in the areas of IFRS to enable the researcher to answer the research questions and to meet the research objectives.

Zeghal & Mhedhbi (2006) argued that the adoption of IFRS is a very Strategic and critical decision; it requires a high level of education, competence, and expertise to be able to understand, interpret, and then make use of these standards.

Therefore, the population of this study was all the team members or responsible departments for the implementation of IFRS these are found in the selected agricultural sectors under Horizon Plantation. The total number of questionnaires distributed to the purposively selected responsible team members of all the selected agricultural sectors under Horizon Plantation (Accounting, Internal Audit, marketing staff and managers) of each sectors in order to collect data about the challenges to implement IFRS were 80. Of the total questionnaires distributed only 77 responses were collected out of which 74 questionnaires were functional with the response rate of 93%.

3.4 Source of Data and Method of Data Collection

Both primary and secondary data were used for the study. According to Biggam (2008) primary data is the information that the researcher finds out by him/her self regarding a specific topic. The primary data were collected from the team members through questionnaire and interview. Secondary data were obtained from published and unpublished materials such as magazines, annual reports of the Limmu Coffee Farm, Bebeka Coffee Plantation, Gojeb Agricultural Development and websites.

In order to achieve the objectives of the study, the researcher used both quantitative and qualitative research methods through questionnaire and interview respectively. To cover larger target groups than the interview, given the quality and chance of no response, questionnaire was used. Interview was conducted to support data collected with questionnaire and to collect detailed information. The questionnaires was prepared using both open ended and close-ended method questions; yes/no, and 5 Point Likert-Scale ranging from Strongly Disagree (1) to Strongly Agree (5). For the 5-point Likert scale the respondents were asked to indicate their level of agreement with the ratings of Strongly Disagree (1), Disagree (2), neutral (3), Agree (4) and Strongly Agree (5). In fact there is a controversy on the type statistically analysis used to analyze the result of the Likert- Scale data. The questionnaires were designed in English as respondents could read and understand the questions.

3.5. Method of Data Analysis

The data that are collected through questionnaire is analyzed descriptively using Statistical Package for the Social Scientists (SPSS) version 20 .It is used to find out percentages, mean values, frequencies, standard deviations. The data that are collected through interview and document review are qualitatively analyzed. Descriptive analysis technique including Mean, Frequency and standard deviation were used. And also the data were presented by use of statistical tools like tables and graphic charts and others. The quantitative data obtained through quantitative approach used five points' likert scale rating questionnaires as to interpret the result. In addition to that, secondary data was used to more elaborate and interpret the primary data. According to Malhotra (2007) using descriptive survey method helps the researcher in picturing the existing situation and allows relevant information using appropriate data collecting instrument.

3.6 Validity test

Validity is defined as how much any measuring instrument measures what it is intended to measure. Bryman & Bell (2003) suggested that the important issue of measurement validity relates to whether measures of concepts really measure the concept. Validity refers to the issue of whether an indicator (or set of indicators) that is devised to gauge a concept really measures that concept. Several ways of establishing validity are: content validity; convergent validity concurrent; predictive validity; construct validity; and convergent validity (Brymanand Bell, 2003). This study addressed content validity through the review of literature and adapting instruments used in previous researches.

3.7 Reliability Test

The level of reliability of the instrument that is the consistency of the variables checked by the Cronbach's alpha statistics. Cronbach's alpha is an index of reliability associated with the variation accounted for by the true score of the underlying construct (Nunnaly, 1978). Cronbach's Alpha can only be measured for variables which have more than one measurement question. Nunnaly (1978) has stated that 0.5 is a sufficient value, while 0.7 is a more reasonable Cranach's alpha.

Table 3. 1: Reliability Statistics

Variable	Cronbach's Alpha	N of Items
Management challenge	.837	6
Technical constraints	.812	6
Cost challenges	.913	5
Institutional constraints	.850	12

Source: Own Survey, 2020

The results were extracted presented in table 3.1 and Cronbach's Alpha values are more than 0.7 implying that constructs are consistent to measure the variables.

3.8 Ethical Consideration

Before the data collection, permission from the organizations was requested. During the distribution of the questionnaire, respondents were informed about the purpose and the benefit of the study along with their full right to refuse or accept the participation. The respondents` were told their response would be kept confidential and their identity shall not be exposed. Every person involved in the study was entitled to the right of privacy and dignity of treatment, and no personal harm will be caused to subjects in the research. Information obtained was held in strict confidentiality by the researcher. All assistance, collaboration of others and sources from which information was drawn were acknowledged

Chapter Four
Result And Discussion

4.0 Introduction

As a part of the study, this chapter presents about the results of data analysis for data collected through structured questionnaire from members of IFRS implementing team in selected agricultural sectors under horizon plantation located in southwest part of Ethiopia. The results are presented in tables and figures. This chapter further presents discussion on the results. Descriptive statistics such as frequency, percentage, mean and standard deviation were used. To reach at the aforementioned objectives, 80 questionnaires were distributed. But 74 (93%) questionnaires were returned and functional.

4.1 Discussion of demographic profiles and General information on IFRS

Demographic profile designates the characteristics of the population based on their sex, age, educational level, and level of employment. It is vital in any research study because these demographic and background characteristics are later used in report to draw comparisons among respondents. The following table shows result of the demographic profile of respondents in selected agricultural sectors under horizon plantation. And also it has an importance to analyze the background of the respondents to put the study in context as these factors are cross-cutting determinants of responses given by respondents.

4.1.1 Gender and Age Distribution of the Respondents

One of the demographic characteristics of the respondents to be analyzed was their gender distribution. Accordingly, the researcher gathered and presented the demographic characteristics of the respondents covering their gender distribution in Table 4.1 below:

Table 4.1 Gender and age characteristics of the respondent

Variable	Category	Frequency	Percent
Gender	Male	55	74.3
	Female	19	25.7
	Total	**74**	**100**
Age	Below 21	9	12.2
	21-30	32	43.2
	31-40	23	31.1
	41 - 50	10	13.5
	Total	**74**	**100**

Source: Survey, 2020

As presented in the table 4.1 above, 55(74.3%) of the respondents were male and remaining 19(25.7%) of the respondents are females. This implies that the number of male respondents were greater than female who were participated in this study. 32(43.2%) of the respondents are in the age category of 21 to 30 years and followed by an age category of 31 to 40 years which is 31.1% of the respondents and age category of 41 to 50 years which is 13.5%. But only 12.2% of the respondents have age of below 21 years. This indicates that most of respondents were young or from 21 to 30 age groups are dominant with appropriate work experience and therefore they were well versed with relevant information on IFRS which was needed for the study.

