Assessing The Impact Of International Financial Reporting Standards (Ifrs) Adoption On The Quality Of Financial Reporting In Public Entities In Ethiopia (A Case Study In Commercial Bank Of Ethiopia.)

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Abstract

The main purpose of this study was to assess the impact of international financial reporting standards (IFRS) adoption on the quality of financial reporting in banking industry that is in commercial bank of Ethiopia. The study employed a quantitative methods based on a convenience sample consists mainly of respondents in different professions at the branch. A Self-administered questionnaire which consists demographic characteristics and survey questions was distributed to 30 CBE's staffs in head office branch at Addis Ababa. Both primary and secondary sources of data have been used for the study from commercial bank of Ethiopia head office branch. Primary data were collected through a well-structured questionnaire whereas secondary data were collected from bank's annual report, quarter report, monthly report, books and published journals of the bank about IFRS, Reports of national bank of Ethiopia, internet sources, reports made by Accounting and Auditing board of Ethiopia (AABE) about IFRS, and other related materials were used. This paper makes a useful contribution as there are only a few studies dealing with the assessment the impact of IFRS adoption on quality of financial reporting in Ethiopia. The findings based on five different independent variables (timeliness, accountability, comparability, transparency and disclosure) showed that all these variables influenced financial reporting quality in CBE.
There is a positive impact and significant relationship between the financial reporting quality and five independent variables (Timeliness, accountability, comparability, transparency and disclosure). IFRS adoption made sense because it enhanced financial reporting quality and therefore should result in even higher adoption levels by CBE. It was worth noting that more studies needed to be done to link the failure rate of CBE with financial reporting quality. The result of the study will provide a good lesson for other Financial Institution, Governmental and Policy Makers for the implementation of IFRS network.

Keywords: Impact. IFRS, Adoption, Quality, Financial Reporting, Commercial Banks.

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1 . INTRODUCTION

The adoption of International Financial Reporting Standards (IFRS) heralded a new era in financial reporting. Different accounting standards may lead to difference in financial reporting quality even with the same set of accounting data. Thus, when accounting regimes change it significantly affects the financial position and performance being reported. Understanding the potential impact of IFRS on Banks accounting process is critical to users (Bankers, Accountants, Auditors, Corporate management, investors, lenders, financial analysts, regulators) connected to Banks financial reporting. Through financial statements the overall well-being as well as the state of affair of organizations is communicated to stakeholders of all manners and kinds (Edirin & Edesiri 2016).

The quality of financial reporting has remained an issue of major concern among professional accountants, regulators and other users of financial information. This is due to the fact that financial reporting has been a principal means of communicating the results of transactions and events which transpired within the organization to the outsiders; who may use such information in assessing the economic performance and condition of a business as well as a guide in making economic decisions. Hence, the expectation of every user of financial information is that such information will help

them in gauging the health status of the reporting entity and in making informed financial decisions. It is essential to provide high-quality financial reporting to influence users in making investments decisions, and to enhance market efficiency.

The higher the quality of financial reporting, the more significant are the benefits to be gained by investors and users of the financial reports. Financial reports can only be regarded as useful if it represents the economic substance of an organization in terms of relevance, reliability, comparability, understandability, timeliness and simplifies interpretation of accounting numbers (Kenneth, 2012). In response to the need for improvement in the existing financial reporting system, the International Accounting Standards Board (IASB) released a conceptual framework for financial reporting following the exposure drafts issued in 2008 and 2010. The key issues raised in the framework are the objectives of financial reporting and the characteristics of quality financial reporting. The Adoption of International Financial Reporting Standards (IFRS) has changed the way and manner in which financial statements are prepared, reported or presented.

International Financial Reporting Standards (IFRSs) are a set of Accounting Standards developed by International Accounting Standard Board (IASB) for the preparation and presentation of public financial statement. Globalization of capital markets requires a unified global accounting, reporting and disclosure set of standards. As a result of increasing volume of cross border capital flows and the growing number of foreign direct investments via mergers and acquisitions in the globalization era, the need for the harmonization of different practices in accounting and the acceptance of worldwide standards has arisen. The continuous demand by stakeholders for quality information and greater disclosures is often one of the reasons advanced for the adoption of International Financial Reporting Standards (IFRS).

Accounting Framework has been shaped by International Financial Reporting Standards (IFRS) to provide for recognition, measurement, presentation and disclosure requirements relating to transactions and events that are reflected in the financial statements. IFRS was developed in the public interest to provide a single set of high quality, understandable and uniform accounting standards. Users of financial statement worldwide require sound understanding of financial statement but this can only be made possible based on Generally Accepted Accounting Practice (GAAP). With globalization of finance gaining ground, convergence with IFRS will enable the world to exchange financial information in a meaningful and trustworthy manner (Ikpefan and Akande 2012).

2 . LITERATURE REVIEW

2.1 The Concept and Design of International Financial Reporting Standards (IFRS)

Definition of IFRS is standards and rules for reporting financial information, as established and approved by the Financial Accounting Standards Board (FASB).(Bowrin, 2007) defined International Financial Reporting Standards (IFRS) as; A series of accounting pronouncements published by the IASB to help preparers of financial statements, throughout the world, produce and present high quality, transparent, comparable and accountable financial statements for stockholders International Financial Reporting Standards (IFRS) also known as Transnational Accounting Standard are designed as a common global language for business affairs so that company accounts are understandable and comparable across international boundaries, it is all about uniformity in financial statement and a global understanding of financial statement. IFRS is progressively replacing the national accounting standards and based on these changes in accounting standards it enable foreign relations within countries. IFRSs are issued by the International Accounting Standards Board (IASB), formerly known as International Accounting Standards Committee (IASC).

The main objective of the IASB is “to develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions” (Epstein &Mirza, 2002). International Financial Reporting Standards (IFRS) are body of prescriptive rules and guidelines with global reach and appeal which provide direction and guidance on how business enterprises in globalised world could achieve the goal of proper record keeping, transparency, uniformity, comparability and enhancing public confidence

in financial reporting (Tendeloo and Vanstraelen, 2005).

According to proponents of international financial reporting standards (IFRS), publicly traded companies must apply a single set of high quality accounting standards, in the preparation of their consolidated financial statements, in order to contribute to better functioning capital markets Quigley (2007). IFRS has the potential to facilitate cross-border comparability, increase reporting transparency, decrease information costs, reduce information asymmetry and thereby increase the liquidity competition and efficiency of market Ball (2006), Choi and Meek (2005). These potential benefits rely on the presumption that mandatory IFRS adoption provides superior information to market participant or increased accounting comparability compared to previous accounting regimes. However, to-date there is little and conflicting empirical evidence that this is the case. Moreover, while of these potential benefits provide a persuasive argument for IFRS adoption, the compliance cost associated with such a transition cannot be ignored (ICAEW2007). In addition to direct costs, other indirect costs might also be incurred that may make investors worse off. For example, Ball (2006) notes that the fair value orientation of IFRS could add volatility to financial statements, in the form of both good and bad in formation, the latter consisting of noise which arises from inherent estimation error and possible managerial manipulation. Whether harmonization will actually be achieved is also currently up for debate with many commentators arguing that the same accounting standards can be implemented differently.

They are set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the international Accounting Standard Board, and they specify exactly how accountants must maintain and report their accounts. IFRS were established in order to have common language, so that business and account can be understood from company to company and country to country. Thus, failure on the part of the firm to apply the requirements of IFRS would result in inconsistencies, lack of accountability and transparency, distortion in financial reports, which in turn results into poor financial reporting practices and dissemination of accounting information that is of less value to any particular group of users. This is because the preparation and presentation of financial statements will be bereft of objectivity, reliability, credibility and comparability, and thus results in fraudulent business practices which subsequently lead to business failure and become devastating on the national economy (Atu et al., 2014).

