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THE DETERMINANTS OF IFRS ADOPTION BY SMES

By
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KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI, GHANA

THE DETERMINANTS OF IFRS ADOPTION BY SMES

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DECLARATION

I hereby declare that this submission is my own work towards the award of MSc. Accounting and Finance and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgment has been made in the text.

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Certify by

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DEDICATION

Firstly, I dedicate this work to almighty God for his grace and strength he blessed me with to complete this.

To my parents, Mr. and Mrs. Dominic Akudago who has been a source of encouragement and inspiration to me throughout my life and time during taking up this master's programmer, a special thank you for the encouragements and advise.

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ABSTRACT

The world has become a global economy, and SMEs are also becoming increasingly global. This requires that their finances are presented in such a way that it reflects international standards. The study therefore, explored the available conditions which necessitate SMEs to adopt and apply the various IFRS in their business operations and their effectiveness. The study was cross-sectional and adopted a quantitative approach which involves the generation of data in quantitative form. The study population included the business owners, their accountants, Finance managers and auditors of SMEs. Specifically, the study focused on main stream SMEs and Auditing Firms. Using the purposive sampling technique, 57 SMEs were selected as a sample for the study. The data was analyzed with both descriptive and inferential analysis. Based on the research results, the adoption of IFRS was very beneficial in the SMEs sector. There was positive relationship between IFRS adoption and improvement in the SMEs sector such that 34.5% variation of improvement in the SMEs sector is explained with the adoption of IFRS. The implementation of IFRS is affected by several factors including ownership structure, profitability, perception of IFRS, requisite knowledge and skills, stakeholder pressure, pressure from competitors and pressure from regulatory bodies. These factors predict 75.4% variation of IFRS adoption was explained by these factors. There are however, challenges to the effective implementation of IFRS in the SMEs sector. The results indicate that the highest ranked challenge was the heterogeneous nature of work in the SMEs; followed by confliction of IFRS standards with certain accounting principles, non-commitment of management to IFRS implementation and time consuming nature of IFRS. Averagely, the level of IFRS adoption among the SMEs was high with arguments supporting the decision for certain assumptions and estimates; highlighting both the positive and negative events; providing information on corporate

governance; and presenting the report in a well-organized manner. It is recommended that regulatory bodies such as Bank of Ghana, and Security and Exchange Commission need to intensify the education of SMEs to the possible benefits and the need to implement IFRS. In this way, management would be more convincing to incorporate IFRS standards such as inclusion of non-financial information and provision of feedback to users on market events

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LIST OF ABBREVIATIONS/ACRONYMNS

ABBREVIATION	MEANING
IFRS	International Financial Reporting Standard
SME	Small and Medium Enterprises
ICAG	Institute of Chartered Accountants, Ghana
IASB	International Accounting Standards Board
GAA	Ghana Statistical Service
NBSSI	National Board for Small Scale Industries
MSE	Micro and Small Enterprises
GAAP	Generally Accepted Accounting Principles
IC	Intellectual Capital
MFI	Microfinance Institutions
FASB	Financial Accounting Standards Board
Nice	Nujmegen Centre for Economics
RII	Relative Importance Index
OS	Ownership Structure
NE	Number of Employees
PR	Profitability
PI	Perception of IFRS Adoption
RKS	Requisite Knowledge and Skill
PIFRS	Perception of IFRS
SP	Stakeholder Pressure
PC	Pressure from Competitors
PRB	Pressure from Regulatory Bodies
DRP	Difficulty in Report Preparation

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The market arena in Ghana is more difficult than ever, no doubt. Organizations need to carefully build their market strategies in today's complicated and changing world to achieve a competitive edge over the long term (Muturi, 2017). Therefore, there is the need for a decisive rule to strategically place the company to operate and comply with certain required market regulations and to apply or enforce financial standards within an organization. Market value is no longer dominated by a single performance metric through the growth of environmental consciousness and sustainability (Tunay, Tunay, & Akhisar, 2015). Therefore, Small and Medium-sized Enterprises (SMEs) in Ghana must have a business strategy that includes the practical application of these standards, which serves as a guide to maintain proper financial records and accountability's sake. The adoption of these standards is aimed to also improve the efficiency and profitability of the business.

Approximately 120 countries and reporting jurisdictions approve or mandated IFRS for domestic listed companies and, while approximately 90 countries have fully complied with IFRS as adopted by the IASB and provide a declaration in audit reports acknowledging such enforcement. IFRS are designed to bring consistency to accounting practices, statements and language which helps investors in analyses of the trends, identify opportunities and risk around the world and financial markets, and to take business decisions. IFRS Foundation intends to lay a roadmap to build transparency, efficiency and accountability to financial markets around the world. The concept of financial standards application to SMEs businesses continue to be a major driving force of organizational earnings and also a performance differentiator.

In Ghana, the IFRS for SMEs was announced officially in January 2012 (Bananuka, Tumwebaze, Musimenta, & Nuwagaba, 2019). Any organization describing or classifying SMEs as a standard in section 1 is expected to follow IFRSs for SMEs for financial reporting periods ending on or after 31 December 2013. There are typically a range of advantages available to small and medium-sized organizations when implementing the specified set of accounting standards. IFRSs for small and medium-sized businesses are prepared in a condensed format to make it easy to read, understand and apply to these organizations The IFRS for SMEs provides users of accounts with enhanced comparability (Ajekwe & Ibiamke, 2020). It is easier to compare financial statements of entities that are prepared in various jurisdictions. By doing so, more cross-border trade and merger and acquisition operations are promoted. The adoption and application of the IFRS also improves the overall trust of SMEs in their accounts. In their reporting procedures, it is necessary for SMEs to follow IFRS because the use of a popular global financial reporting standard improves comparability between companies, thus increasing the efficiency of business across borders.

According to Agostino, Drago, and Silipo (2011), the adoption leads to a reduction in the cost of regulatory enforcement for small and medium-sized businesses and also decreases audit costs. Small and medium-sized companies that embrace the new standard will also have more time, money and energy to concentrate on their business processes, increase trust in their financial statements, increase investor confidence in their processes and stabilize their growth activities, and this will lead to boosting the company's production activity.

1.2 Statement of the Problem

In Ghana, SMEs contribute immensely to the economic activities and the overall total development of the economy. This is attributed to the fact that SMEs create employment avenues for the unemployed. SMEs are also expected to pay tax to the government to serve as additional revenue for developmental projects. It is therefore important for these entities to keep proper records and follow required standards and regulations to produce finance reports which reflect their true operations and to pay tax in the right manner. Evidence has shown over time that half of these will live in the first five years after start (Quayes & Hasan, 2014). This is mostly due to the fact that they do not adhere to the standards which would protect them and ensure their records are straight. IFRS for SMEs serves as an important element which serves as a mechanism to attract investors, competitiveness and having access to financial assistance.

This study looks at the factors that contribute to the well adoption of IFRS and application as well challenges. The study, however, lamented on the lack of research in this area which is very important considering the role of SMEs and their contribution to the economic development in the country, and the percentage of SME activities in the country hence necessitating an investigation into the problem. For instance, Bananuka et al (2019) examined IFRS adoption in the microfinance sector; Owolabi and Iyoha (2012) looked at the challenges and benefits of IFRS adoption in Africa; Edeigba (2013) examined the challenges of adopting IFRS in the banking sector; and Oladeji and Agbesanya (2019) investigated the challenges for implementing IFRS among listed companies. All these studies even though centred on IFRS, the studies neglected the SMEs sector. Also, the core aspect of this study which centered on the determinants of IFRS is missing in most studies. This study in an attempt to fill this research gap examine the various conditions necessary for SMEs to adopt to use IFRS in their reporting procedures.

1.3 Objective of the Study

This study seeks to explore the available conditions which necessitate SMEs to adopt and apply the various IFRS in their business operations, and its effectiveness.