4.1.2 Educational and Qualification Background of the respondents

Another demographic measure used in this study is the education background of the respondents. The response on the educational level of respondents is summarized in the table 4.2 below;

Table 4.2 Educational and Qualification of the respondents

Variable	Category	Frequency	Percent
Educations	Diploma/Level 4	4	5.4
	BA Degree	68	91.9
	Master Degree	2	2.7
	Total	**74**	**100**
Qualification	Accounting and finance	59	79.7
	Economics	7	9.5
	Marketing	2	2.7
	Others	6	8.1
	Total	**74**	**100**

Source: Survey, 2020

The selected agricultural sectors in this study have employees with Diploma, first and second degrees educational statuses. 68(91.9%) of them obtained bachelor degrees in different fields of study and 2(2.7%) of the respondents were with second degrees in relevant fields of specialization for the agricultural sector. Amongst the stated fields of study by the respondents, a total of 59 (79.7%) of them trained and specialized in Accounting and Finance, but other fields of the study did not appear noticeable in terms of their proportions in this study. Based on this, by considering the level of education and qualification of all respondents they are knowledgeable and enough to give reliable information on the challenges of IFRS implementation in the selected agricultural sectors.

4.1.3 Respondent's Current position and Work Experience in the organization

Table 4.3 Respondent's Current position and Work Experience in the organization

Variable	Category	Frequency	Percent
Current Position	Junior	29	39.2
	Senior	20	27
	Finance Head	10	13.5
	Managers	9	12.2
	others	6	8.1
	Total	**74**	**100**
Work Experience	< 1 year	5	6.8
	1 -5 years	29	39.2
	6-10 years	13	17.6
	11-15 years	12	16.2
	16 – 20 years	9	12.2
	>20 years	6	8.1
	Total	**74**	**100**

Source: Survey, 2020

The descriptive statistics summarizing the responses as given in table 4.3, Result of the collected data shows that majority of respondents are Junior Accountants, they accounted for 39.2% of the total respondents, and this was followed by Senior Accountant having 27%. From the total of 74 respondents 9 or 12.2% of respondents were General Managers, Deputy Managers and Finance Manager and Audit Managers of the sample selected from those selected agricultural sectors. This implies the information gathered for this study was collected from the concerned bodies in those selected agricultural sectors thus the information that is obtained from those staffs can be considered as reliable and are appropriate for the study.

The next one shows the distribution of number of years a respondent has worked within the organizations, it helped the researcher to know the respondents level of work experience.

The study showed that greater part of the respondents have worked in their organization between 1 to 5 years making 39.2%, followed by those who had worked for the years between 6 to 10 consisting 17.6%. In addition, 16.2% and 12.2 % of respondents have an experience of between 11 to 15 years and between 16 to 20 years respectively. Also, 8.1% of the respondents have working experience which is more than 20 years. This implies the information gathered for this study was collected from experienced staffs in those selected agricultural sectors and this could indicate that the information collected from those personals can be used as a basis to make a conclusion and appropriate for the study.

4.2 Discussion of general information on the implementation of IFRS

4.2.1 Role in the implementation of IFRS

Table 4.4 Role in the implementation of IFRS

Do you have a role in IFRS implementation process?		**Frequency**	**Percent**
	Yes	70	94.6
	No	4	5.4
	Total	**74**	**100**
What is your Actual role in IFRS implementation?	Members	64	86.4
	Team leaders	5	6.8
	Facilitators	5	6.8
	Total	**74**	**100**

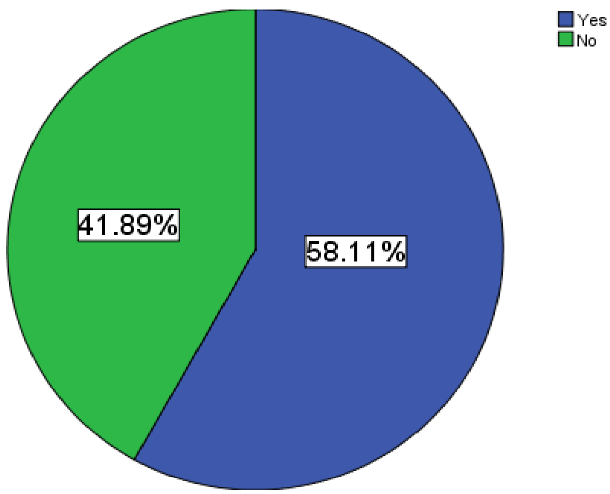
Source: Survey, 2020

The respondents were asked about whether or not they had a role in the implementation of IFRS in their organizations. 70 (94.6%) confirmed that they had roles in implementation the International Financial Reporting Standards. Thus, it can be deduced that the employees in the selected agricultural sector have already embarked on certain stage(s) in implementing the IFRS in which they are assigned with certain relevant tasks, duties, and responsibilities.

Out of the total sample respondents who were asked about the type of actual role in the IFRS conversion process of the selected agricultural sector, 64(86.4%) of them were members of the implementation team members, whereas 5(6.8%) of the respondents claimed that they occupied Team Leader position and others 5(6.8) of them are facilitators of the process. Generally, half of the employees in the selected agricultural sector have held those positions and played expected roles from them as stipulated in the IFRS, Implementation Manuals and other relevant materials.

4.2.2 IFRS Trainings

Figure 4. 1 Team members who received all IFRS standard training



The respondents were asked if they took IFRS trainings on all IFRS standards. The result is presented in figure 4.1 above by using pie chart.

This indicates that 58.11% of the respondents took the training but remaining 41.89% of them did not take the training on all standards of IFRS. This suggests that some organizations are implementing IFRS without necessary trainings.

4.2.3 Adequacy of IFRS Implementation Training

Figure 4. 2 Adequacy of the training

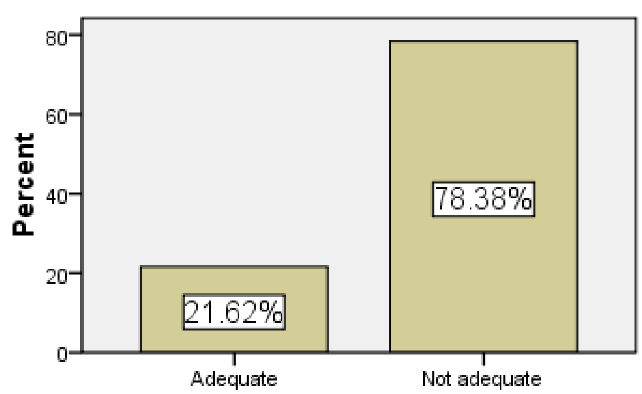


Figure 4.2 above presents the result of the response about adequacy of the training that team members took for IFRS implementation. According to the survey, only 21.62% of the respondents who took the training feel that the training is adequate for the

implementation. But majority (78.38%) of the team members indicated that the training is not adequate. Therefore, it is concluded that inefficiency of training and education is a challenge for the implementations of IFRS.