Among other things, the increasing internationalization of the standardization of accounting rules has helped to reduce wide judgmental intuition and discretion, which has reduced the work of the external auditor considerably (Saad, 2006). It also allows for a considerable level of consistency in the application of accounting policies, which has helped to strengthen comparability financial reports the world over (Abata 2015). The standard setting process has helped to provoke a high level of research and discussion among members of the professional and this has awakened the profession from its slumber.

2.1.1 Approaches to IFRS Adoption and quality of financial reporting

Adoption of IFRS is more than just an accounting exercise. This is because accounting and reporting represent only a small part of the conversion efforts (AABE 2015). A country can change its existing accounting system to a globally recognized accounting standard called IFRS either by totaling replacing or customizing it with IFRS over time. The first approach is known as adoption or 'big bang' approach while the latter is called a convergence approach. 'Big bang' approach is a strategic decision to adopt IFRS on a single date or, perhaps, a series of dates applied to companies of different sizes. Under this approach, once IFRS are adopted, all IFRS standards should be complied while preparing financial statements and the existing accounting standard should be replaced with IFRS; while in Convergence approach, gradual movement is made towards IFRS through customizing with the existing accounting standards and IFRS are applied gradually. Converging a few local standards to IFRSs each year can allow local preparers and auditors to learn a few topics at a time rather than immersing themselves in the full set of IFRSs and convergence approach can also allow time for necessary changes in local legal frameworks (IFRS, 2013).Source: http//www.ifrs.org.

The main objective of IFRS is to ensure that an entity's first financial statement, and its interim

financial reports for part of period covered by those financial statements, contains high quality information that Provides a suitable starting point for adopting IFRS. An entity shall prepare and disclose opening IFRS statements of financial position at the date of transition to IFRSs. This is the starting point for accounting in accordance with IFRS. An entity shall use some accounting policies in its opening IFRS statement of financial position and throughout all period presented in its first IFRS financial statements. Those accounting policies comply with each IFRS effective at the end of its first IFRS reporting period.(Pacter, 2015).

2.1.3 Benefits of the adoption of IFRS

The objectives and importance of introducing IFRS according to Frogwoman, 2011 are:

- To work actively with the national setter to bring about convergence of national accounting standards, IFRSs are designed for adoption by profit oriented entities.
- IFRSs require that financial statements (FS) give a true and fair view of the financial health of entities.
- To develops a single set of high quality understandable and enforceable global accounting standards that requires transparent and comparable information in financial statements.
- To help participants in various capital markets (investors, stockbrokers, etc) across the globe to understand financial statements.

He also postulated that, implementation of IFRS would give rise to the following benefits:

a. Uniform application of principles i.e. same language
b. Cross border investments leading to economic growth and development. It will also lead to increase globalization of commerce and trade.
c. Easy comparability of financial statements of two or more companies' worldwide.
d. Tax authorities will find it easy to assess taxpayers for payment and collection.
e. Multinational companies will find it easy to carry out merger and acquisition, easy access to multinational capital, the cumbersome task of consolidation of group financial statements would be simplified and accounting and audit functions will also be made easy.

The implementation of IFRS would reduce information irregularity and strengthens the communication link between all stakeholders. It also reduces the cost of preparing different version of financial statements where an organization is a multinational (Healy and Palepum, 2001). It is advocated that adoption of IFRS will lead to: greater transparency and understand ability, lower cost of capital to companies and higher share prices (due to greater confidence of investors and transparent information), reduced national standard-setting costs, ease of regulation of securities markets, easier comparability of financial data across borders and assessor investment opportunities, increased credibility of domestic markets to foreign capital providers and potentials foreign merger partners, and to potential lenders of financial statements from companies in less-developed countries. It will also facilitate easier International mobility of professional staffs across national boundaries. For the multinational companies, it will help them to fulfill the disclosure requirement for stock exchanges around the world (Armstrong, Earth, Jagolizer & Riedl, 2007).

2.1.4 Challenges of Adopting IFRS

Though adopting IFRS is expected to facilitate growth in bilateral economic activities, the benefit may not be evenly distributed across all bilateral relations due to certain challenges. The pre-adoption conformity of national GAAP to IFRS determines the significance, and therefore the benefit, of IFRS adoption. However, institutional differences among partner countries can impact the effect of convergence to a set of uniform financial reporting standards, as they can affect the degree

To which the new accounting standards are actually enforced and influence the interpretation of accounting information prepared under IFRS. Furthermore, different studies, both extant and contemporary, had been carried out on the impact of IFRS, as wells as the challenges adopters of the accounting standards face in moving to the standard. In this connection, (Street and Larson, 2004) cited in (Cardozzo, 2008) conducted a survey within EU member states to test the plans and barriers to convergence to IFRS before their mandatory adoption by listed companies in 2005. The survey highlights that most of EU listed companies do not plan to converge national GAAP to IFRS, and after the required adoption they might keep this two accounting systems for individual accounts. The main impediments are based on the difficulties arising in the application of some IFRS and the tax system of

countries sampled as well as the lack of guidelines of national bodies in the application of such standards.

2.1.5 Enactment of the Financial Reporting Proclamation

The enactment of a Proclamation to Provide for Financial Reporting (Proclamation no. 847/2014) is the current development in the accounting, auditing and financial reporting history in Ethiopia. Before the promulgation of this proclamation, there is no single organized body responsible for regulating the accounting and auditing professions and financial reporting practices in Ethiopia and very minor provisions have been issued in various separate laws that are not found in a single place and issued by various regulatory body. The government of Ethiopia issued this proclamation (No.847/2014) to achieve the following objectives as stated in Article 1 of the proclamation: to establish a sound, transparent and understandable financial reporting system applicable to entities in both private and public sectors; to have a uniform financial reporting law that enhances transparency and accountability by centralizing the hitherto decentralized financial reporting structures of Ethiopia; to support various building blocks of the economy and to reduce the risk of financial crisis, corporate failure and associated negative economic impacts; and to ensure that the provision of financial information meets internationally recognized reporting standards.

The board shall be accountable to the Ministry of Finance and Economic Development (Art.3/2/ of Regulation 332/2014). According to the Article 5 of the 332/2014, the board shall have the following objectives:

1. Promoting high quality reporting of financial and related information by reporting entities;
2. Promoting the highest professional standards among auditors and accountants;
3. Promoting the quality of accounting and auditing services;
4. Ensuring that the accounting profession is used in the public interest; and
5. Protect the professional independence of accountants and auditors.

According to Article 4(2) of the proclamation No.847/2014, the Accounting and Auditing Board of Ethiopia (AABE) shall have the following; inter alia, powers and duties to:

(1) Issue standards and directives relating to financial reporting and auditing and ensure compliance therewith
(2) Conduct inquiry or investigation and impose administrative sanction in accordance with the provisions of the proclamation where appropriate on public interest entities and public auditors to enforce compliance with financial reporting and auditing standards; and
(3) Cooperate with, or become a member or an affiliate of, any international body, the objectives or functions of which are similar to or concerned with those of Board.

2.2 Conceptual framework for financial reporting

The ISAB Framework was approved by the ISAC Board in April 1989 for publication in July 1989,(ISAB, 2016), as part of a bigger project to revise the Framework the ISAB revised the objectives of general purpose financial reporting and the qualitative characteristics of useful information. This conceptual Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users (Pacter, 2015).

The study is premised on IFRS for SPE adoption as an Independent Variable is the anchor on which the dependent variable-financial reporting quality can be achieved. Indicators of IFRS adoption include: - presentation and disclosure, going concern issues, consistency reporting and information reported in the financial statements in line with IFRS. Indicators of financial reporting quality include: faithful representation, relevance, compatibility, reliability and under stability.