1.3.1 Specific Objectives

The specific objectives seek:

1. To outline the level of IFRS adoption among SMEs
2. To determine conditions necessary for SMEs to adopt IFRS.
3. To determine the benefits available to SMEs when they adopt and apply the standards in their accounting operations.
4. To investigate the possible implementation issues of IFRS for SMEs in their accounting operations

1.4 Research Questions

The study, therefore, answers the following research questions.

1. What is the level of IFRS adoption among SMEs?
2. What are the determinants of SMEs adoption of IFRS?
3. What are the benefits available to SMEs when they adopt and apply the standards in their accounting operations?
4. What are the possible implementation issues of IFRS for SMEs?

1.5 Significance of the Study

The study is significant regarding its contribution towards understanding the critical role the standards play in the preparation and presentation of financial reports of businesses in Ghana. Proper adoption and application of the standards would assist users of the financial reports to be able to interpret it, compare and make investment decisions among others. It would also assist management of SMEs to be able to justify the allocation of resources on the. It would also unveil the impact and challenges SMEs face in adopting the IFRS in their reporting, thereby, determining factors they consider in adopting the standards in their operations.

The benefits of adopting IFRS procedures in SMEs financial reporting would not be left out on policymakers as it would be useful to the accounting professional body in Ghana, that if ICAG who has the desire to grow, develop and maintain sanity in the financial reporting format and presentation in Ghana and to reduce the level of misconceptions and non-uniformity with regards to financial reporting in the country. The findings and recommendation of this study would bring to light the areas of support that international accounting professional body should pay attention to towards and consider when setting or publishing standards, as SMEs have limitations and certain determinants that motivates them to adopt and practice them. In addition, the study will also have an important role to play in further engineering research into other aspects of the subject under consideration or other relevant issues in the small business field. This will offer different solutions to some of the small business sector's issues.

The advantage of knowledge sharing among researchers is another reason for the need for this research. The information presented in the study will therefore be useful for researchers who may wish to perform more research in the field of SME financial reporting. This research aims to reinforce the frontiers knowledge by incorporating established literature on SME financial obligations and their reporting types to the current literature. The study will take place among indigenous small scale business in Ghana. The study will assess the various determinants or factors that contribute to SMEs adopting and applying the IFRS in their reporting and operations. The study will first examine the various methods SMEs already use, and proceed to determine the factors they consider before adopting to use the internationally approved standards. The study will look at the financial innovation in two perspectives: business practice and industry requirement. These variables constitute the independent variables for the study.

1.7 Scope of the Study

The study seeks to explore the available conditions which necessitate SMEs to adopt and apply the various IFRS in their business operations, and its effectiveness. Individually, it will examine the level of IFRS adoption among SMEs, investigate the determinants of SMEs adoption of IFRS, determine the benefits available to SMEs when they adopt and apply the standards in their accounting operations. Besides, the study investigates the possible implementation issues of IFRS for SMEs in the rules in their accounting operations in Ghana at the firm level.

1.8 Limitations of the Study

This study has cover concerns of SMEs within Ghana. This is because of the limited financial resources available for the study. Moreover, it is anticipated that respondents would withhold certain information they consider trade secret and confidential for fear of their competitors gaining such information and using it against them. Again, this research is carried out within a limited time frame such that the study was carried out on a limited number of SMEs in selected regions The research is also restricted to the institutions selected for the study; therefore, it should be done with caution to generalize these results to other institutions as there may be environmental variations between the selected institutions and other institutions in the world. The research instrument used for the study is another disadvantage of the study. The study is to adopt a questionnaire that is subject to personal biases. However, the researcher will try his possible best to convince the respondents to be objective as possible since the responses they provide will in no way be used against them.

Alternatively, it is believed that the determinants for the adoption of IFRS by SMEs in the sample for the study is not different for other SMEs that were not covered.

1.9 Organisation of the Study

Five chapters will cover the analysis. Chapter one will include the introduction of the study context, the problem statement, the study goals, research questions, the importance of the study, a description of the methods, the nature of the study, the research limitations and the organization of the study. In order to help the investigation, Chapter two is a literature review, which will cover an elaborate review of available relevant literature based on written content. An introduction, research design, type of strategy, population of the study, sample and sampling process, types of data collection, and study variable will be included in Section three, which would focus on the methodology of the study. Chapter four will cover the findings, debates, and interpretation of the data and questionnaires collected. A review of the results, conclusions, and recommendations on the analysis will be included in section five.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter examines the scholarly context by reviewing the main contributions made by researchers with regards to IFRS and SMEs. The review is categorized into three sections; the conceptual analysis, the theoretical discussion, and the empirical. The first section focuses on theories that are used to underpin the research. The conceptual analysis looks at the concepts underlining IFRS, and its adoption by SMEs. It also covers concepts and literature about the objectives of the study and a conceptual framework designed to guide the study. The third section reviews various empirical research and the findings of the study.

2.1 Conceptual Literature

2.1.1 Definition and Concepts of IFRS

International Financial Reporting Standards (IFRS) are the global body of prescriptive rules and guidelines that provide guidance and guidance on how companies in a globalized world should achieve the goal of proper record keeping, accountability, accuracy, comparability and public trust in financial reporting (European Committee for Standardization, 2010). They are a series of international accounting principles detailing whether to record different types of transactions and other activities in the financial statements (Yurisandi & Puspitasari, 2015). IFRSs are issued by the International Accounting Standard Board and they define exactly how accountants can manage and disclose their accounts. IFRS was designed to provide a common language such that the market and declaration can be understood from company to company and from country to country Consequently, the organization's inability to enforce the IFRS requirements would result in inconsistencies, lack of transparency and disclosure, manipulation of financial data, weak standards of financial reporting, and the dissemination to any particular consumer group of accounting information that is of less importance. This is because there will be no objectivity, accountability, honesty and comparability in the preparation and presentation of financial statements, resulting in misleading market practices that result in market loss and damage in the national economy (Gina, Adeghe, & Kingsley, 2016).

The increasing internationalization of the standardization of accounting laws, among other items, has helped to minimize deep judgmental intuition and discretion, which has dramatically reduced the external auditor's job (Alawiye & Ibukun-Falay, 2018). It also requires a large degree of continuity in the execution of accounting policies, which has helped to improve the worldwide comparability of financial reports (Kimrong, 2019). The standard-setting process has helped to create a high degree of study and discourse among the profession's practitioners, and this has awakened the profession from its slumber. The IFRS was built for publicly traded companies and not for the needs of owner-managed companies. The IFRS standards are the standards of the International Accounting Standards Board (IASB). This has limited the application to small and medium-sized businesses of the international standard for financial reporting (Abdulrazak, 2013). The purpose of international standards for financial reporting is to provide information to external customers rather than to the owners of the organization. The non-recognition of SMEs by the International Accounting Standards Board in the establishment of the IFRS (Agostino, Drago, & Silipo, 2011) was the most common explanation behind the non-application of international financial reporting standards. This has limited the applicability to SMEs worldwide of these specifications However, the IASB recognized the need to include small and medium-sized enterprises in the IFRS by developing IFRSs suitable for SMEs (Ajekwe & Ibiamke, 2020). Small and medium-sized enterprises have also had to be better provided for by administrative bodies such as the tax code. One of the most prevalent problems facing small and medium businesses has been the regulatory climate. This has led to the pressure from small and medium-sized companies to meet accounting standards (Abdulrazak, 2013).

2.1.2 Overview of SMEs in Ghana

A working definition of what type of business can be labeled as SMEs has been tried by several researchers (Kayanula & Quartey, 2000). A literature review on the meaning of small and medium-sized enterprises (SMEs) is based on different variables, such as the number of working employees, the annual turnover rate and the fixed asset value. However, the common standard used in various countries is the number of employees, although this definition varies between nations, with divergent views on the exact number of employees and the cut-off point (Gariba, 2015).