4.2.4 Does your organization use/implement IFRS?

Table 4.5: Dose your organization use IFRS

Does your organization implement IFRS?		**Frequency**	**Percent**
	Yes	66	89.2
	No	8	10.8
	Total	**74**	**100**
For how long in years IFRS implemented?	1 years	67	90.5
	1-3 years	6	8.1
	3-5 years	1	1.4
	Total	**74**	**100**

Source: Survey, 2020

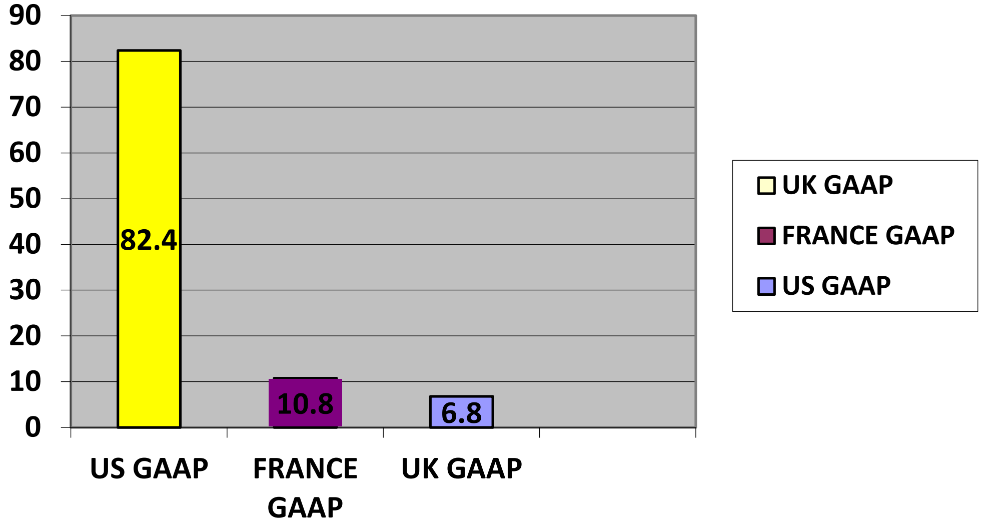
From Table 4.5, above total of 74 respondents of the selected sector were implemented or not. This question was a yes or no answer. 66(89.2%) of respondents implemented or use IFRS and the remaining 8 or 10.8% of the respondents say that IFRS were not implemented by those selected agricultural sectors under horizon plantation.

When IFRS was implemented in the organization from a total of 74 respondents 67(90.5%) of them were IFRS implemented in the organization's 1 years, 6(8.1% of respondents were IFRS introduced in the organizations 1-3 Years, 1(1.4%) of the respondents were IFRS introduced in the organizations for 3-5 years. This indicates most of organizations were implemented IFRS and they were well versed with related information on how to implement IFRS.

4.2.5 Applicable Accounting Standards

The applicable accounting standards that were in use are of paramount importance to analyze perceived benefits of IFRS implementation and its key challenges. In such regard, the following data was collected as summarized in figure 4.3 below:

Figure 4. 3 Applicable Accounting Standards before Implementation



As it is shown in the above figure, almost all professionals (82.4%) agreed that before the implementation of IFRS those selected agricultural sectors were used US GAAP. However, 10.8% of the participants indicated that the organization was using France GAAP. The researcher takes an independent stand in this regard as the gap between US GAAP in use in Ethiopia and the actual US GAAP is higher than the gap between IFRS and US GAAP. For example, due to the FASB/IASB joint convergence projects most standards are virtually similar. However, since the Ethiopian version of GAAP is an old one it may be considered as one of the implementation challenges that will compound implementation efforts and cost. Further, the fragmented use of different GAAPs in organization will reduce the learning that could be secured through implementation, which adds on implementation challenges.

4.2.6 Preference of IFRS over GAAP and Rational for IFRS Preference

In attempt to capture the perceived benefits and challenges of implementing IFRS, the participants were asked whether they obtained any preference of IFRS over GAAP. Accordingly, the following data were collected regarding preference of IFRS over GAAP as summarized in table 4.6 below:

It is apparent from the table below that significant majority (89.2 %) stated that they perceived IFRS has preference over US GAAP while the rest 10.8% does not prefer it. This implies that the attitude towards the implementation of IFRS is positive. This positive gesture towards IFRS can be taken as one of the benefits obtained from IFRS.

Table 4.6: Preference of IFRS over GAAP

		Frequency	Percent
Is it IFRS is preferable than GAAP?	Yes	66	89.2
	No	8	10.8
	Total	**74**	**100**
Rational for IFRS Preference	Relevance	42	56.8
	Faithful	13	17.6
	Comparability	12	16.2
	Cost	7	9.5
	Total	**74**	**100**

Source: Survey, 2020

Analyzing the general preference towards IFRS was made to identify the factors that the participants realized more under IFRS. In such attempt the researcher captured the participant's reasons as summarized in table 4.6 above.

As it is depicted in the above table, majority of the respondents 56.8% identified IFRS preferred over US GAAP because of its relevance. Relevance is one of the qualitative characteristics of information that enables users of information to differentiate one alternative than other.

Relevance will exist if information is timely, if it has predictive and confirmatory values. As a result, this result should not be a surprise due to the fair value attributes unique to measurement in IFRS. The other reason for their preference is the faithful representation in their preferences with frequency distribution of 17.6%. Faithful representation means that the information reflects the real-world economic phenomena that it purports to represent. Relevance and faithful representation make financial statements useful to the reader.

The participants indicated comparability and cost to be the least in their preferences with frequency distribution of 16.2% and 9.5% respectively. This is also due to the consistency that exists in fair values users in different corners of the world enjoy different comparability while they use IFRS than US GAAP.

IFRS should be preferred over US GAAP because according to proclamation number 847/2014 article 5(1) Ethiopia has adopted international financial reporting standard (both full IFRS and IFRS for SME) for purpose of preparing financial statement in December, 2014.According to the draft Financial Reporting Proclamation of Ethiopia, the country is in the progress of adopting IFRS and it is already required for a certain type of institutions. As a result, legal preference has already make IFRS the standard de jure in the Ethiopian context.

4. 3 Descriptive Analysis

This section of the study presents the descriptive analysis for the data collected to describe the level of the existence of the challenge in the organization by using mean and standard deviation. Each possible challenge identified based previous studies are described by using each statement used to describe the challenges to implement IFRS. In this study 4 challenges were assessed in the organization. The challenges assessed in the study are management constraints, technical constraints, cost constraints, and institutional constraints. Mean value for the responses is computed for the responses collected through Likert scale measurements for the agreement of respondents on the existence of the challenge in their organization.