The justification for financial reporting quality depending on IFRS adoption is that given Financial Reporting Quality (FRQ= (α + β1 (IFRS adoption) + ε). There is a measure of financial reporting quality indicators like reliability and relevance among others that may be evident if the entity had adopted IFRS. The independent variable is IFRS adoption because financial reporting quality which is the dependent variable can only be evident and pronounced if an SPE has adopted IFRS. The SPE begins to realize the benefits of IFRS adoption by the improvement in financial reporting quality evidenced by information provided in financial statements being relevant to the decision-making needs of users, information is capable of influencing the economic decisions of users by

helping them evaluate past, present or future events or confirming, or correcting, their paste valuations

2.2.1 IFRS and Financial Reporting Quality

The quality of financial reporting is indispensable to the need of users who require them for investment and other decision making purposes (Fashina and Adegbite, 2014). Financial reports can only be regarded as useful if it represents the "economic substance" of an organization in terms of relevance, reliability, comparability, understandability, timeliness and simplifies interpretation of accounting numbers (Kenneth, 2012). The international financial reporting standards may have a number of qualities one being Understand ability. This is an essential quality of useful financial information that should be presented in a way that is readily understandable by users. The users are assumed to have a reasonable knowledge of business, economic activities and accounting and are willing to study the information diligently.

Relevance is another quality, it influences the economic decisions of users. Relevant information is when it fulfills a predictive role or a confirmatory role which are obviously interrelated.

For any financial information to be useful, it must also possess the characteristic of reliability. It is judged to be reliable if it is free from material error and bias and can be depended upon by users to faithfully represent events and transactions. This information in the financial statements must be complete within the bounds of what can be considered to be material in relation to the cost of producing the information.

2.2.2 Determinants of quality of financial reporting

The benefits of standardized and high quality financial reporting are: lower preparation costs, improve measurement and recognized, high degree of required transparency by regulators, enhanced analytical capabilities and most important of all is enhancement of informed and efficient investment decisions. No one can ignore the importance of transparency in financial reporting, because people make big decisions regarding the investments based on financial reporting.

Investors want more transparent information about the financial data of the company. In fact, it is the quality of report, which helps investors in making certain investment decision. Investors as well as other stakeholders heavily rely on a company's financial statements. It is an important source of information that is readily available to them at a relatively low cost. Since information has an objective, there are usually periods within which these objectives operate. Good information neither is produced too frequently nor is it compiled after it is needed most. For instance, information that reaches a decision-maker after the decision is of limited use in the context of the decision-making process

2.2.3 Approaches to Measuring Financial Reporting Quality

There are several financial reporting measurement approaches in the literature Some of the most widely used approaches are accrual models, value relevance model, specific attributes approach and recently operational zing the qualitative characteristics approach (or standard is Scores) (Braam, Beest, & Boelens, 2009).

Accrual models: In accrual models, earnings management level serves as a proxy for financial reporting quality. Earning management is used to measure the degree of earnings quality under current rules and legislation (Braam, Beest & Boelens, 2009). Earnings management can be described as the information asymmetry challenges between managers and stakeholders, which is linked to imperfect markets where the stakeholders do not have all the correct information on a timely basis. Earnings management diminishes the decision usefulness of financial reports and by implication negatively influences financial reporting quality. The model assumed that managers are in a position to use discretionary accruals to manipulate earnings.

Value relevance models: This model uses the relationship between stock-market reactions and accounting figures to ascertain financial reporting quality (Nichols &Wahlen, 2004). It often examines the relationship between stock returns and earnings figure in the financial reports in order to measure the quality (relevance and faithful representation) of financial information. The accounting figures are assumed to represent the firm value based on accounting policies and procedures while the stock price represents the market value of the firm. The correlation of the variables assumes that the accounting information provided is

relevant and reliable information hence has high financial reporting quality. The value relevance model is consistent with the IASB conceptual framework. This approach can be used to examine elements of earnings quality such as earnings variability, earnings persistence and earnings predictive ability (Schipper & Vincent, 2003).

The specific attributes approach: It concentrates on some specific financial and non-financial elements in the financial reports to measure the financial statement quality. It measures the influence of presenting specific information in the annual report on the decisions made by the users (Braam, Beest & Boelens, 2009). Some of the variables used in prior studies include the use of fair value accounting, auditor's report, quality of internal control and risk, audit delay, and loan loss provisions (Beretta &Bozzolan; 2004; Ezelibe, Nwosu & Orazulike, 2017; Gearemynck & Willekens, 2003; Hirst, Hopkins & Wahlen, 2004; Jian & Ken, 2014).

The Qualitative Characteristics Model: This represents the most recent model for assessing the quality of financial reporting. The model examines the level of decision usefulness of financial reporting information by operational sing the qualitative characteristics of financial reports. Jonas and Blanchet (2000) pioneered the use of this model in assessing the quality of financial reporting. They develop questions that were germane to the separate qualitative characteristics of financial reporting as stipulated by the FASB (1980) and IASB (1989). The model was adopted by McDaniel, Martin &Maines (2002); Lee, Strong, Kahn, & Wang (2002) and Van Beest et al. (2009) in their related studies. However, while McDaniel et al. (2002) and Lee et al. (2002) operationalized the qualitative characteristics based on FASB (1980) and IASB (1989), Van Beest et al. (2009) operationalization was based on the IASB Exposure Draft (ED) of 2008. The major advantage of this model is that it provides a direct measure of financial reporting quality and covers all aspects of financial reports, including both financial and non-financial information.

The objective of financial statements

The main objective of financial statements is to provide information concerning the financial position and performance of a business organization which is useful to the users so as to make economic decision. Financial statements also give a well view of the stewardship and accountability of management. This also help the users to make economic decision may be to hold or sell their investment and may be to change the management. Financial statement is also prepared to meet the common needs of the users. International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 March 2004 / International Accounting Standards Board.

2.2.6 Elements of quality

According to IASB, the essential principle of assessing the financial reporting quality is related to the faithfulness of the objectives and quality of disclosed information in a company's financial reports. These qualitative characteristics enhance the facilitation of assessing the usefulness of financial reports, which will also lead to a high level of quality. To achieve this level, financial reports must be faithfully represented, comparable, verifiable, timely, and understandable. Thus, the emphasis is on having transparent financial reports, and not having misleading financial reports to users; not to mention the importance of preciseness and predictability as indicators of a high financial reporting quality (Gajevszky, 2015).

Relevance

Relevant information is capable of making a difference in the decisions made by users. The relevance of information is affected by its nature and its materiality (BPP Learning Media [BPP], 2014). Reported information is useful only if it relates to the issues that are of prime concern to the users (Ezelibe, Nwosu & Orazulike, 2017). Information is capable of making a difference in decisions if it has predictive value, confirmatory value or both (IASB, 2010). Information about an economic phenomenon has predictive value if it has value as an input to the predictive processes used by capital providers (and other stakeholders) to form their expectation about the future.

Comparability

Comparability means that the information should enable users to identify and understand similarities in, and differences among, items (IASB, 2010). Information is comparable if it can be compared with similar information about other entities and with similar information about the same entity for another period or date.

Yurisandi and Puspitasari (2015) found that comparability of financial reports increased after IFRS adoption at 1% level of significance. Barth, Landsman and Lang (2011) found that the value relevance of earnings and equity book value is more comparable among non-U.S. firms after the application of the International Accounting Standards than when local accounting Standards was used. Beuselinck, Joos and Van der Meulen (2007) found that the earnings comparability is not affected by Mandatory IFRS adoption.

Reliability

The information on the financial statement must be reliable so that Users can depend on it. For financial statement to be reliable, it means the Information must not have error and must not be biased. It is also said that, Information may be relevant but not reliable. If the information on the financial statement is not reliable, it will always mislead the users in making economic decision International financial reporting standards (IFRSs): including International accounting standards (IASs) and interpretations as at 31 march 2004. Faithful representation, substance over form, neutrality (freedom from bias), Prudence (subject to neutrality), and completeness is mentioned as aspect of reliability -2003 Miller International accounting standards guide by David Alexander and Simon Archer.