As Yuhua and Bayhaqi (2013) noted, the choice of definition of SMEs depends on a variety of factors, including corporate culture, the size of the country's population, industry, and the degree of global economic integration, or even less so, on personal reasons, such as corporate lobbying for a particular term that would qualify their businesses for a government support program. The study cites the lack of data on small and medium-sized enterprises (SMEs) as an important challenge, as many small and medium-sized enterprises, especially in developing countries, operate in the informal sector.

In Ghana, different meanings of SMEs have been provided by several bodies. SMEs have been defined using a variety of criteria by the Ghana Statistical Service (GSS) and the National Board for Small Scale Industries (NBSSI) (Ackah & Vuvor, 2011). In addition to its definition of Micro and Small Enterprises (MSEs), in order to identify SMEs, the NBSSI adopts the workforce intensity and the fixed asset value of companies. The NBSSI classifies micro-enterprises with the strength of employees as companies that hire up to 5 people, except land or buildings with fixed assets not exceeding $10,000. Small businesses are also known as companies employing 6 to 29, excluding land and buildings with fixed assets of not more than $100,000. Therefore, SMEs are firms with a staff strength of 29 or less. Blossom, Neelufer, and Amri (2014) empirical research, focused on a field survey of 133 businesses, classify SMEs into four groups. The first is micro-enterprises with less than six workers; the second is small companies with 6 and 9 workers; the third is small firms with 10 and 29 employees; and the fourth is medium-sized companies with 30 and 140 employees. In short, the number and value of fixed assets are the two basic parameters used in Ghana to identify SMEs. Due to the existence of its company, the definition is lower than in advanced countries based on the number of employees employed in most developed countries.

2.1.3 Overview of IFRS Regime in Ghana

In 2001, for companies not subject to SMEs, the IASB was approved to create internationally appropriate accounting standards (Procházka, 2017). The project consisted of the development of an IFRS explicitly designed to meet the financial reporting needs of entities that do not have public oversight and publish general financial statements for external consumers, such as owners not interested in business administration, current and prospective creditors, and credit rating agencies (Uwuigbe, Emeni, Uwuigbe, & Maryjane, 2016). The IFRS Exposure Draft for SMEs was published in 2007It was extracted from complete IFRSs with necessary modifications based on the needs and cost-benefit considerations of users of financial statements of SMEs (Hou, Jin, & Wang, 2014). The IASB performed several field tests to determine the relevance of the accounting standard in different countries in the creation of the IFRS for SMEs, which included the re-establishment of a sample of SME financial statements by the IFRS for SME criteria (Georgescu, Toma, & Afrăsinei, 2015).

The IFRS for small to medium-sized enterprises is an approximately 230-page manual targeted at narrower capability requirements. Small and medium-sized business IFRSs are different from full IFRSs, so every authority would follow whether or not full IFRSs have been implemented (Dvořák & Vašek, 2015). It is also up to the right authority to decide which organizations can use the standard. It is built on a foundation for IFRS. Several full IFRS principles for the identification and calculation of properties, liabilities, income and expenditure have been simplified, topics not applicable to SMEs have been removed, certain accounting policy alternatives are not permitted in full IFRSs because SMEs have access to a more simplified approach and the number of disclosures has been substantially reduced

Compared to the full IFRS for listed firms, the IFRS for small and medium-sized enterprises (SMEs) is targeted at approximately 90 percent of companies in Ghana. Despite this reality, with around 50 workers, the IASB approach focuses on the standard SME (Hoshino, 2017). It is a quantified size test that identifies small and medium-sized businesses, but instead helps to assess the form of transactions, events and circumstances that should be specifically discussed in the

SME IFRS. Problems could arise because the IFRS for small and medium-sized enterprises could not be sufficient for all types of entities within the spectrum of small and medium-sized enterprises, particularly micro-entities. Typically, this form of body prepares financial statements, particularly for tax purposes. Tax authorities are also regarded as essential consumers of the financial statements of SMEs (Jilani & Nfissa, 2019).

Despite this fact, accounting standards in various countries are not intended to meet the reporting needs of tax authorities (Uwuigbe et al., 2016). The primary explanation for this is the diverse tax jurisdictions worldwide. Other regular users of small business financial reports, in addition to tax authorities, include owner-managers and finance providers (Fianu, 2016). The research concludes that the IASB has not determined the information needs of external users of the financial statements of small and medium-sized enterprises (SMEs) and the type of information that external users need from SMEs.

2.1.4 Benefits of IFRS Adoption by SME

2.1.4.1 Ability to Obtain Funds

Globalization has led to several distinct shifts in market behavior by market companies in the international business world (Hassan, 2015). The need for sound accounting systems to harmonize the accounting needs of private enterprises in global trade has contributed to the establishment of IFRS standards for SMEs. The adoption of correct accounting standards and principles by small and medium businesses, for example, improves their ability to raise funds from lending institutions. The lack of funds has been one of the main constraints for small and medium-sized enterprises' growth and development (Masoud, 2017). Therefore, the implementation of IFRS for small and medium-sized enterprises increases the capacity of these organizations to receive funds for their enterprises. In ensuring comparability in the preparation and presentation of financial statements, the implementation of international financial reporting requirements for small and medium-sized enterprises has also been important (Păşcan, 2015). This has contributed to the convergence of principles used for small and medium business accounting purposes.

2.1.4.2 Engagement in International Trade

According to Masoud (2017), the integration and harmonization of accounting standards and values has resulted in an increased presence of SMEs in global trade. The increased adoption of IFRS for small and medium-sized enterprises has led to increased awareness among entrepreneurs with a view to emerging corporations. The majority of entrepreneurs maintain cultural perceptions and attitudes towards the IFRS, as the IFRS is unnecessarily complex for most businesses (Păşcan, 2015). The high cost entails high costs for entrepreneurs in terms of subscription fees and other conditions (Abdulrazak, 2013). In addition, for the purposes of accounting in the company, companies may have to recruit newly trained employees. Various fiscal strategies are often employed by various nations, which influence how revenues are described. Different accounting schemes also require excessive distributions of expenses related to the needs and profits of 29 SMEs engaged in double accounting. In consideration of receipts and costs across the globe, the introduction of the IFRS for small and medium enterprises would lead to equality and uniformity (M. Ajekwe & Ibiamke, 2020).

Moreover, the public is entitled to have faith that the same high-quality requirements have been implemented, regardless of where a business operation occurs. It is recognized that if they can rely on financial information based on a common set of criteria, investors would be able to diversify their assets across borders (Clarkson, Hanna, Richardson, & Thompson, 2011). Therefore, adherence to international standards will potentially contribute to more substantial economic development. In addition, it may help to restrict managerial independence by improving the ability of external investors to track managers (Hou et al., 2014).

The adoption would enhance the comparability of financial information for small and medium-sized enterprises (SMEs) at both national and international levels, promote the execution of expected cross-border acquisitions, and initiate potential alliances or collaboration agreements with foreign entities (Georgescu et al., 2015). The point is that country-wide uniform accounting principles increase rapid comparability and this, in turn, enhances capital flows. It will assist SMEs in hitting the foreign markets. It can have a positive impact on business credit rating ratings, and this can reinforce the relationship of SMEs with credit institutions, as well as boost the financial health of SMEs.

2.1.4.3 Improved Transparency

Another resulting consequence is that the adoption and application of international standards would also lead to increased transparency and financial reporting of higher quality, effectively improving the knowledge environment (Clarkson et al., 2011). Companies can benefit from an improvement in a safe knowledge environment by reducing adverse selection costs and estimation risks, thereby leading to a lower capital cost (Hou et al., 2014). Technical bodies have found that a shift in the position of accountants in companies would result from the implementation of these principles. But the growth of the economic climate should also support this general perception of changes in reporting and the accounting profession.