To collect detailed information that supports findings through questionnaire, interview was conducted with finance manager, audit and inspection head and general managers of Limmu Coffee Farm, Babeka Coffee Plantation and Gojeb Agricultural Development.

4.3.1 Management challenges

Challenges from the management on the implementation of IFRS are indicated with different expressions in the table 4.7 below.

Table 4. 7 Management challenges on implementation of IFRS

Management challenges	N	Mean	Std. Deviation	Remark
Lack of attention to accounting and financial reporting related issues	74	3.59	1.006	Agreed
Lack of cooperation with IFRS implementation project teams	74	3.38	1.131	Agreed
Lack of commitment and understanding on implementation of IFRS	74	3.73	.969	Agreed
Lacks of regular follow up on the process of IFRS implementation	74	3.81	.946	Agreed
Lack of knowledge about IFRS and its transitional process	74	3.99	.929	Agreed
Resistance by different departments while asking cooperation	74	3.54	1.305	Agreed

Source: Survey, 2020

Management cooperation both at top and bottom level is very important for any change implementation in an organization. Mean value for the statement that there is lack of attention to accounting and financial reporting related issues are 3.59. This value indicates the respondents agree on this statement and suggests that lack of attention of the management on accounting and financial reporting is becoming the challenge to the implementation of the IFRS in the organization. The standard deviation value, 1.006 for this statement is higher for the data range in Likert scale measurement. This suggests variation of the level of the management attention in the organization.

The mean value for the statement that there is a lack of cooperation of management with IFRS implementation project team is 3.38 indicated that the project implementing team members agree that the management of the organization is not cooperating with the team. The standard deviation for this statement is 1.131 suggesting high variation from the mean value. This finding suggests the high existence of lack of management cooperation for the IFRS implementation.

The study has assessed the level of commitment and understanding of management on implementation of IFRS. The response of the respondents is indicated by mean value of 3.73 and standard deviation of .969 indicating that there is no commitment and understanding of management on implementation of IFRS. This mean value is highest score in the challenges from management. This suggests that the management is not committed and has no necessary understanding for the implementation of IFRS.

According to the guideline of the IFRS implementation, the involvement of regulating organ in the implementing company is very important for the success of the implementation. This role is mainly undertaken by the management of the company. But the response of the team members indicated that there is lack of regular follow up on the implementation. This is confirmed by the mean value of 3.81 suggesting that the respondents agree that there is no regular follow up from the management of the companies about the status of the implementation. But the standard deviation of .946 indicates there is variation from organization to organization.

As the respondents agree about the lack of knowledge of the management about the IFRS and its transitional process as it is indicated by the mean value of 3.99.

The respondents agree that there is resistance from different departments when cooperation is asked. This is indicated by the mean value of 3.54. It suggests that resistance from management of different department is has the management challenge.

4.3.2 Technical Challenges

Technical challenges in the implementation of IFRS are presented in table 4.8 below with respective mean and standard deviations. At the end of this section finding through questionnaire is supported with interview.

Table 4. 8 Technical challenges on IFRS implementation

Technical Challenges	N	Mean	Std. Deviation	Remark
Lack of coherence between the qualification bodies and standard setting bodies	74	3.69	.757	Agreed
Lack of communications about developments in accounting	74	3.77	.884	Agreed
Lack of representation in standard setting process	74	3.64	.786	Agreed
Lack of understanding of IFRS requirements and reasons	74	4.08	.840	Agreed
Selective adoption of IFRS that creates inconsistency in the level of adoption	74	3.68	.938	Agreed
The targets and deadlines of IFRS implementation has been made before identify the obstacles	74	3.80	.876	Agreed

Source: Survey, 2020

Responses indicated that there is lack of coherence between the qualification bodies and standard setting bodies. This is indicated by the mean value of 3.69 indicating that the respondents agree that is lack of coherence between qualification bodies and standard setting bodies. This suggests that there is inconsistency of qualification bodies and standard setting bodies. Standard deviation for this implementation is .757 suggesting the variation of implementation in among the organization and perception of the team members. There is lack of coherence between the qualification bodies and standard setting bodies.

Another technical challenge assessed by the study is communication about the development in accounting. The respondents indicated that there is lack of communications about developments in accounting with mean score of 3.77. This suggests that the organizations are not updating themselves with the development in the accounting principles

Representation of the organizations in standard setting is assessed by the study. The response for this described by mean value of 3.64 and standard deviation of .786. The mean value indicates respondents agree that there is lack of representation in standard setting process.

Another description used to explain the technical challenge is level of understanding of IFRS requirements and reasons. The mean value of this expression is 4.08 indicating that IFRS implementing team members agree that there is lack of understanding of IFR requirements and reasons by team and other stakeholders.

According to different finding in previous studies selective implementation of IFRS creates inconsistency in the level of adoption and it is among the challenges of the implementation of IFRS. The mean value of responses the selective adoption of IFRS is 3.68 suggesting the team members agree that selective adoption of IFRS is creating inconsistency in the level of adoption. This challenge is the main challenge among the technical challenges. The interview result is similar to findings through questionnaire. The selective adoption became challenge to the implementation of IFRS because the adopted standard does not best fit the reporting system of the industry.

The moderate challenge among the technical challenges is fixing the targets and deadlines before identify the obstacles which is indicated by the mean value of 3.80.

The finding based on questionnaire results about the technical challenges indicate that there is selective adoption, lack of understanding about IFRS requirements and reasons, lack of communication about the development of the accounting, inconstancy of qualification bodies and standard setting bodies, and lack of representation in standard setting process in implementation of IFRS.

4.3.3 Cost challenges

Economic costs of implementing IFRS are assessed by the study and the result is presented in the table 4.9 below.

Table 4.9 Cost Challenges on Implementation of IFRS

Cost challenges	N	Mean	Std. Deviation	Remark
Cost of external consultants is high	74	4.04	1.152	Agreed
Cost of auditing and compliance standards is high	74	3.70	1.030	Agreed
Cost of adjustment of information systems is high	74	3.53	1.050	Agreed
Cost of updating accounting system is high	74	3.42	.907	Agreed
Cost of purchasing IFRS guiding materials and staff training is expensive	74	3.70	.947	Agreed
Lack of financial resource	74	3.69	1.059	Agreed

Source: Survey, 2020

The high cost of the external consultant is explained by mean value of 4.04 indicating the respondents agree that cost of external consultants is high. The result also indicates the cost the organizations pay for external consultant is very high.

The second main challenge among the cost challenges is expensive cost of purchasing IFRS guiding materials and staff training. This is indicated by mean value of 3.70 suggesting that the respondents agree that cost of purchasing IFRS guiding materials and staff training is expensive.

Result for responses of high cost of auditing and compliance standards and cost of updating accounting system is indecisive with mean values of 3.70 and 3.42 respectively. But the respondents moderately agree that Cost of adjustment of information systems is high with mean value of 3.53.