Timeliness

Timeliness is another enhancing qualitative characteristics. Timeliness illustrates that information must be available to decision makers before losing its powerful and good influences. When assessing the quality of reporting in an annual report, timeliness is evaluated using the period between the year-end and the issuing date of the auditor‘s report—the period of days it took for the auditor to sign the report after the financial year-end (Beest, Braam, &Boelens, 2009).

Understandability

This means financial reports must be clearly and concisely classified, Characterized and presented as well as minimization technical Jargons and unnecessary complexity to enable user easily assimilate the contents. Yurisandi and Puspitasari (2015) found that under standability of financial reports increased after IFRS adoption at 1% level of significance. Five constructs were applied in examining understandability. U1-U6 measures financial reports presentation (in terms of organization, graphs and tables, size of glossary, mission and strategy, researcher’s of understandability, and the use of technical jargon.

2.3 Empirical review

IFRS represent a single set of high quality, globally accepted accounting standards that can enhance comparability of financial reporting across the globe. This increased comparability of financial information could result in better investment decisions and ensure a more optimal decision. (Archives of Business Research (ABR) Vol.2, Issue 2, April-2014). Allocation of resources across the global economy (Jacob and Madu, 2009), Cai and Wong (2010) conjectured that having a single set of internationally acceptable financial reporting standards will eliminate the need for restatement of financial statements, yet ensure accounting diversity among countries, thus facilitating cross-border movement of capital and greater integration of the global financial markets. Meeks and Swann (2009) revealed that firms adopting IFRS exhibited higher accounting quality in the post-adoption period than in the pre-adoption period. Stakeholders round the globe had contributed to the emerging issues in respect of the application of the provisions of the International Financial Reporting Standard. Companies compete globally for limited resources, shareholders, potential investor and creditors as well as multinational enterprises are required to bear the cost of adopting financial statement that are prepared using national standards.

In a study of financial data of firms covering 21 countries, Barth (2008), confirmed that firms applying IAS/IFRS experienced an improvement in accounting quality between the pre-adoption and post-adoption periods. Latridis (2010), concluded on the basis of data collected from firms listed on the London Stock Exchange that IFRS implementation has favorably affected the financial performance (measured by profitability and growth potentials). IFRS compliant financial statements has the tendency to make comparability and company performance assessment across nations easier and result of such assessment more acceptable by stakeholders and highly reliable.

2.4 Theoretical framework

Recently there has been a push towards the adoption of IFRS developed and issued by the International Accounting Standards Board (IASB). The increasing growth in international trade, cross border financial transactions and investments which unavoidably involves the preparation and presentation of accounting reports that is useful across various national borders, has brought about the adoption of IFRS by both the developed and developing countries (Armstrong et al. 2007).

The process of adoption received a significant boost in 2002 when the European Union adopted a regulation 1606/2002 requiring all public companies in the territory to convert to IFRSs beginning in 2005 (Iyoha and Faboyede, 2011) .There are proponents as well as opponents who have arguments for and against the global adoption of IFRS. According to Barth (2007), the adoption of a common body of international standards is expected to have the following benefits: lower the cost of financial information processing and auditing to capital market participants as users, familiarity with one common set of international accounting standards instead of various local accounting standards by Accountants and Auditors of financial reports, comparability and uniformity of financial statements among companies and countries making the work of investment analysts easy, attraction of foreign investors in addition to general capital market liberalization.

2.5 Impact of IFRS on financial statement

The last decade has seen the emergence of considerable research discussing the influence of legal and institutional settings on accounting quality (e.g. Byard et al. 2011. In several cases, the research is based on the assumptions that these settings have a significant impact on accounting quality, which, in turn, affects analysts' ability to make accurate forecasts. Other studies have also emphasized firm-specific characteristics, as well as the importance of reporting firms' incentives as salient factors in the success of IFRS. Byard et al. (2011) and Jean jean and Stolowy (2008), for example, stress the importance of firms' reporting incentives, which are influenced by legal institutions, various market forces, firms' operating characteristics and the like. In line with Zeff (2007), it is therefore reasonable to assume that country-specific differences such as business and financial culture, accounting culture, auditing culture and regulatory culture are likely to affect the success of IFRS implementation.

Hung and Subramanian investigates the financial statements impact due to the adopting IAS during the period from 1998 t0 2002 in Germany by evaluating the financial statements prepared under IAS culminated in significant changes to deferred taxes ,pensions ,property ,plant and equipment. We should therefore expect the introduction of IFRS to have different effects on accounting quality in different effects on accounting quality in different legal and institutional settings.

3 RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents details of the research design and methodology which concerned with the presentation of method used in this study to accomplish its purpose on "The Impact of IFRS adoption on Quality of Financial reporting in a banking industry". The following areas were taken into consideration. Area of the study, Research approach, research design , population of the study, sampling size and sampling techniques, source of data, method of data collection instrument , and method of data analysis.

3.2 Research Approach

As per Creswell (2003) there are three approaches that are used in conducting a given research. These are quantitative, qualitative and mixed research approach. Quantitative research approach focuses primarily on the construction of quantitative data, and quantitative data is a systematic record that consists of numbers constructed by researcher utilizing the process of measurement and imposing structure (Kent, 2007). The quantitative research approach employ measurement that can be quantifiable while qualitative cannot be measured (Bryman & Bell, 2007). In mixed research approach inquirers draw liberally from both qualitative and quantitative assumptions (Creswell, 2009).

3.3 Research design

.The research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data (Kothari, 2004).It is a logical and systematic plan that has been prepared for directing a research study. It specified the objectives of the study, the

methodology and techniques adopted in achieving the objectives.

From different types of research designs descriptive and explanatory type of research design were employed as a main research design for this study to the realization of intended objectives. Types and Sources of Data. For this study, two main sources of data were used. These are primary sources of data and secondary sources of data.

3.3.1 The Primary Source of Data

The sources of the primary data for this study were collected from staffs of commercial bank of Ethiopia head office branch at Addis Ababa, which is selected from different department. Based on the nature, scope, objectives and availability of time and resource, the researcher were used questionnaires and interviews.

3.3.2 Secondary Source of Data

The secondary data were used for supporting the study and to get the findings of other researchers in the area (empirical study). The secondary data were gathered from the bank's annual report, quarter report, monthly report, books and published journals of the bank about IFRS, Reports of national bank of Ethiopia, internet sources, reports made by Accounting and Auditing board of Ethiopia (AABE) about IFRS, and other related materials were used

3.4 Population of the Study

A target population refers to the entire group of individuals, objects or things that share common attributes or characteristics and may or may not be found within the same geographical location. According to Mugenda (2008), target population is the total population that the researcher specifies in his or her research. The target population from which the information were solicited by the researcher for this study were employees of commercial bank of Ethiopia head office branch at Addis Ababa which is involved in IFRS implementation and financial reporting process.. Emphasis was placed on staff knowledge and information concerning the subject of the study.

3.5 Sampling techniques and sample size

The population of this study was employees of commercial bank of Ethiopia head office branch at Addis Ababa that working with IFRS. In this study, the researcher was applied non-probability sampling, i.e. purposive sampling technique and commercial bank of Ethiopia was chosen purposively among the selected significant public entities(SPE) in Ethiopia because of that among significant public entities in Ethiopia, CBE is the first bank which adopt IFRS and started to report its financial statement in compliance with IFRS in the country and also it significantly involve and influence on the financial activities in the banking industry in particular and in the economic activities of the country in general.

Additionally, the researcher was selected the respondents from the branch using purposive sampling technique in order to incorporate key informants from the branch.

The sample size of the study that taken into account was the number of staffs in commercial bank of Ethiopia head office branch in Addis Ababa that working with IFRS. Considering the number of staffs the study took sample of 30 participants were selected from finance department of commercial bank of Ethiopia head office branch.

3.6 Method of data collection

In order to collect sufficient and relevant data so as to answer the research questions, the following methods of data collection instruments were used in this study.

Questionnaires – It was one of the methods of primary data collection that was employed in this study.