2.1.4.4 Increase in SMEs' Knowledge in Accounting

There have been increased concerns about the need to build sound accounting systems in SMEs to enhance financial management by organizations, according to numerous studies (Cascino & Gassen, 2010; Hassan, 2015). The adoption of IFRS for small and medium-sized companies has a significant effect on the accounting and financial management skills of the managers and owners of the companies. This has been due to the continuing practice of the right accounting procedures and principles. Entrepreneurs must be representatives of the regulatory bodies working in their respective countries in compliance with the IFRS (Abdulrazak, 2013). To promote the understanding of the different accounting standards and procedures, these regulatory bodies conduct training and educational programs for entrepreneurs. This enhances the accounting knowledge of entrepreneurs to allow them to have their financial management skills. This encourages the adoption by small and medium businesses of the right accounting standards and policies. Because of a lack of knowledge, many small and medium-scale companies in different countries do not maintain full accounting records. In addition, when assessing the financial performance of these organizations, the majority of entrepreneurs abuse accounting data (Kimrong, 2019). In evaluating the various factors affecting companies, regulatory authorities in different countries use financial statements.

The distinction between accounting and taxes will also be another perceived advantage (Gina et al., 2016). The adoption of IFRSs for small and medium-sized enterprises (SMEs) may be a way of getting financial and management accounting into convergence. This may gain from accounting's stewardship target. These advantages are commonly related to the worldwide application, but research indicates that another advantage (or effect) that appears to be unique to emerging economies is the shift in accounting culture, accountant mindset, and business climate.

2.1.4.5 Aids Active Tax Payments

In deciding the amount of tax to be paid by the undertaking, the taxing authorities use the financial statements prepared. Introduced by small and medium-sized firms, IFRS promotes the use of appropriate accounting standards and concepts and the maintenance of appropriate account books (Fianu, 2016). The adoption of IFRS by small and medium-sized companies would further boost compliance with these regulatory authorities. One of the major obstacles for the growth of small and medium production has been the regulatory climate (Abdulrazak, 2013). Compliance with the IFRSs of small and medium-sized enterprises would therefore enable the enterprise to function effectively. Appropriate financial statements need to be compiled using different accounting principles and theories.

2.1.5 IFRS Implementation Challenges

2.1.5.1 Heterogeneous Nature of SMEs

The heterogeneous existence of SMEs is one challenge in implementing the IFRS for SMEs. Fianu (2016) concluded that the key issue emerged from the fact that the definition of SME encompasses a wide range of types of enterprises, regardless of the dimension, category or existence of the organizations, or the knowledge needs of their users.

2.1.5.2 Tax Issues

Financial reporting is related to taxation in many countries, which is inconsistent with the theory of the IASB and raises problems with accurate implementation of IFRSs, especially for SME IFRSs (M. Ajekwe & Ibiamke, 2020). Breaking the traditional bond between the financial statements and the sales tax return would mean using IFRS for SMEs (Abdulrazak, 2013). Agostino et al. (2011) discovered that the key consumers of SME financial statements are tax authorities. In their view, the contents and form of the financial statements of SMEs are influenced not by accounting regulators, but by the disclosure requirements of the tax authorities.

2.1.5.3 Institutional Issues

When IFRSs are implemented in a given jurisdiction, they are part of the country's pre-existing legislation and regulations on the governance of business entities. Rules and regulations sometimes overlap or become inconsistent with each other, particularly when there is no clear understanding of the roles and responsibilities of various organizations and coordination mechanisms are not in place (Gina et al., 2016). In the application of standards, the lack of statutory consistency is a source of significant misunderstandings and inefficiency.

Most of the financial reporting laws and regulations were introduced some decades before the implementation of SME IFRS / IFRS (Sadri, 2019). The Companies Act of Ghana, for example, was enacted into law in 1963. These laws remain in effect without changes to accept the application of IFRS in the respective countries. As a result, the requisite legal backing is missing for the IFRS. For instance, for financial statements, some company laws require particular formats. Such standards also contradict those of universal standards (Amanamah, 2017). It is predicted that such a condition would hinder the smooth implementation of the IFRS for SMEs. Rudzani and Manda (2016) noted that accounting and auditing activities suffer from systemic shortcomings in 'policy, compliance and enforcement' of standards and regulations in most African countries, and also that some companies' audit committees have been implicated in contributing to corporate scandals by not effectively fulfilling their functions (Edeigba, 2013)

2.1.5.4 Technical Issues

Appropriate technical capacity among the preparers, auditors, users, and regulatory authorities is necessary for the functional implementation of IFRS for SMEs. Depending on the approach they take, countries that adopt the IFRS for SMEs face a number of capacity-related issues. The lack of accountants and auditors who are technically skilled in implementing IFRS for SMEs (Ahmad, Ahmad, & Ajmal, 2019) is one of the key difficulties faced in the realistic implementation process. The time between the decision to implement the standards and the actual implementation date is generally not long enough to train a sufficient number of practitioners who can apply international standards competently.

The restricted availability and accessible standard of teaching materials and experts on the laws is a related technical challenge (Jain, 2014). The difficulties in addressing the rapid speed of the IASB and the quantity of changes to existing IFRSs and IFRSs for SMEs and SMEs are another technical challenge that occurs after the completion of the initial implementation process. Compliance with existing specifications (Faraj & El-Firjani, 2014). Repeated changes to the rules put a burden on the technological ability available, which is still inadequate in many situations. Auditors also face such technical problems as the reliability of the fair value calculations found in the financial statements needs to be assessed.

2.1.5.5 Environmental Issues

The attempts to achieve accounting harmonization worldwide are directly opposed to environmental discrepancies and the idiosyncrasies of countries (Samujh & Devi, 2015). Each accounting system is a product of its cultural uniqueness, political and economic history, and is integrated into its own beliefs. The dynamic existence of IFRSs and IFRSs for SMEs, the different reporting laws, and the tax orientation of many national accounting systems are important obstacles to the successful integration of accounting principles that need to be taken care of (Weaver & Woods, 2015).

2.1.5.6 Managerial Attitude and Adoption of IFRSs

De Villiers et al. (2017) describes the role of management as one of the determinants of the adoption of IFRS. In terms of a realistic approach and moral propriety, Bhattacharyya (2014) describes the administrative region. To and Ngai (2007) noted that in promoting the implementation of IFRS, executive roles play an important role. Oladeji and Agbesanya (2019) also argued that the adoption of new technology among subordinates is crucial for decisive control, but they quickly added that certain aides might not be affected by managerial effects. In addition, Bananuka et al. (2018) found that in the adoption of IFRS, managerial attitude is significant. In his comparative research on India and Australia, Bhattacharyya (2014) found that the decisions of managers on IFRS adoption were positive in terms of administrative roles towards sustainability reporting, suggesting that managers passed resolutions supporting the adoption of IFRS. In line with the above observations, people's attitudes are key to the adoption of IFRSs.

2.2 Theoretical Literature

In this article, there are two theoretical mechanisms used to describe the impact of IFRS adoption. Agency theory and signaling theory are these.

2.2.1 Agency Theory

The theory of the agency sides with businessmen and women and all those who are involved in the firm, such as managers, banks, lenders, family members, clients, and workers. The theory suggests that the regular administration of management business centers that serve as agents employed by the company's principals as managers are also known as shareholders (Smith, 2011). As stated in the report by Panda and Leepsa (2017), the adoption of IFRS as a way to address the problems of the agency may emphasize the bearing of these difficulties in companies. A feature of any organization is the management ownership division in which executives who are agents exert significant control over the day-to-day affairs of the company while ownership remains in the hands of the chief executives of the company, who may also be shareholders. Conflicts of interest resulting from the presence of separate assets from managers are bound to arise where managers may conduct actions to the detriment of the owners in order to pay their attention (Landstrom, 1993). As a result of the conflict of interest between owners and managers, it may affect management’s financial and valuation decision-making.