4.3.4 Institutional Challenges

Institutional challenges to implement IFRS are presented in the table 4.9 below with their respective statistical values that explain their level of existence based on the response of the IFRS implementing team members. Mean and standard deviation are used to analyze the responses. Twelve expressions were assessed under institutional challenge. All challenges are found existing in the organizations.

Table 4. 10 Institutional Challenges to implement IFRS

Institutional Challenges	N	Mean	Std. Deviation	Remark
Lack of coherence between existing local laws and IFRS	74	3.76	.919	Agreed
Lack of the readiness by the organization and entities of IFRS implementation.	74	3.70	.789	Agreed
Lack of coherence in the regulatory systems of the country (government and other regulatory structures.	74	3.77	.732	Agreed
Lack of an extensive and ongoing support from professional accountancy associations	74	3.82	.783	Agreed
Lack of strong accountancy body limits the option of getting technical capacity building trainings	74	3.89	.732	Agreed
There is no effective monitoring and process review by regulatory organ	74	3.77	.837	Agreed
The IFRS transition road map is not realistic and not takes into account the capacity and readiness of the nation in general the entities in particular	74	3.82	.850	Agreed
The numbers of qualified professional accountants are inadequate	74	3.85	.902	Agreed
Lack of qualified people to provide training in profession/workplace	74	3.85	1.106	Agreed
Lack of coherence between educational programs and professional programs	74	3.73	.865	Agreed
Limited access to training material, seminars and workshop for working professionals	74	3.85	.771	Agreed
Limited training on IFRS prior to its implementation	74	3.93	.709	Agreed

Source: Survey, 2020

The lack of coherence between existing local laws and IFRS is the main challenge among the institutional challenges. This is described by the mean value of 3.76 indicating that the respondents agree that there is lack of coherence between existing local laws and IFRS. This suggests that there is inconsistency of local laws and IFRS.

Another important institutional challenge in implementation of IFRS is lack of the readiness by the organization and entities of IFRS implementation. This challenge is described by mean value of 3.70 and standard deviation of .789.The mean value respondents agree that there is lack of the readiness by the organization and entities of IFRS implementation.

As it is indicated by the mean value of 3.77 for the response from respondents, there is lack of coherence in the regulatory systems of the country. The respondents moderately agree that there is lack of coherence between the government and other regulatory organs.

Responses for the challenge that there is lack of an extensive and ongoing support from professional accountancy associations; and lack of strong accountancy body limits the option of getting technical capacity building trainings moderate mean values of 3.82 and 3.89 respectively indicating moderate existence of the challenge.

The monitoring and process review by regulatory organ is not conducted in the IFRS implementation in the organization. The response for this is described by the mean value of 3.77 indicating the respondents agree that there is no effective monitoring and process review by regulatory organ. This suggests that regulatory organ is not monitoring and reviewing the process.

The second most important institutional challenge is unrealistic IFRS transition road map that do not take the capacity and readiness of the nation in general and the entities in particular into account. This is indicated by mean value of 3.82 indicating the IFRS transition road map is not realistic and not takes into account the capacity and readiness of the nation in general the entities in particular.

The other challenge assessed by the study about the implementation of IFRS is education and training challenges. Adequacy of qualified professional accountants is assessed by the study. The result of the assessment described by the mean value of 3.85 that indicates the respondents moderately agree that the number of qualified professional accountants is inadequate. This suggests that the professional accountants in the area of IFRS implementation are inadequate to facilitate the implementation. The standard deviation value of .902 indicates higher variation of agreement about the adequacy of the professional accountants.

The result in table 4.9 above indicates that there is lack of qualified people to provide training in workplace. This is indicated by mean value of 3.85 indicating that respondents agree that there is lack of qualified people to provide training in profession. This suggests that there is shortage of on job training providers that became challenge to proper implementation of IFRS in the selected agricultural sectors under horizon plantation.

The limited access to training material, seminars and workshop for working professionals is the main educational and training challenge that is described by mean value of 3.85. The respondents agree that access to training material, seminars and workshop for working professionals is limited.

4.4 Interview Result and Analysis

In addition to the questionnaire, the researcher has made an interview with finance managers and audit managers of Limmu Coffee Farm and Bebeka Coffee Plantation. Interview is not conducted with finance managers and audit managers of Gojeb agricultural Development because of absence in the organization.

4.4.1 Accounting Standard Used Before the Implementation of IFRS

The interview was conducted with the finance managers and audit managers of those selected agricultural sectors to support the finding through questionnaire for the previous reporting standard before the implementation IFRS in your organization. The interview results are supporting the findings through questionnaire. The responses of the interviewee indicated that before the implementation of IFRS those selected agricultural sectors was using US GAAP.

4.4.2 Preference of IFRS over the other financial reporting mechanism

On other hand, interview was conducted with the respondents about the preference of IFRS over the other financial reporting mechanisms. The interview result indicate that IFRS is better than the other financial reporting mechanisms because of for mandatory application of IT, existence of uniform accounting system, comparability, transparency, for investment opportunity and better corporate governance.

4.4.3 The Main Factors That Influence the Implementation of IFRS

The interview result of respondents about the factors that influence the implementation of IFRS includes joining to international organizations like world trade organization, involvement of multinational companies, tax laws, awareness of the agricultural sector, National Bank of Ethiopia requirements and regulations for agricultural sector, competent accounting professionals, availability of capital market, management understanding of IFRS, commitment of corporate governance, IT infrastructure compatibility, national/international policy frame work and organizational leadership of the their organizations.

4.4.4 Challenges of Implementing IFRS

The interview was conducted with the respondents to support the finding through questionnaire for the challenges and opportunities of the implementation of IFRS in their organization. The interview results are supporting the findings through questionnaire. The responses of the interviewee indicated that there is lack of attention of management to accounting and financial reporting related issues that the management is focusing on the cost side of the project and their concern is short run profit. The management considers the implementation is the concern of only the implementation team/staffs. Additionally, the management has no awareness on the project and the accounting systems because of the lack of the attention to the project. These findings indicate that management is not providing attention to the accounting and financial related issues. Further, the interview result indicates the management has no commitment for the implementation and cooperation with the team because it is considered that it is responsibility of the team. Since decisions on the implementation needs involvement of the management, lack of the attention is extending the schedules.

Finally, the interview results of respondents recommended that the possible solutions for challenges on the implementation of IFRS includes dedicate resources for the project, highly train staff on a practical way, commitment of extra working hour to meet the deadline, improve technology for accounting and information gathering, regulatory bodies for effective implementation of IFRS, awareness of IFRS, evaluation of the existing standards for financial reporting using professional associations, commitment of all stockholders, participating management in accounting professionals, provide adequate training and development for implementers, review better experience in the issue particularly for those fully implement IFRS, updating IT system, integrating data system through management information system, attitudinal change on the benefits of adopting IFRS and establishment of strong regulatory bodies/institutions.