3.7 Methods of data analysis

In order to facilitate the interpretation the finding of the study both descriptive and inferential statistic were employed in analyzing this study and were done using SPSS version 23. Tables, percentage, linear regression, and analysis of variance (ANOVA) specifically used in the study. Data collected using questionnaire were analyzed through descriptive statistics, frequency distribution, correlation and multiple regression using Statistical Package for Social Scientists (SPSS-23). It helps to describe what the data look like, where the center (mean) is, how broadly they are spread in terms of one aspect to the other aspect of the same data(Leedy, 2013).

3.8 Model Specification

The major objective of this study was to examine the impact of International Financial Reporting Standard (IFRS) adoption on quality of financial reporting systems. The study was adopted a

linear regression model to test the relationship between the variables in the quality of financial reporting in commercial bank of Ethiopia. The Independent variable –IFRS Adoption (β1 AD) represented by indicators- Timeliness, accountability, Comparability, transparency and disclosure and dependent variable is Quality of financial reporting. A multiple regression model was used to ascertain the degree of relationship between IFRS adoption (independent Variable) and financial reporting quality (dependent Variable).

The study adopted a linear regression model to test the relationship between the variables in the quality of financial reporting of commercial bank of Ethiopia head office branch. The empirical model is thus: $Y= \beta0+ \beta1X1+ \beta2X2+ \beta3X3+ \beta4X4+ \beta5X5+ \beta5X6+\varepsilon$ Where Y= Quality of financial reporting. β0 = intercept β1, β2, β3, β4, β5, β6= coefficients, ε = error term

X1 = comparability X2 = accountability X3 = timeliness X4 = transparency X5= Financial statement disclosure.

3.9 Presentation, Data Analysis and Interpretation

The researcher analyzed data quantitatively using Statistical Package Social Sciences (SPSS) version 23 to derive descriptive statistics, correlations and regression on the relationship between IFRS adoption and financial reporting quality.

SPSS was used because it had great capabilities of analyzing humongous data within seconds and generating an unlimited output of simple and sophisticated statistical results including simple frequency distribution tables, pie charts, graphs, polygons, percentages, cumulative frequencies, binomial and other distributions. The Package has the capabilities of executing such high-level analysis as analysis of variance (ANOVA) which was used at some point, chi-square tests, correlation, regression analysis, tests of statistical hypotheses, multivariate analysis, time series analysis, confidence interval estimation, estimations, comparison of several means, goodness of fit tests and analysis of contingency table, standard deviations and many more.

4. PRESENTATION, INTERPRETATION AND DISCUSSION OF FINDINGS

This chapter presents empirical results on IFRS adoption and financial reporting quality by SPE which include descriptive statistics, correlation analysis and regression analysis. The analysis was undertaken to ascertain the relationship between the variables of the study.

4.1 Adoption of IFRS on quality of financial reporting

For this study the researcher take nine International Financial Reporting Standards of IFRS adoption were asked for response by the statements with a 5 point Likert scale and indicate the extent to which they agree with the statements that is: 1 = Strongly disagree, 2 = disagree, 3 = Undecided, 4 = agree 5 = Strongly agree. A mean (M) score of 0-1 means that there respondents strongly disagreed, between 1 to 2 means they disagreed, 2 to 3 means the respondents were neutral or undecided, 3-4 means they agreed, and a mean above 4 means there respondents strongly agreed. Based on the findings on Table 4.11 (M=4.33; SD=1.093), the respondents could strongly agree that IFRS has a significant relationship with the quality of financial reporting system,(M=3.57; SD=1.278), the respondents could agree that commercial bank of Ethiopia faces challenges during the adoption of international financial reporting system(IFRS) , (M=4.10; SD=1.296), the respondents could strongly agree that ifrs has enhance the acceptability of financial reporting in commercial bank of Ethiopia, (M=4.43; SD=1.073), the respondents could strongly agree that IFRS brings .

About the uniformity in the financial reporting system than GAAP, (M=3.37; SD=1.450), the respondents could undecided regarding the awareness of stakeholders on adoption of IFRS is very high, (M=4.27; SD=1.112), the respondents could strongly agree about the adoption of IFRS will be beneficial to accountants and foreign investors, (M=4.27; SD=1.230), the respondents could strongly agree that the adoption of IFRS positively affects the qualification level of accounting staffs in commercial bank of Ethiopia, (M=4.4.00; SD=1.390), the respondents could agree that there is positive relationship between ifrs and accurate information on financial reporting (M=3.6923; SD=0.85264), the respondents could agree IFRS can help the local investors to make better investment decisions compare to the GAAP, (M=3.6923; SD=0.85264), the respondents could agree IFRS can help the local investors to make better investment decisions compare to the GAAP, (M=4.10; SD=1.348), (M=3.6923; SD=0.85264), the respondents

could strongly agree that IFRS positively affect the quality of document and record keeping during accounting has brought about high quality financial statements.

Table 4.2.15. Descriptive Statistics N

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
FRQ	30	1.89	5.00	4.0556	.90538
TIMELINESS	30	1.00	5.00	3.8500	1.29920
ACCOUNTABILITY	30	1.75	5.00	4.1167	.85282
COMPARABILITY	30	2.60	5.00	4.3733	.52452
TRANSPARENCY	30	2.50	5.00	4.3167	.60148
DISCLOSURE	30	2.67	5.00	4.4778	.57857
Valid N (listwise)	30				

From the Table 4.2.15 descriptive statistics, the total sample size (n) is 30 respondents The finding indicate that the Financial reporting quality has mean of 4.0556 and standard deviation of 0.90538 (M= 4.0556, SD = 0.90538). High Standard Deviation means that the data are wide spread, which means that financial reporting quality on IFRS information quality is above satisfactory level.

Table14.2.15 shows the financial reporting quality on IFRS information quality with a mean value of 3.8500 on a 5 point Likert scale above satisfactory level indication. The lowest value was 1 and the highest 5.00. **TIMELINESS** shows mean 3.8500 and standard deviation of 1.29920 (M=3.8500, SD = 1.29920). The lowest value was 1.00, and the highest 5.00. **ACCOUNTABILITY** has mean of 4.1167 and stander deviation of .85282 (M=4.1167, SD=.85282) the lowest value was 1.75 and the highest 5.00. **Comparability** has mean of 4.3733, and stander deviation of .52452 (M= 4.3733, SD=.52452) the lowest value was 2.60 and the highest 5.00.Transparency has mean of 4.3167 and standard deviation of .60148.

(M=4.3167, SD.60148) the lowest value was 2.50 and the highest value was 5.00. Disclosure has mean 4.4778 and standard deviation of .57857(M= 4.4778, SD=.57857) the lowest value was 2.67 and the highest value was 5.00. Therefore this indicating that most respondents are agreed with the question designed for each variable.

Table 4.2 .16. Distribution of data Variables.

Descriptive Statistics

	N	Sum	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
FRQ	30	121.67	-.981	.427	-.219	.833
TIMELINESS	30	115.50	-1.421	.427	.899	.833
ACCOUNTABILITY	30	123.50	-1.686	.427	2.559	.833
COMPARABILITY	30	131.20	-1.344	.427	3.030	.833
TRANSPARENCY	30	129.50	-.766	.427	1.081	.833
DISCLOSURE	30	134.33	-1.533	.427	2.933	.833
Valid N (listwise)	30					

From the Table 4.2.16 the financial reporting quality which represents the dependent variable, it has a highly skewed with -0.981 and highly peak with - .219 kurtosis .As the table 4.2.16 shows above timeliness which represent independent variables, it is approximately symmetric with -1.421 skewness and highly peak with 0.899 kurtosis, accountability which is independent variable it is highly skewness with -.686 and kurtosis with 2.599, comparability is also independent variable it has skewed with -1.344 and it is highly peak with 3.030 kurtosis, transparency is also other independent variable it has skewed with -1.766 and it is highly peak with 1.081 kurtosis. Finally, disclosure is last independent variable in this study which has skewed with -1.533 and it is highly peak with 2.933 kurtosis.