It would suggest that the agency theory considers the business as an organizational form seeking to minimize agency disputes and costs involved by implementing IFRSs (Owolabi & Iyoha, 2012). The distribution of high-quality accounting and financial information is widely used by organizations to minimize agency expenses, based on agency theory. Lawrence and Rebecca (2017) suggested that investors are recognized as privileged commercial consumers by the IFRS conceptual system. Instead of the responses of investors, we concentrate on the use of accounting information by analysts, namely the predictions of financial analysts.

2.2.2 Signaling Theory

The theory of signaling explains, in essence, that the presence of information asymmetry in the capital markets alleviates problems (Karasek & Bryant, 2012). In order to reduce this asymmetry of information, businesses should use signals to decrease the asymmetry of information between businesses and their investors. To provide investors with more detail, these signals are sent out (Gambetta, 2008). In such a situation, some businesses prefer not to adopt and submit IFRS, they need to explain their intentions and reason for them (Celani & Singh, 2011), which would enable them to prepare and present more open financial reports and reduce the asymmetry of knowledge between informed and uninformed investors (Connelly, Certo, Ireland, & Reutzel, 2011). The adoption and enforcement of IFRS may therefore be regarded as a positive signal to stakeholders as data disclosed under international standards is of high quality and enhances the earnings estimates of analysts (Giones & Miralles, 2015). The theory of signaling suggests that one party attempts to credibly transmit information about itself to a second party in circumstances of asymmetric information distribution (Hampshire, Hamill, Mariwah, Mwanga, & Amoako-Sakyi, 2017). Integrative reporting may be viewed as asymmetric information because it is difficult to obtain credible information on these aspects, for example, for parties outside the organization. By implementing IFRS to ensure credibility, businesses might want to reduce this asymmetry of knowledge. However, the possible impact of such signaling efforts is significantly influenced by whether or not the addressee perceives the information provided as plausible and accurate. In summary, greater visibility (and media coverage) to a large number of (potentially strong) stakeholders could affect the need of a business to aggressively protect its reputation by signaling sustainability efforts in many reports (Morris, 1987).

2.3 Empirical Literature

Edirin and Okoro (2016) discovered, among other things, that IFRS adoption dramatically and positively affected the financial position of the sample banks in Nigeria and urged compliance with the provision of IFRS and continuous training and retraining of bankers as a matter of urgency, on the impact of IFRS on the financial statements of banks in Nigeria and looking at before and after IFRS adoption.

The influence of IFRS on the financial statements of Nigerian banks was investigated by Yahaya, Fagbemi, and Oyeniyi (2015) and the move to new standards was relatively disruptive for users of financial statements. Comparability and trend analysis were hampered as the variations in the financial statement between the IFRS and the local General Agreed Accounting Principles (GAAP) figure contributed to variations in the financial ratios measured under the two regimes. The finding showed that the adoption of IFRS had a substantial impact on banks' financial statements in Nigeria. It was suggested that when comparing pre and post-adoption of IFRS, attention should be paid to trend analysis.

Fashina and Adegbite (2014) thought that by completely implementing the IFRS in a phased transition with effect from 2013, the implementation of IFRS in Nigeria will be in the interest of the Nigerian economy for reporting entities in Nigeria on the internationally recognized, high-quality accounting standard. The central bank of Nigeria and the Securities and Exchange Commission also approved this compliance date. As of January 2014, IFRS for SMEs will be mandatory.

By focusing on three perspectives: earnings management, timely loss detection, and value significance, Chua, Cheong, and Gould (2012) analyze the IFRS effect on accounting efficiency. For a broad range of accounting-based metrics and market-based knowledge, using four years of implementation experience since the mandate was first made effective in Australia. The study finds that better accounting efficiency than previously under Australian GAAP has resulted from the mandatory implementation of IFRS. The study shows that through smoothing, the pervasiveness of earnings management has decreased, although post-adoption has increased the timeliness of loss identification. In addition, the study finds that, especially for non-financial companies, the value relevance of financial statement information has improved.

Okpala (2012) discusses the effects of IFRS adoption on foreign direct investment in the economy of Nigeria. The research population consists of companies listed on the (Preparers) and Market Analysts (Users) Nigeria Stock Exchange. Primary data were used to obtain responses with 123 using a stratified random sampling method, representing 30 percent of the total Nigerian stock exchange population of quoted companies between 2002 and 2011.

Administering standardized questionnaires. The results of the study show that IFRS was introduced in Nigeria, but only a fraction of the companies enforced it with a deadline to comply with the others. Based on the findings of the study, it was concluded that the adoption of IFRS is a positive move in the right direction and that a more accurate, consistent and better presentation of financial statements should be generated by companies in Nigeria. It would increase investor trust, promote cross-border financial transactions, and accelerate the economic growth of the country. In Kenya, where the capital market is free, and regulation of IFRS is weak.

Bova and Pereira (2012) examine the economic determinants and implications of IFRS compliance. In a developed world where regulation is poor, the study investigates why firms comply with IFRS and whether firms benefit from IFRS compliance in a developing country, Kenya. Use of quantitative methods to collect secondary data relating to financial reporting on companies listed on the Nairobi Stock Exchange between 1995 and 2004 in Kenya, such as sales, profits, balance sheet and cash flow data. The study found that there seems to be a higher degree of IFRS compliance for public companies than for private companies in Kenya. The study helps to provide preliminary evidence that reporting incentives play an important role in compliance with IFRS and the economic value of compliance with IFRS in a developing world where compliance is poor. The study reported that Kenyan public corporations do not comply with the Companies Act as well as private companies and that mutual turnover is positively related to the degree of compliance with IFRS, but is negatively linked to foreign ownership and the percentage of the holding of the largest foreign shareholder of a company.

The contribution of the board of directors' effectiveness, intellectual capital (IC), and management attitude to the adoption of International Financial Reporting Standards (IFRSs) in microfinance institutions (MFIs) was studied by Bananuka, Tumwebaze, Musimenta, and Nuwagaba (2019). The research is intersectional and correlational. The data was collected from a sample of 67 MFIs belonging to the Association of Microfinance Institutions of Uganda. The data was analyzed using a social science statistical kit. Both the success of the Board of Directors and the IC contribute positively and substantially to the adoption of IFRSs. Managerial attitude is positively and substantially related to the adoption of IFRSs, but IC subsumes its explanatory capacity.

2.3.1 Determinants of IFRS Adoption by SMEs

2.3.1.1 Organizational Factors

The ownership process is among the organizational variables. The level of ownership concentration affects the expectations of the company for the disclosure of details (Velte & Stawinoga, 2016). As the degree of concentration rises, businesses' propensity to provide more data decreases. In addition, these companies are more risk-averse in revealing extensively to outsiders about the operation of a company due to the risk of losing the competitive advantage by revealing the proper details on the rent-seeking activities of the companies (Vaz, Fernandez-Feijoo, & Ruiz, 2016). In summary, businesses with less ownership concentration are predicted to be more likely to publish consolidated reports. It can be predicted that larger owners (such as block holders and institutional holders) will have greater management monitoring and will aim for less data asymmetry.

The size of the SMEs is another aspect. In applying the theory of agencies, it can be shown that there is a greater need for external funds with increasing company size and thus an increased risk of conflicts of interest between shareholders, creditors, and managers (Melloni, Caglio, & Perego, 2017). As a result, agency expenditures are rising. As a way to reduce these costs, IFRS can be hired. It will be planned as a measure to reduce the asymmetry of knowledge, enabling the business to gain more competitive access to capital markets. The costs of preparing and publishing knowledge are likely to be independent of business size in terms of cost-benefit analysis (Durak, 2013). However, the possible benefits are higher for larger organizations, as, among other factors, there is a clear connection between agency costs and the benefits of implementing IFRS. In view of these claims, most previous studies have concluded that the scale of SMEs has a positive effect on the amount of disclosed financial and non-financial data (Frias-Aceituno, Rodríguez-Ariza, & Garcia-Sánchez, 2015).