Chapter Five

Summary, Conclusion, And Recommendation

5.1. Introduction

In this chapter the conclusions and recommendations are discussed based on the discussions in chapter four. Conclusions are discussed based on the research objectives of the study. Based on the findings of the study recommendations are made to regulatory organ, to IFRS implementation stakeholders, to management of the selected agricultural sectors, consulting organ and suggestions for other researchers or further studies**.**

5.2. Summary of Major Findings

This study was conducted with an objective identifying the challenges to implementation of IFRS in selected agricultural sector under horizon plantation (Limmu coffee farm, Bebeka coffee plantation and Gojeb agricultural development). Team members of IFRS implementation in the sector were used as respondents. 74 questionnaires and interviews involved in the study as source of primary data. Based on previous literatures, four constraints were developed with different challenges in the categories. These constraints were management constraints, technical constraints, cost constraints, and institutional, education and training constraints.

The descriptive statistics of mean was mainly used to identify the existence of the challenges. The result about management challenge indicates that Lack of knowledge about IFRS and its transitional process is main challenge among the management challenges with mean value of 3.99 and followed by lack of regular follow up on the process of IFRS implementation with mean value of 3.81.

The second challenge category in the study was technical challenges. Lack of understanding of IFRS requirements and reasons is the main challenge among the technical challenges with mean value of 4.08. The targets and deadlines of IFRS implementation has been made before identify the obstacles is the second main challenge among the technical challenges with mean value of 3.80.

Cost challenges include cost of external consultants, cost of auditing and compliance standards, cost of adjustment of information systems, cost of updating accounting system, and cost of purchasing IFRS guiding materials and staff training. Among these challenges high cost of external consultants is main problem with mean value of 4.04 and followed by expensive cost of purchasing IFRS guiding materials and staff training with mean value of 3.70.

Institutional challenges include lack of coherence between existing local laws and IFRS, lack of the readiness by the organization and entities of IFRS implementation, lack of coherence in the regulatory systems of the country, lack of an extensive and ongoing support from professional accountancy associations, lack of strong accountancy body limits the option of getting technical capacity building trainings, ineffective monitoring and process review by regulatory organ, and unrealistic IFRS transition road map. Lack of strong accountancy body limits the option of getting technical capacity building trainings mean value of 3.89. Unrealistic IFRS transition road map is the second main institutional challenge and lack of an extensive and ongoing support from professional accountancy associations with mean value of 3.82.

Education and training challenges were assessed by the study. Limited training on IFRS prior to its implementation with mean value of 3.93 is the main education and training challenge that affect the implementation of IFRS. Limited access to training material, seminars and workshop for working professionals and lack of qualified people to provide training in profession/workplace is the second main education and training challenge with mean value of 3.85.

On other hand, the interview results of respondents recommended that the possible solutions for challenges on the implementation of IFRS includes highly train staff on a practical way, improve technology for accounting and information gathering, regulatory bodies for effective implementation of IFRS, awareness of IFRS, evaluation of the existing standards for financial reporting using professional associations, commitment of all stockholders, participating management in accounting professionals, provide adequate training and development for implementers, review better experience in the issue particularly for those fully implement IFRS, updating IT system, integrating data system through management information system, attitudinal change on the benefits of adopting IFRS and establishment of strong regulatory bodies/institutions.

5.3 Conclusion

The result of the study revealed that lack of attention and management understanding about IFRS, Lack of qualified people to provide training in profession or workplace, lack of supports from accountancy professional bodies, weak enforcements of regulatory body, and high cost of implementation and weak management support are the major challenges of IFRS implementation by these selected agricultural sectors under Horizon Plantation. Therefore, the Horizon Plantations, regulatory organs and consultants are recommended to improve management involvement, provide workplace trainings, to implement by customizing the standard, to improve cost issues of the standard, and to improve the cooperation of the organs involving in the implementation.

Finally, the study concludes that IFRS implementation for those selected agricultural sector under horizon plantation was challenging. The study also concludes that in adequate skill in IFRS, technical know- how to the standards, as a result of lack of management dedications, education and professional bodes are the main implementation challenges being encountered by the implementing sectors in horizon plantation. Unless the challenges are properly addressed, the subsequent periods reporting activities will be challenging.

5.4 Recommendations

Based on the conclusions drawn the following recommendations are provided to the IFRS implementation stakeholders especially the Limmu coffee farm, Bebeka coffee plantation and Gojeb Agricultural Development, regulatory organs.

- The management of these selected agricultural sectors has to have knowledge about the IFRS and its transitional process. It has to be committed and has to understand the importance and processes of IFRS implementation. The regulatory organ and consulting companies have to create awareness to the management through trainings and meetings. There has to management follow up for the implementation and cooperation with the implementing team.
- The consulting organ and training providers have to create technical skills for the implementing team before the project is started about the adoption of the standard.

The agricultural sectors are recommended to customize the standard instead of adopting the standard.

- Since there is a limited access to training material, seminars and workshop for working professionals and lack of qualified people to provide training in workplace are main problems, the regulatory organs have to work with workplace training providers and higher institutions.
- Since the cost of external consultants and expensive cost of purchasing IFRS guiding materials and staff training are the main cost challenges, the regulatory organ is recommended to develop strong local consultants especially by government and competitive firms.
- Since there is lack of coherence between existing local laws and IFRS, the local laws have to be reviewed according to the standard; IFRS transition road map must be reviewed based on the capacity of the organization and accounting development of the country.

5.5 Suggestion for Future Researches

This study was conducted with an objective of identifying challenges to implementation of IFRS in selected agricultural sectors under horizon plantation. Since this study is limited to only the selected agricultural sectors further studies are recommended to include other sectors to reach at stronger conclusions. This study has used only the selected agricultural sectors under horizon plantation despite different organs involving in the implementation. Therefore, further studies are recommended to include different stakeholders in the process of IFRS implementation.

References

AICPA, (2011) International Financial Reporting Standards (IFRS): An AICPA Backgrounder.

Alemi, T.D. and Dr. Pasricha, J.S. (2016) IFRS Adoption Progress in Ethiopia. Research Journal of Finance and Accounting, ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online) Vol.7, No.1, 2016.

BPP Learning Media, (2016); ACCA Paper P2 Corporate Reporting (International and United Kingdom) Study Text.

Cohen, L., Manion, L. And Marrison, K. (2005) Research Methods In Education. 5th Edition, Taylor And Francis E-Library

Creswell, W.J. (2003) Research Design: Qualitative, Quantitative and Mixed approaches. 2nd ed. New Delhi: SAGE Publications Ltd.