On the other hand both of them high flatness (platykurtic distribution) with -.122 kurtosis for customer loyalty and -.912 kurtosis for service quality as can be seen from the histograms 4.2and 4.4 below. Whereas the security variable as can be seen from table 4.2 is moderately skewed with -.758, and high flatness with -.159 kurtosis as shown in the histogram 4.1 Hence, the assumption of normality has not been violated.

4.2 Correlation Analysis And Linearity

Correlations are a measure of the linear relationship between two variables. A correlation coefficient has a value ranging from -1 to 1: values closer to the absolute value of 1 indicating that there is a strong relationship between the variables being correlated whereas values closer to 0 indicate that there is little or no linear relationship. The sign of a correlation coefficient describes the type of relationship between the variables being correlated. A positive correlation coefficient indicates that there is a positive linear relationship between the variables: as one variable increases in value, so does the other. A negative value indicates a negative linear relationship between variables. The researcher carried out a correlation analysis to test the relationship between the dependent and the independent variables. In this study the dependent variables is IFRS on the quality of financial reporting and the independent variables are Timeliness, Accountability, comparability, transparency and disclosure. The findings for this analysis are shown in the following.

Table 4.2.17 Correlations

		FRQ	TIMELINESS	ACCOUNTABILITY	COMPARABILITY	TRANSPARENCY	DISCLOSURE
Pearson Correlation	FRQ	1.000	-.326	.540	.189	.466	.009
	TIMELINESS	-.326	1.000	-.120	.341	-.127	-.077
	ACCOUNTABILITY	.540	-.120	1.000	.250	.556	.367
	COMPARABILITY	.189	.341	.250	1.000	.574	.430
	TRANSPARENCY	.466	-.127	.556	.574	1.000	.467
	DISCLOSURE	.009	-.077	.367	.430	.467	1.000
Sig. (1-tailed)	FRQ	.	.039	.001	.159	.005	.482
	TIMELINESS	.039	.	.264	.033	.251	.343
	ACCOUNTABILITY	.001	.264	.	.091	.001	.023
	COMPARABILITY	.159	.033	.091	.	.000	.009
	TRANSPARENCY	.005	.251	.001	.000	.	.005
	DISCLOSURE	.482	.343	.023	.009	.005	.
N	FRQ	30	30	30	30	30	30
	TIMELINESS	30	30	30	30	30	30
	ACCOUNTABILITY	30	30	30	30	30	30
	COMPARABILITY	30	30	30	30	30	30
	TRANSPARENCY	30	30	30	30	30	30
	DISCLOSURE	30	30	30	30	30	30

Study findings on the relationship between IFRS adoption as a dependent variable and timeliness as a as independent variable revealed that the two are negative, very weak, and linear relationship with a significant statistical correlation(r = -.326, 0.039,p < 0.01), While Study findings on the relationship between financial reporting quality as a dependent variable and accountability as an independent variable revealed that the two are positively, very strong, and linear relationship with a significant statistical correlation(r = -.540, 0.039,p < 0.01),. This affirms that accountability of financial information strongly influences financial reporting quality.

Study findings on the relationship between financial reporting quality as dependent variable and comparability as an independent variable revealed that the two are positively correlated with p-value (r = .0.189, p < 0.01) which is very weak and linear correlation between the two variables.

Study findings on the relationship between financial reporting quality and transparency as a measure of financial reporting quality revealed that the two are positively correlated with p-value (r = .0.466, p < 0.01) which is moderate and linear correlation between the two variables.

Finally Study findings on the relationship between Financial reporting quality and disclosure as a measure of financial reporting quality revealed that the two are positively correlated (P value of 0.009 is less than α of 0.43 at 1% level of significance), albeit with very weak, positive and linear, with a significant statistical correlation.

After looked at the correlation between the dependent and independent variables in the above section, the current section will be assign to look at the relationship among the independent variables one another.

From the table 4.2.17 showed that the relationship between independent variables Timeliness and Accountability, comparability, transparency and disclosure is negative, very weak and linear relationship with a significant statistical correlation (r = -.127; .341,- .127,-.077, p <0.01). While the relation-ship between accountability, comparability, transparency and disclosure is positive, moderate and linear relationship with a significant statistical correlation (r = 0.250; .556, .367, p < 0.01), the relation-ship between comparability, transparency and disclosure is positive, strong and linear relationship with significant statistical correlation (r = .570, 0.430, p < 0.01). And finally the relationship transparency and disclosure is also is positive, moderate and linear relationship with significant statistical correlation (r = .467, p < 0.01).

4.3 Regression Analysis

Regression is a technique that can be used to investigate the effect of one or more predictor variables on an outcome variable. Regression analysis allows making statements about how well one or more independent variables will predict the value of a dependent variable. Objective three was about ascertaining the extent of relationship between IFRS adoption and financial reporting quality in CBE. The study findings below delve into the full analysis on the same. Regression analysis was carried out to establish the extent to which financial reporting quality in CBE influence IFRS adoption.

4.3.1 Empirical regression study tests

The purpose of this study was to ascertain the relationship and influence of IFRS adoption on financial reporting quality measured by faithful representation, relevance, comparability, transparency and disclosure by CBE. Below are results of the regression tests. Study findings are shown in table 4.21 below.

Table 4.2.18: Regression Weights

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	2.542	1.297		1.960	.062
	TIMELINESS	-.249	.119	-.358	-2.099	.047
	ACCOUNTABILITY	.494	.187	.466	2.641	.014
	COMPARABILITY	.423	.369	.245	1.148	.262
	TRANSPARENCY	.306	.334	.203	.916	.369
	DISCLOSURE	-.610	.268	-.390	-2.275	.032

a. Dependent Variable: FRQ

The results of regression table shows that timeliness has positive effect on financial reporting quality (β= -.249, and P=0.047) in fact P value is significant at 0.047 which is greater comparing to significant level <.000 but as a rule of tamp if P value is less than 0.05 which indicate the timeliness is significant explanatory variable in this study and useful for the model.

The construct of accountability, has also positive effect on financial reporting quality and with positive value of beta and significant level at p-value (β=.494 and P=0.014), in fact P value is significant at 0.014 which is greater comparing to significant level <.000 but as a rule of tamp if P value is less than 0.05 which indicate the accountability is also significant explanatory variable in this study and useful for the model.

The construct comparability has also positive effect on financial reporting quality with beta value (β=.423 and P=0.262) the analysis for comparability show that as comparability of financial information increases, financial reporting quality is also increases. But in this case the significant value is greater than .005 which is not acceptable so the independent variable for the analysis cannot explain the dependent value.

Transparency is also one of the independent variable in this study which has positive effect on financial reporting quality with beta value (β=.306 and P=0.369) and the analysis for transparency also shows that as transparency of IFRS increases, financial reporting quality is also increases. But in this case the significant value is greater than .005 which is not acceptable so the independent variable for the analysis cannot explain the dependent value.

Finally the regression table above showed that disclosure which is the independent variables has positive effect on financial reporting quality (β=-.610, and P=0.032) in fact P value is significant at 0.032 which is greater comparing to significant level <.000 but as a rule of tamp if P value is less than 0.05 it is significant and useful independent variable in this study.

4.4 ANOVA ANALYSIS

The ANOVA (Analysis of Variance) table below provides us with the inferential test of each model. In particular, the F and its df (degrees of freedom) are indicators of how good the model is, as can be seen that all models have a statistical significance, which means that every single predictor variable has a significant predictor of the outcome of the financial reporting quality, with a different degree, but the compensation of all of them it has more effect on the dependent variable which presented as follow (F=4.903, df =5, p< .05). Sig. (statistical significance) is a measure of how likely it is that an F this high or higher could have arisen if there was no relationship in the whole population from which the sample analyzed was drawn. A test of hypothesis was also made to check whether statistically significant difference or not. The F-ratio in the ANOVA (Table 4.2.18) tests whether the overall regression model is a good fit for the data. The table shows that the independent variables statistically significantly predict the dependent variable, F (5, 24) = 4.903, p (.003) < .05 (i.e., the regression model is a good fit of the data).