Kurniawan and Wahyuni (2018) found that a large-scale business could have sufficient resources in the annual report of the company to reduce the cost of knowledge processing, and then this process would increase IFRS adoption. In research, it is widely supported that the propensity to reveal information often increases as the business size increases (Frias-Aceituno et al., 2013). Some studies have restricted this relationship to firms above a certain amount of company size, while some studies have found no relationship at all (Durak, 2013).

Larger organizations are more available, and specific information may be more likely to be published. To facilitate the anticipated positive relationship of sharing precise information and firm size, precise explanations were given. The political cost model shows that larger businesses are more likely to boost their corporate reputation and public image as they become more open to the general public. Larger businesses are also encouraged to pursue more voluntary disclosure activities to produce or sustain high demand for their shares, including the IR. The empirical evidence for the different studies suggests that information is more likely to be revealed by larger organizations because they face higher agency costs and greater information asymmetry issues (Frias-Aceituno et al., 2015. In addition, they are more politically noticeable, and the influence of ownership costs is more significant. However, the findings are not so convincing when taking into account the impact of other variables important to the assumptions made under these theories. Profitability and organizational development have also been shown to be a determinant factor in the adoption of IFRS. Managers of successful firms use external knowledge for personal benefits, such as maintaining the continuity of their job and increasing their level of remuneration, according to agency theory (Frias-Aceituno et al., 2015). Profitability may be viewed as a measure of investment quality from the point of view of the signaling theory; there is a greater motivation to reveal information when high returns are achieved, thus reducing the risk of attracting adverse market opinions. In order to differentiate themselves from less effective businesses, to raise capital at the lowest possible cost and to avoid a decline in their share price, profitable firms will publish details. In the other hand, corporations will, according to the principle of political costs, willingly reveal details when high returns are generated to justify their income. (Durak 2013) stated, on the other hand, that the amount of information voluntarily released by multinational companies listed on the New York Stock Exchange and by listed companies in Hong Kong, respectively, had a positive impact on profitability. Higgins (2014) also found that the strategic knowledge disclosed by businesses is more valuable for decisions made regarding less profitable businesses or those with financial problems. We checked the following hypothesis, taking into account the above claims and the findings obtained in previous studies.

2.3.1.2 Individual Factors

The value significance and therefore decision-making utility of corporate information in general and non-financial information in particular to finance providers and, in particular, equity investors are of primary importance to this study. In their thorough analysis of the literature on the usage of corporate information by capital market users, Cascino et al. (2013) found that capital providers are widely diverse in their use of information. Although annual report information is used by fund managers and selling-side analysts, this is mainly financially focused to forecast potential cash flows and valuation modeling (Kwon, Welsh, & Young, 2018In their analysis of the related literature, Zhou et al. (2013) conclude that disclosures help to improve the perception of business prospects by investors. Report on analyst research by Slack and Campbell (2016), highlighting the confirmatory importance of historical information, for example, on business strategy, business model, and forward-looking information. Bernardi and Stark (2016) illustrate a strong link in their analysis between the increase and enhancement of the quality of knowledge released by businesses and the increased coverage of financial analysts. The challenge is for reporters to prove that including content that directly relates to the valuation of a business will make such reporting valuable to the stock market and other financial users for decision-making.

2.3.1.3 Social Factors

A social factor is an institution's burden. Another factor influencing the quantity of voluntary information released in the industry in which the business operates is that companies operating in the same industry are expected to follow similar patterns of conduct with regard to information disclosures, particularly in the case of IT or chemical industries (Frias-Aceituno et al., 2013). According to institutional theory, companies are economic units that function in environments that are created by a nexus of institutions that influence and enforce expectations on their actions (Velte & Stawinoga, 2016). The social structure of this institutional system defines the rules of the game in a society or, more generally, the humanly established boundaries affecting human experience (Stubbs & Higgins, 2014). They must also be aware that homogeneous behavioral styles can be adopted by organizations operating in countries with similar bureaucratic structures. A positive effect on structured coverage is exerted by the structural pressure (Villiers et al. 2014).

Companies operating in the same sector are assumed to follow similar patterns with regard to the information they provide to the outside world; if they did not do so, the market might view this as bad news (Middleton, 2015). In addition, membership in a given business sector can influence the political vulnerability of a corporation, in the way that companies operating in more politically sensitive sectors can use voluntary disclosure to reduce future political costs. Zhou et al. (2017) found a significant relationship between competition and segment reporting, thereby supporting the position that, on the one hand , companies facing less competition have higher proprietary costs and thus have less incentive to publish data that could be beneficial to competitors and, on the other hand , companies in more competitive industries have a greater incentive to publish In addition, industry regulations play a key role in determining the essence and scope of corporate reporting for most organizations.

The stakeholder's tension is another social element. Stakeholder strengths are the "push" to follow IFRS from the stakeholders of the business to the management of the company. Not surprisingly, there has been a parallel trend of increased public transparency, expanded stakeholder involvement, and vigorous promotion of SMEs among businesses. Increased understanding of the need for a larger stakeholder group to be accountable and that the triple bottom line should instead reflect the triple background that prompted IFRS adoption by some SMEs (Setia, Abhayawansa, Joshi, & Huynh, 2015). The position of investor security has become a deciding factor in firm assessments by Stent and Dowler (2015).

2.3.1.4 Other External Factors

Regulations are among the external variables and their effect on IFRS adoption. As country-level determinants that affect the distribution of information and confirmation of IFRS (e.g., the legal, regulatory framework, and the efficiency and effectiveness of compliance control), some aspects of investor protection are examined (Fianu, 2016). Although the IFRS adoption literature is very comprehensive, the findings on these issues are not unanimous. A basis for its proposals is found in the classical research question concerning common law and countries of civil law (Dragu & Tiron-Tudor, 2013). According to these authors, in countries with a universal legal system in which a corporation is considered to be an instrument for producing and maximizing shareholder value, investors also enjoy stronger protection of their interests. The complementary impact, on the other hand, as proof of corporate governance and IFRS accountability or adoption, argues that there is a positive correlation between robust legal compliance, social and environmental activities (Hoogervorst, 2017).

2.4 Conceptual Framework

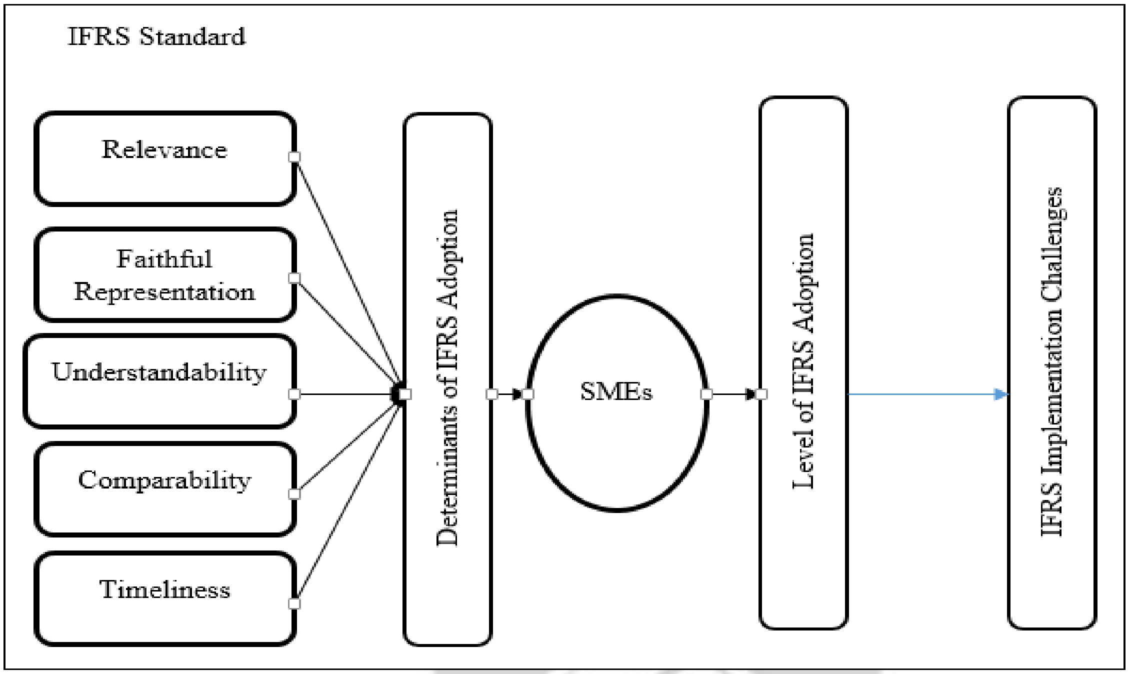

Figure 2.1: Conceptual framework

Source: Author (2020)