Deloitte IFRS Solutions Center, (2008) IFRS Insights Achieving a Global Standard.

Epstein,J.B, Jermakowicz,E.K.,2010. Interpretation and Application of International Financial Reporting Standards. New Jersey, Canada: John Wiley & Sons, Inc.

Ethiopian Government, 2014. Establishment and Determination of the Procedure of the Accounting and Auditing Board of Ethiopia Council of Ministers Regulation No. 332/2014. Negarit Gazeta: Addis Ababa.

Ethiopian Government, 2014. Financial Reporting Proclamation 847/2014. Negarit Gazeta: Addis Ababa.

Ethiopian Government, 2014. Federal Income Tax Proclamation 979/2016. Negarit Gazeta: Addis Ababa.

Gaur S. A., Gaur S. S., 2009. *Statistical Methods for Practice and Research*. 2nd edition. India: Response Books Business books from SAGE. Pp. 32

Gizaw, S. 2009. International Financial Reporting Standards-The way forward to Ethiopia.

Gyasi, A.K. 2009. Adoption of International Financial Reporting Standards in Developing Countries: The Case of Ghana.

Hailemichael, M. 2016. Adoption, Challenges and perception of International Financial Reporting Standards (IFRS) on the Quality of Financial Reporting of Financial Institution in Addis Ababa, Ethiopia.

Herz, R.H, Petrone, K.R. 2005. International Convergence of Accounting Standards Perspectives from the F ASB on Challenges and Opportunities. *Northwestern Journal of International Law & Business*, Volume 25 Issue 3 spring.

https://www2.deloitte.com/content/dam/Deloitte/ru/Documents/audit/ifrs-in-your-pocket2016-en.pdf

Hussey,R., Ong,A.2005. International Financial Reporting Standards Desk Reference: Overview, Guide, and Dictionary. New Jersey, USA: John Wiley & Sons, Inc.

IASB, 2016. International Financial Reporting Standards.

International Journal of Business and Management, 2009. Convergence of Accounting Standards: Internationalization of Accounting.

Korea Accounting Standards Board Financial Supervisory Service, 2012. IFRS Adoption and Implementation in Korea, and the Lessons Learned IFRS Country Report.

Kotharl, C.R. 2004. *Research Methodology Methods and Techniques*. 2nd Revised ed. New Delhi: New Age International (P) Limited.

Kumar, R. 2011. *Research Methodology A Step-By-Step Guide For Beginners*. 3 ed. London: SAGE Publications Ltd. pp. 71-75

Lasmin, 2011. An Institutional Perspective on International Financial Reporting Standards adoption in developing countries. *Academy of Accounting and Financial Studies Journal*, In Press.

LEEDY, P.D. 1989. *Practical Research: Planning and Design*. 4th ed. Macmillan.

Merritt, C. (n.d.) the Differences between Harmonization & Convergence of GAAP.

Mihret, Y. 2016. IFRS Adoption in Ethiopia: A Critical Analysis of the Process, Issues and Implications.

Mirza, A.A., Holt, J., Orell, M.2006. International Financial Reporting Standards: Work Book and Guide.NewJersey, USA: John Wiley & Sons, Inc.

Mwaura, M.F, Nyaboga A.B. 2009. International Financial Accounting Standards and the Continent of Africa. *International Business & Economics Research Journal* Volume 8, Number 3.

National Bank of Ethiopia, Volume 14, No.1, 2018, Addis Ababa, Ethiopia.

Needles,B.J., Powers,M.2011. International Financial Reporting Standards: An Introduction (2nd ed.).USA, South-Western, Cengage Learning.

Ojeka, Stephen A., Dr. O. Mukoro Dickson, 2011. International Financial Reporting Standard and SMEs in Nigeria: Perceptions of Academic *International Journal of Research in Commerce & Management* vol. 2, pp. 13-19.

Ojeka, S. et. al. 2016. Mandatory International Financial Reporting Standard Adoption and Foreign Direct Investment. Journal of Emerging Trends in Economics and Management Sciences (JETEMS), 7(4):205-213.

Palinkas,L.A., Horwitz,S.M., Green,L.A., Wisdom,S.M., Duan,N., Hoagwood,K, 2015. Purposeful Sampling for Qualitative Data Collection and Analysis in Mixed Method Implementation Research. Adm Policy Ment Health, 42(5), 533-544.DOI 10.1007/s10488-0130528

Price Water House Coopers, 2009. Similarities and differences-A comparison of 'full IFRS' and IFRS for SMEs.

Radebaugh, L. H., Gray, S. J., Black, E. L., 2006. *International Accounting and Multinational Enterprises*. Hoboken: John Wiley & Sons, Inc.

Ramanna, K. and Sletten, E., 2009. Why do countries adopt International Financial Reporting Standards? Harvard Business School Working paper 09-102 March 24, 2009.

Sanchez, R., 2015. IFRS Adoption & Compliance Issues: Does One Size Fits All Really Work? The University of Texas at Dallas.

Saunders M. et.al, 2009. Research methods for business students. 5th edition. England: Pearson Education Limited

Shima, K.M., Yang, D.C., 2012. Factors Affecting the Adoption of IFRS. *International Journal of Business*, 17(3).

Simegn, Y. 2015. Adoption of International Financial Reporting Standards (IFRS) in
Ethiopia: Empirical Evidence. *The International Journal Research Publication's*
Research Journal of Economics & Business Studies, Volume: 04, Number: 03, January2015.

Tesfu, F. 2012. The Adoption of International Financial Reporting Standards (IFRS) in Ethiopia: Benefits and Key Challenges.

Thompson, S.C. 2016. Accounting for a Developing World: A look at International Standards on Developing Countries, University of Tennessee Honors Thesis Projects.
http://trace.tennessee.edu/utk_chanhonoproj/1986

Tilahun F., 2009. Ethiopia Deserves to Have National Accounting Framework.

Tongco, D.C., 2007. Purposive Sampling as a Tool for Informant Selection. Journal of Plants, People and Applied Research, 5,147-158. http://hdl.handle.net/10125/227

United Nations Conference for Trade and Development, 2008. Practical implementation of international financial reporting standards: Lessons Learned, Country case studies on IFRS United Nations Conference on Trade and Development.

World Bank and IMF joint initiative, 2007. Reports on Observance of Standards and Codes Ethiopia (ROSC).

Zeghal,D.,Mhedhbi,K.,2006. An analysis of the factors affecting the adoption of international Accounting standards by developing countries. The International Journal of Accounting, 41, 373– 386.Retrieved from www.sciencedirect.com on April 15, 2017.

Zehri, F., Chouaibi, J., 2013. Adoption determinants of the International Accounting Standards IAS/IFRS by the developing countries. *Journal of Economics, Finance and Administrative Science*, 18 (2013) 56-62.