Table 4.2.19 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.012	5	2.402	4.903	.003[b]
	Residual	11.759	24	.490		
	Total	23.772	29			

a. Dependent Variable: FRQ

b. Predictors: (Constant), Disclosure, Timeliness, Accountability, Comparability, Transparency

Table 4.2.20: model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.711[a]	.505	.402	.69997	.505	4.903	5	24	.003

a. Predictors: (Constant), Disclosure, Timeliness Accountability, Comparability, Transparency

Table 4.2.20 shows that regression model summary includes the R, R-squared and adjusted R-squared for the model, and the standard error of the estimate. R is the multiple correlation coefficients; R is the correlation coefficient for IFRS adoption and its present the entire variable together is 0.711.This value of r suggests a strong positive linear correlation since the value is positive and close to1. (R-squared which is the coefficient of determination is a commonly used statistic to evaluate model fitness and measure of how much of the variation in the dependent variable is accounted for by the model, as can be clearly seen from Table 4.2.20 that R2 in the model 3 equals .505(R2 = .505) explains approximately 50.5% of variance in financial

reporting quality, which predicted by the combination of the five independent variables. R Square means (square of the correlation coefficient), indicating that **50.5%** of the variation in financial reporting quality as a dependent variable is explained by IFRS Adoption or can be attributed to the combined effect of the predictor variables. This means that 49.5% of the changes in the financial reporting quality can be attributed to other factors.

Adjusted R-squared attempts to adjust this for the complexity of the model. More complex models will explain more variance than simpler models.

Table 4.2.20 above shows that the adjusted R square is 0.402 which shows that 40% of the variance in financial reporting quality has been significantly explained by 1% change in the five independent variables. The almost same value between R square and the adjusted R square indicates high model fit.

Table 4.2.21 *Coefficients*[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.542	1.297		1.960	.062
	TIMELINESS	-.249	.119	-.358	-2.099	.047
	ACCOUNTABILITY	.494	.187	.466	2.641	.014
	COMPARABILITY	.423	.369	.245	1.148	.262
	TRANSPARENCY	.306	.334	.203	.916	.369
	DISCLOSURE	-.610	.268	-.390	-2.275	.032

a. Dependent Variable: FRQ

Table 4.2.21 shows the coefficients for each model tested.

The regression equation above show as by taking all factors into account constant at zero, the IFRS adoption on the quality of financial reporting will have a value of 2.542. And the findings presented also show that taking all other independent variables at zero, a unit increase in timeliness would lead to a -.249 decrease in the IFRS on the quality of financial reporting; taking all other independent variables at zero, a unit increase in Accountability would lead to a 0.494 increase in the quality of financial reporting; and taking all other independent variables at zero, a unit increase in comparability would lead to a 0.423 increase in the quality of financial reporting ; and taking all other independent variables at zero, a unit increase in transparency would lead to a 0.306 increase in the quality of financial reporting and finally taking all other independent variables at zero, a unit increase in disclosure would lead to a -.610 increase in the quality of financial reporting

4.5 DISCUSSION OF RESULT

Table 4.2.21 shows coefficients analysis to the variables influencing financial reporting quality. Timeliness represents that 1% change in timeliness leads to 35.8% decrease in financial reporting quality. This result suggests that timeliness has a little influence on financial reporting quality. There is a positive relationship between timeliness and financial reporting quality with a statistical significant (t-statistic= -2.099. The negative relationship indicates that less timeliness of financial report is expected that the bank provide less financial reporting quality in respective banks.

While the result indicates that a 1% change in accountability leads to 46.6% increase in financial reporting quality. This result suggests that accountability is the major factor in financial reporting quality. There is a significant and positive relationship between accountability and financial reporting quality (t- statistic = 2.64, P<0.01). The positive relationship indicates that the higher the accountability is expected that the bank provide a higher financial reporting quality in respective banks.

The first hypotheses H1 assume that there is positive relationship between accountability and financial reporting quality in the banking sector in Ethiopia. And this hypothesis is accepted. This study shows that there is positive correlated between accountability and financial reporting quality.

Likewise, as for comparability, the result indicates that 1% change in comparability leads to 24.5% increase in financial reporting quality. There is a significant and positive relationship between comparability and financial reporting quality (t- statistic = 1.14, p<0.01). The positive relationship indicates that the higher the comparability is expected that the bank provide a higher financial reporting quality in respective banks.

The second hypothesis assumed that there is positive relationship between service quality and customer satisfaction in the banking sector in Ethiopia, so this hypothesis has accepted too.

The result of this study unable to accept the last hypothesis which says: there is positive relationship between comparability and financial reporting quality in the banking sector in Ethiopia.

The result indicates that a 1% change in disclosure financial statement leads to 39% decrease in financial reporting quality. This result suggests that disclosure has a little influence on financial reporting quality. There is a positive relationship between disclosure and financial reporting quality with a statistical significant (t-statistic= -2.275. The negative relationship indicates that less timeliness of financial report is expected that the bank provide less financial reporting quality in respective banks. The result of this study unable to accept the last hypothesis which says: there is positive relationship between comparability and financial reporting quality in the banking sector in Ethiopia.

The first hypotheses H1 assume that there is positive relationship between transparency and financial reporting quality in the banking sector in Ethiopia. And this hypothesis is accepted. This study shows that there is positive correlated between transparency and financial reporting quality.

Finally the relationship between disclosure of financial reporting and financial reporting quality indicates that a 1% change in accountability leads to 46.6% increase in financial reporting quality. This result suggests that accountability is the major factor in financial reporting quality. There is a significant and positive relationship between accountability and financial reporting quality (t-statistic = 2.64, P<0.01). The positive relationship indicates that the higher the accountability is expected that the bank provide a higher financial reporting quality in respective banks.

5. SUMMARY, CONCLUSION AND RECOMM-ENDATION.

The main purpose of the study was to examine the impact of IFRS on financial reporting quality in Commercial bank of Ethiopia head office branch at Addis Ababa. The case study was conducted at Commercial bank of Ethiopia head office branch in finance department at Adds Ababa by convenience sampling methods. This study is concerned with examine the impact of IFRS adoption on quality of financial reporting in Commercial bank of Ethiopia.

This study is conducted on Commercial bank of Ethiopia head office branch at Addis Ababa, Ethiopia to generate information about the impact of adoption of international financial reporting standards (IFRS) on the quality of financial reporting of commercial bank of Ethiopia to adopt and implement IFRS.. The questionnaire of the survey has distributed to headquarter of commercial bank of Ethiopia responsible official of all staffs commercial bank of Ethiopia head office branch, to those who are responsible for the preparation and assurance of financial statements; these are finance directors, finance managers, and finance division manager.

5.1 SUMMARY OF FINDING

The results of the study provide important insights on of international financial reporting standards (IFRS) on the quality of financial reporting of commercial bank of Ethiopia head office branch in Addis Ababa, and the summary of this research finding is as follows.

The study found that the financial institutions in Ethiopia have started using IFRS voluntarily for the preparation of their financial statements since 2002/03 without making all necessary preparedness. However, nationally, Ethiopia has decided to join the IFRS network with a 'big bang' approach to adopt IFRS through enactment of proclamation as of December 5, 2014. The Adoption of IFRS is motivated by both internal and external factors: internally, the demand of professionals, academics and preparers to work with international trends and externally pressure from global audit firms and other international organizations.

As a general information the question that can serve to assess and understand the profile of the respondents, the current status & profile of institutions and to understand the awareness of the respondent about IFRS. From the analysis of survey that in the dependent and independent variables there is significant correlation among those variables that the IFRS adoption on financial reporting quality which has significant correlation with the Timeliness, Accountability, transparency, accountability and disclosure financial statement.