The study aims to examine the determinants of SMEs' adoption of IFRS, their advantages, and the challenges of implementation. Based on the measurements produced by the Nujmegen Centre for Economics (NiCE), the IFRS will be measured. In the form of index quality based on the IASB and FASB, NiCE has developed a robust financial reporting quality calculation. Relevance, faithful representation, comprehensibility, comparability, and timeliness were the dimensions used. Other scholars, such as Yurisandi and Puspitasari (2015), Păşcan (2015) and Clarkson, Hanna, Richardson and Thompson (2011), have followed this measurement standard. It will also analyse the determinants of IFRS, the extent of IFRS acceptance, and the difficulties of implementation.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The methods that will be used to obtain information on the research problem are explained in this chapter. It involves the design of the research, population of the study, sample size and selection, techniques and procedures for sampling, methods and tools for data collection, data collection process, data analysis and variable measurement.

3.1 Research Design

The research design can be defined as a research plan, structure and strategy to find alternative tools to solve the problems and reduce the differences. The research design is decided by the issue of the research. The research design can therefore be defined as a research plan, structure and strategy to find alternative tools to solve the problems and reduce the differences. The research design is decided by the issue of the research. Research designs can be represented conveniently in three (3) groups, according to Kothari (2004). These include exploratory research studies, studies of descriptive / diagnostic research and research studies of hypothesis-testing. In line with research priorities, this thesis adopts descriptive / diagnostic research studies. Studies that are concerned with defining the characteristics of a single person or community are descriptive study studies. As it takes into account all the steps involved in a survey concerning a phenomenon to be examined, this form of design may be properly referred to as a survey design. This research would be cross-sectional, as it focuses on cross-sections of small and medium-sized companies that use International Financial Reporting Requirements. Cross-sectional study is useful since it needs no follow-up and is thus less expensive and simpler than other designs.

Rather than a smaller sub-group, samples are mostly indicative of a population (MI-CPHP, 2010). This research adopts a quantitative approach that requires the quantitative production of data that can be formally and rigidly subjected to rigorous quantitative analysis (Kothari, 2004).

3.2 Sample Population

The study was conducted among SMEs and targeted employees of SMEs, their accountants, finance managers and auditors. The research concentrated primarily on conventional SMEs and auditing firms. The auditing companies were included because they are responsible for the audit of accounts of the firms from time to time. Data of the SMEs were sourced from Municipal Assembly and included registered SMEs. Pre-collected data from the Sunyani Municipal Assembly shows a total of 982 registered SMEs. These firms were classified into services, commerce, development, agro-processing and hospitality. The population distribution is given in

Table 3.1: Population for the Study

Category	Number
Services	296
Trading	399
Manufacturing	127
Agro processing	81
Hospitality	79
Total	982

3.3 Sample Technique and Sample Size

The research will include 57 small- and medium-sized enterprises. The analysis must therefore use the purposeful approach of sampling. The sample is chosen on the basis of a criterion with the purposeful sample. The criteria in this study is that for at least three years, SMEs should apply their annual report(s).

3.4 Data Collection Procedure

To collect the data, the researcher contacted the chief executive officers or managers of SMEs and made her intentions known to them. The purpose of the research was explained to the managers and the respondents. There were instances where the researcher had to show her ID card to indicate that she is a student. Each respondent was contacted, and the purpose of the study was explained before the questionnaire was given out. Respondents who had time answered the questionnaire and submitted them while those who could not get time were given time to answer and sent them later. The researcher then later contacted the respondents and collected the questionnaire.

3.5 Data Analysis

The data analyzes are the method of systematically using statistical and logical techniques to describe, explain, condense and retrieve data, and evaluate it, according to Prabhat and Meenu (2015). In this analysis descriptive and inferential data analyzes are taken into account. The research adopts the mean, percentage and standard deviation in the analysis using the descriptive statistics. The regression and Pearson correlation will be adopted by the inferential analysis. Tables will be used to show the analysis.

The one-sample t-test analysis is implemented for the study in objective one. The test decides if the meaning of the sample is statistically different from that of a familiar or hypothetical population. The correlation and multiple regression will be introduced to explore determinants of the adoption of IFRS by SMEs. The means and standard deviations are introduced to analyze the advantages for small and medium-sized companies as they implement and apply requirements in their accounting activities. The research will follow the Relative Importance Index (RII) for objective four to assess potential implementing IFRS issues for SMEs in Ghana.

3.5.1 Empirical Model

The study will adopt the Binary Logistic Regression Model. The Binary Logistic regression analyzes a dataset where one or more independent variables determine an outcome. The result is calculated with a dichotomous method, in which only two possible outcomes exist (Bacon-Shone, 2015). The model is of the form:

$$\boldsymbol{Logit(\pi) = \alpha + \beta x + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots..(1)}$$

Where π is the probability of being financially literate, α is the constant term, β is a vector of coefficients of the independent variables of the study, X is a matrix of the independent variables, and ε is the normal error term. About this study, the model estimation is indicated as;

$$\mathbf{Logit\ [IFRS\ Adoption]} = \boldsymbol{\alpha} + \boldsymbol{\beta_1}(\mathbf{OS}) + \boldsymbol{\beta_2}(\boldsymbol{PR}) + \boldsymbol{\beta_3}(\boldsymbol{PIFRS}) + \boldsymbol{\beta_4}(\mathbf{RKS}) + \boldsymbol{\beta_5}(\mathbf{SP}) + \boldsymbol{\beta_6}(\mathbf{PC}) + \boldsymbol{\beta_7}(\mathbf{PRB}) + \boldsymbol{\beta_8}(\mathbf{DRP}) + \boldsymbol{\varepsilon}$$

… (2)

Where OS represent ownership structure, PR represent profitability, PIFRS is perception of SMEs' owners/managers about IFRS, RKS is requisite knowledge and skills, SP is Stakeholder Pressure, PC is pressure from competition, PRB is pressure from regulatory bodies, and DRP is difficulty in report preparation.

3.5.2 Variables Measurement

A standardized questionnaire will be used to collect the data. The questions are to be answered by the participants in order to get the data for testing purposes. Sofaer (2002) asked the questionnaire to help collect information about awareness, perceptions, beliefs, behaviours, facts and other details. Questionnaire reliability will be provided. Confidence is a level where the same results are obtained on repeated tests, by a questionnaire (Bolarinwa, 2015). According to Bashir, Afzal, and Azeem (2012), the reliability and internal consistency reliability can be evaluated in three primary forms: test-retest reliability, alternative form reliability, and test-retest process. Ten questionnaires were pre-tested in some SMEs for this process. The questionnaire answered was collected and similar surveys sent to the same respondents after two weeks to answer. The Pearson correlation was then used to analyse in both sets of feedback.

3.5.3 IFRS Adoption

The adoption of IFRS is measured based on the studies of Fianu (2016) and Mădălina and Stoica (2016). The authors measured adoption based on the level of inclusiveness of IFRS by the SMEs.