Zakari, M.A., 2014. Challenges of International Financial Reporting Standards (IFRS) Adoption in Libya. International Journal of Accounting and Financial Reporting, ISSN 2162-3082 2014, Vol. 4, No. 2.

APPENDIX-1

Dear Respondents,

My name is Ato Tadele Birhanu who is final year graduate students in the Master's Degree in Accounting and Finance Program at the College of Business and Economics at Jimma University.

Presently, I am conducting a study entitled "**Challenges of International Financial Reporting Standards (IFRS) Implementation** in Selected Agricultural sector under Horizon Plantation located in South West part of Addis Ababa as in a partial fulfillment of the requirements of master's degree in Accounting and Finance in University. The study aims at assessing overall Organizational challenges to implement IFRS in case of Limmu Coffee Farm, Bebeka Coffee Plantation and Gojeb Agricultural Development.

This questionnaire is mainly directed to all Accounting, Internal Audit, marketing staff and Managers of all selected agricultural sectors under Horizon Plantation those are expected to be involved in IFRS implementation process of the targeted respondents. In addition to that Finance managers, Audit and inspection head and General Managers of each selected agricultural sectors was interviewed.

Therefore, your genuine responses to each item in this questionnaire are believed to contribute valuable inputs to the successful accomplishment of the study, which will in turn have important impact on IFRS practices in Ethiopia in general and on the selected agricultural sectors under Horizon Plantation in Particular. Finally, I would like to make sure that your response will be use only for academic purposes, safely and confidentially treated. If you have any question, you may contact me by the following address.

Tadele Birhanu

Mobile No. +251 913 41 58 22

Thank you in advance for your cooperation

General Direction:

Don`t write your name

Put tick mark (√) in front of your best option

You can choose more than one option

Give your answers for open-ended questions in the blank space.

Please indicate the following by marking (√) on the spaces in front of the response options:

I. Respondent's Profile:

1. Sex: Male ☐ Female ☐

2. Age: Below 21 ☐ 21-30 ☐ 31-40 ☐
41-50 ☐ 51-60 ☐ Above 60 ☐

3. Your Educational status:
Diploma/Level IV ☐ Degree ☐ Masters ☐ PHD ☐
Others (please specify) ________

4. Qualification: Accounting and Finance ☐ Economics ☐ Management ☐
IT ☐ Marketing ☐
Others (please specify) _________

5. Your current job position:
Junior ☐ Senior ☐ Finance head ☐
Manager ☐ Director ☐ CEO ☐
Others (please specify) -------------------

6. Years of experience in the Organization:
<1yr ☐ 1-5 yrs ☐ 6-10yrs ☐
11-15 yrs ☐ 16-20yrs ☐ >20yrs ☐

II. General Questions about IFRS:

1. Do you have a role in IFRS implementation process?
Yes ☐ No ☐

2. IF yes! , what is your actual role?

A member ☐ A team leader ☐ Project sponsor ☐

Others (please specify) _____

3. Which knowledge source about IFRS is best for you?

Book ☐ Internet ☐ Professional Organizations ☐

Conference/Seminar ☐ Journals ☐

4. Did you have attended IFRS related trainings? Yes ☐ No ☐

5. If your answer to question number 4 is yes! How adequate is the IFRS training that you have for implementation of IFRS?

Adequate ☐ Not adequate ☐

6. Does your organization implement IFRS? Yes ☐ No ☐

7. If your answer to question number 6 is yes! How long in years IFRS was introduced in your organization?

1 year ☐ 1-3 yrs ☐ 3-5 yrs ☐ over 5 yrs ☐

8. Before the implementing of IFRS, what reporting standard did your organization use?

U.S GAAP ☐ France GAAP ☐

U.K GAAP ☐ Others-------------------------------------

9. If you compare the previous standard to the IFRS is IFRS preferable?

Yes ☐ No ☐

10. What is reason for your preference?

Relevance ☐ faithful ☐

Cost ☐ comparability ☐

III: Challenges to implementation of IFRS

To what extent do you agree with the existence of the following practices? (Please indicate your responses in the respective boxes): where SD (1) = strongly disagree, D (2) = disagree, N (3) = neutral, A (4) = Agree and SA (5) = strongly agree

Management constraints	**1**	**2**	**3**	**4**	**5**
Lack of attention to accounting and financial reporting related issues					
Lack of cooperation with IFRS implementation project teams					
Lack of commitment and understanding on implementation of IFRS					
Lacks of regular follow up on the process of IFRS implementation					
Lack of knowledge about IFRS and its transitional process					
Resistance by different departments while asking cooperation					

Technical constraints	**1**	**2**	**3**	**4**	**5**
Lack of coherence between the qualification bodies and Standard setting bodies					
Lack of communications about developments in accounting					
Lack of representation in standard setting process					
Lack of understanding of IFRS requirements and reasons					
Selective adoption of IFRS that creates inconsistency in the level of adoption					
The targets and deadlines of IFRS implementation has been made before identify the obstacles					

	1	**2**	**3**	**4**	**5**

Cost of external consultants is high					
Cost of auditing and compliance standards is high					
Cost of adjustment of information systems is high					
Cost of updating accounting system is high					
Cost of purchasing IFRS guiding materials and staff training is expensive					
Lack of financial resource					

Institutional constraints	1	2	3	4	5
Lack of coherence between existing local laws and IFRS					
Lack of the readiness by the organization and entities of IFRS implementation.					
Lack of coherence in the regulatory systems of the country (government and other regulatory structures).					
Lack of an extensive and ongoing support from professional accountancy associations					
Lack of strong accountancy body limits the option of getting technical capacity building trainings					
There is no effective monitoring and process review by regulatory organ					
The IFRS transition road map is not realistic and not takes in to account the capacity and readiness of the nation in general the entities in particular					
The numbers of qualified professional accounts are in adequate					
Lack of qualified people to provide training in profession/work place					
Lack of coherence between educational programs and professional programs					
Limited access to training material, seminars and workshop for working professionals					
Limited training on IFRS prior to its implementation					

IV: Interview Questions for Managers of these Selected Agricultural Sectors (Limmu Coffee Farm Bebeka Coffee Plantation and Gojeb Agricultural Development).

1. What accounting standards were employed in your organization before the implementation of IFRS?
2. What are the challenges IFRS implementations in your organization?
3. What are the ways through which these problems and challenges can be addressed? Please recommend some solutions to overcome the problems and challenges with implementation and adoption of IFRS in your organization?
4. How do you evaluate and follow-up the Implementation of IFRS in your organization?
5. Do you think that IFRS better than other financial reporting mechanisms? Why? Why not? How?
6. In your opinion what are the main factors that could influence the implementation of IFRS in your organization?