In this study five independent and one dependent variables were selected, those independent variables include :Timeliness, Accountability, comparability, transparency, and disclosure are independent variable that could affect the quality of financial reporting (dependent variable), and the dependent factor is financial reporting quality on CBE‟s financial reporting system and the finding on those mention factors are discussed as follows.

The result of multiple regression as shown in Table 4.2.21 also indicates that the relationship between Timeline**ss** and financial reporting quality is significant at P value .047 and Beta= -.249. Accordingly, H 1 which stated that Timeliness of reports has significant relationship with financial reporting quality is supported at the P value 0.047 significance level. Therefore, hypothesis H1 is accepted.

As the table 4.2.21 revealed that the relationship between Accountability and financial reporting quality is also significant with significance level of (*p*= 0.014, Beta= 0.494). The hypothesis which stated that Accountability in IFRS adoption has significant relationship with financial reporting is supported at the p value that sig=0.014 and this result support the existence of a positive relationship between Accountability and the financial reporting quality and therefore Hypothesis H2 is accepted.

Comparability of IFRS has significant relationship with financial reporting quality is not significant with significance level of (Beta= 0.423, *p*= 0.262). This result does not support the existence of a positive relationship between Comparability and financial reporting quality and as a result the hypothesis which stated that there is positive relationship between comparability of IFRS financial information is not supported at p-value sig 0.180 and therefore Hypothesis H3 is rejected.

Transparency is also one of the independent variable in this study which has positive beta value of (Beta= 0.306, *p*= 0.369) and significant relationship with financial reporting quality is not supported. Therefore hypothesis H4 is rejected.

The last variable for this study was disclosure of financial statement in IFRS financial reporting system is significantly and positive effect on financial reporting quality because of β= -.610 and P=.032, it shows that, when disclosure of IFRS financial reporting increases quality on financial reporting also increases. Therefore the hypothesis H5 is accepted.

For the research question to assess the components of quality financial reporting (i.e. timeliness, accountability, transparency, comparability, and disclosure) that could affect quality financial reporting in the process of adopting IFRS. It revealed that that there was a direct relationship between the variables (Accountability, comparability, timeliness, transparency and financial statement disclosure). This means that holding all other factors constant a unit increase in one of the independent variables resulted into a corresponding increase in the dependent variable (Quality of financial reporting).

1. Timeliness, Accountability and disclosure are those of independent variable that could affect the quality of financial reporting (dependent variable), the result indicate that all respondents could agree that on Timeliness, Accountability and disclosure of financial reporting and quality of financial reporting have positive relationship.

2. Comparability and transparency are also independent variables that could affect the quality of financial reporting in this study, the result showed that the respondents could not agree on, Comparability and transparency of financial reporting and quality of financial reporting have significant relationship.

In general, ensuring financial reporting quality depends on effective Institutional Control, having timeliness, accountability, transparency, comparability, & disclosure of financial information merely adopting IFRS is not enough. Each interested party, shareholders, independent auditors and accountants, training providers, regulators and standard setters will have to come together and work as a team for a smooth IFRS adoption in banking sector in Ethiopia.

Finally, all top Management of banks should ensure that the Financial Statements are prepared in compliance with the IFRS. Internal/External Auditors and Accountants should prepare and audit financial Statements in compliance with IFRS. Regulators and standard setters must implement efficient monitoring system of regulatory compliance of IFRS along with this the regulators should ensure that proper changes are to be made in existing laws for IFRS transition to smoothen adoption process. In order to ensure timely transition to IFRS the board has currently started to provide large number of trained Accountants and Auditors in IFRS. Why? An Ethiopia financial institution currently does not have the sufficient number of IFRS qualified professionals to prepare quality financial reporting for banking sector. Only enforcement mechanism will not help the adoption of IFRS with high quality but an external Advisor also required with all these systems in places, the IFRS adoption in banking sector in Ethiopia will become very smooth and accurate. “as per interview of NBE and AABE officials.”

5.2 CONCLUSION

Because of globalization, the world's financial markets are becoming borderless from time to time and as a result companies, regardless of their size, seek capital at the best price wherever it is available. Definitely international financial reporting standards are vital in developing and building detailed quality financial reports that fit in the entity's operations. The study found that Adoption of IFRS purports numerous benefits for Ethiopian banking industry including, improves the efficiency and effectiveness of financial reporting, provides reliable and comparable financial statements, makes external financing easier, provides greater reporting transparency and enables greater effectiveness of the internal audit. It also provides benefits for investors like providing better information for decision making, increase investors' confidence on financial reports and enhances transparency of companies' reports for investors. IFRS can minimize information asymmetry between employees and management and between the management and shareholders that it helps to reduce uncertainties and better risk management, provides better information for decision making by the institution's management and promotes cross border investment

This study investigated effect of adopting IFRS on the quality of financial reporting of banking sector in Ethiopia. The study specifically sought to investigate the effect of adopting IFRS on the financial reporting quality of commercial bank of Ethiopia at head office branch at Addis Ababa and to assess the adoption of IFRS and the financial reporting quality in commercial bank of Ethiopia head office branch. The study established that there was a direct relationship between the variables (Timeliness, Accountability, comparability, transparency and financial statement disclosure and the quality of financial reporting). In view of these findings the study concludes that the adoption of IFRS by commercial bank of Ethiopia at head office branch at Addis Ababa have a better quality financial reporting. For the research question to assess the components of quality financial reporting (i.e Timeliness, Accountability, comparability, transparency, and disclosure) that could affect quality financial reporting in the process of adopting IFRS.

1. Timeliness, Accountability and disclosure are those of independent variable that could affect the quality of financial reporting (dependent variable), the result indicate that all the respondents could agree on r Timeliness, Accountability and disclosure of financial reporting and quality of financial reporting have positive relationship.

2. Comparability and transparency are also independent variables that could affect the quality of financial reporting in this study, the result showed that the respondents could not agree on Comparability and transparency of financial reporting and quality of financial reporting have significant relationship. In view of these findings the study concludes that the adoption of IFRS by commercial bank of Ethiopia at head office branch have a better financial reporting quality.

5.3 Recommendation.

The researcher recommends that there is great problem in relation with the application, implementation and adoption of IFRS in quality of financial reporting in banking sector and financial institution in Ethiopia. This implies that the concerned regulatory bodies in the adoption of IFRS standard in Ethiopia such ABEE, NBE AND other concerned bodies should strictly follow the adoption, application and implementation of IFRS standards in Ethiopia. The board should also seriously follow and discharge their responsibilities given to them regarding the adoption and implementation of IFRS standard in Ethiopia though establishing a noble foundation for accountancy of professional in the country.

The board also should identify and determine the date of transformation to IFRS (i.e. the road map to IFRS) through active participation of all stakeholders.

There is also lack of IFRS knowledge, shortage of qualified professionals, management knowledge gap, absence of professional institutions, and academic institutions among various stakeholders in Ethiopia. Therefore the board should identify and develop its own IFRS continuous training plan for all those stakeholders in the country and addressing all the difficulties experienced while carrying out the adopting of IFRS with quality of financial reporting in financial institutions in Ethiopia.

The conclusions also disclose that there is a grave problem in relation to the detailed application and adoption of IFRS on the quality of financial reporting banking sector in Ethiopia.

This implies that the concerned regulatory bodies such as the NBE, AABE and others should strictly follow the application of all the standards. If these standards are adopted and not applied, they become valueless. To ensure a smooth switch from the existing inconsistent accounting Standards to IFRS, Continuous training to staff and addressing all the difficulties that would be experienced while carrying out the adoption of IFRS with quality financial reporting.

IFRS is principally meant to promote the interest of public interest entities and in particular to enhance their access to inexpensive funds from international capital markets through the presentation of transparent, comparable and accountable financial reporting attached in full disclosures and also public entities need to own the adoption process as well as work closely with professional bodies, so that they can positively impact the standard setting process.

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