3.5.3.1 Ownership Structure

In this analysis, the ownership structure is measured as many shareholders or individual shareholders. An increasing number of studies show that multiple large shareholders can restrict the managed shareholder's expropriation actions (Ben-Nasr et al, 2015). Maury and Pajuste (2005) have also found empirical evidence that a second major shareholder's objectivity limits the expropriation of minority shareholders by a second largest shareholder

3.5.3.2 Size

The size of the firm is determined by the natural log of the number of employees of the firm. In reality, it is easier to measure the size of the business according to (Kaen & Baumann, 2003).

3.5.3.3 Profitability

The study determine if SMEs have raised their own market share and asset base in the past three years. This is measured using a questionnaire adopted from Bolarinwa (2015).

3.5.3.4 Value Relevance

This variable tests whether the respondents consider the IFRS to be of benefit to their businesses. This is measured by means of the questionnaire and measured on five Likert scales.

3.5.3.5 Stakeholder Pressure

This is why an SME is pressured by its stakeholders to follow the IFRS. This binary variable takes 1 if under the pressure from the stakeholder and 0 if not under the pressure of the stakeholder.

3.5.3.6 Competition

The degree to which a SME is pressured by its rivals to follow the IFRS. The binary variable takes the sum of 1 if under the pressure of stakeholders and 0 if not under the pressure of the stakeholders.

3.5.3.7 Regulations

This is how much a SME has to follow the IFRS in compliance with regulations in the field. The binary variable is 1 if at pressure of stakeholders and 0 if not at the pressure of stakeholders.

3.5.3.8 Benefits

This study also includes a questionnaire to assess IFRS gain for small- and medium-sized enterprises. Oladeji and Agbesanya (2019); Tochukwu, Ogbuehi and Nwanneka (2017) and Amanamah (2017) are adopted as questions. The questions would include the ability to obtain funds, engagement in international trade, improved transparency, increase in SMEs knowledge in accounting, and for active tax payments. Respondents will be required to evaluate their responses based on 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

3.5.3.9 Challenges

Challenges in the implementation of IFRS are assessed by the heterogeneous existence of SMEs, tax problems, administrative issues, technical concerns, environmental issues and management. These variables will be measured using five Likert scale based on strongly disagree to strongly agree. Questions from many writers such as Fianu (2016), Agostino et al. (2011), Rudzani and Manda (2016) and Bananuka et al. (2018) were adopted.

3.5.3.10 Perception of SMEs' Owners/Managers about IFRS

Perception is the means through which something is regarded or interpreted by a person. Questions were sourced from Oladeji and Agbesanya (2019); Tochukwu, Ogbuehi and Nwanneka (2017) and Amanamah (2017)

3.6 Ethical Issues

A variety of ethical problems were considered. Confidentiality shall be preserved and the names and contacts of respondents shall not be required on questionnaires. Instead of names, identification numbers are allocated to prevent data provided that are traced to a respondent. The name of the company and other critical details were kept fully secret as well. All collected data shall only be used for this report and nothing else. All respondents shall be given details of procedures and received informed consents before they engage in the study. Through proper citations and references, all the literature sources shall be remembered throughout the entire analysis. Personal bias during the whole research, i.e. interviews, data collection and reporting were avoided.

CHAPTER FOUR

RESULTS AND DISCUSSION OF FINDINGS

4.0 Introduction

The data analysis, presentation and discussion for the results are covered in this chapter. This section is split into two parts. In the first section, you will find data and analysis from research questions and in the last section the research findings will be addressed.

4.1 Data Presentation and Analysis

4.1.1: Demographic Data of Respondents

The demographic distribution of the respondents is presented in Table 4.1.

Table 4.1: Demographic Data

Questions	Categories	Number	Percentage
Gender	Male	39	68.4
	Female	18	31.6
	Total	57	100.0
Educational Level	Diploma/HND	12	21.1
	Degree	33	57.9
	Masters	10	17.5
	Doctorate/PhD	2	3.5
	Total	57	100
Working Experience	Less than 5 years	07	12.3
	5-10 years	12	21.1
	11-15 years	18	31.6
	More than 15 years	20	35.1
	Total	57	100

Source: Field Data (2020)

With gender, out of the 57 respondents who participated in the study, 39 (68.4%) were males, and 18 (31.6%) were females. For educational qualification, 12 (21.1%) of the respondents possess Diploma / HND certificate, 33 (57.9%) had their first degree certificates, 10 (17.5%) their masters, and 2 (3.5%) possessed Doctorate/PhD Degrees. The implication of this was that the institutions had qualified staff and hence might possess knowledge on the subject under discussion.

In addition, 7 of those (12.3%) had been employed with the institution for less than 5 years, 12 (21.1%) had been with the institutions for 5-10 years, 18 (31.6%) had had worked with the institution for 11-15 years and 20 (35.1%) had been with the institutions over 15 years. Many participants had a lot of time and could therefore have a great deal of knowledge of their businesses.

4.1.2 Level of IFRS Adoption among SMEs

The research took the one t-test sample. The one t-test showed if the mean of the sample is statistically different from a known or hypothesized population. The research is measured on a five-scale Likert scale. The test value for this study is 4 since the minimum level for an answer is 4. Items with positive mean values means high levels of adoption and items with negative mean difference means low level of adoption.

From Table 4.2, with the relevance of IFRS, all variables were significant. The variables are provision of feedback to users on various market events and significant transactions (mean diff = -0.670, sig = 0.000 < 0.05), usage of fair value instead of historical cost (mean diff = -0.11, sig = 0.000 < 0.05), and the incorporation of non-financial information (mean diff = -0.12, sig = 0.000

< 0.05). Two variables recorded negative values; "provision of feedback to users on various market events and significant transactions" and "incorporation of non-financial information".

Table 4.2: Level of IFRS Adoption in the SMEs Sector

	t	Sig. (2-tailed)	Mean Difference	95% C. I Lower	95% C. I Upper
				Test value = 4	
			RELEVANCE		
The report provides users with input on different market events and major transactions	-4.560	.000	-.670	-.96	-.38
The business uses equal value rather than historic cost	8.123	0.000	0.11	0.09	0.12
This report contains non-financial details	6.667	0.000	-0.12	-0.13	-0.10
			FAITHFUL REPRESENTATION		
For some assumptions and projections in the Annual Report, reasonable claims are made to justify the decision.	16.593	0.000	1.08	0.19	0.89
The business emphasizes both positive and negative incidents	11.145	0.000	0.14	0.20	0.08
The report gives corporate governance details	7.154	0.000	0.41	0.32	0.49
			UNDERSTANDABILITY		
The report is well structured and presented	6.560	0.000	0.903	0.63	1.18
Balance sheet notes and the income statement are straightforward enough	3.724	.000	0.495	0.23	0.76
Graphs and tables are available to explain the details given.	4.842	.000	0.078	0.11	0.26
			COMPARABILITY		
The company provides the annual reports with financial indexes and ratios.	5.561	0.000	0.25	0.41	0.14
The updated notes and judgements clarify the consequences of the revised accounts	11.089	0.000	0.11	0.20	0.23
The firm compare the present era with the previous period.	1.145	0.251	0.24	0.30	0.18

Source: Field Data (2020)

The implication is that there is a low level of IFRS adoption in terms of providing feedback to users on market events and the incorporation of non-financial information. There is however, a high level of ensuring that the firms use fair value instead of historical cost.

With the faithful representation, there is a high level of ensuring that the report contains arguments provided to support the decision for certain assumptions and estimates (mean diff = 1.08, sig = 0.000 < 0.05); the reports highlight the positive events as well as the negative events (mean diff = 0.14, sig = 0.00 < 0.05); and that the report provide information on corporate governance (mean diff = 0.41, sig = 0.000 < 0.05).

Similarly, the level of understandability of reports in terms of IFRS was high. All variables registered positive mean values and were all significant at the 0.05 level of significance. The results indicated that the report is presented in a well-organized manner (mean diff = 0.903, sig = 0.000), with notes to the balance sheet and the income statement being sufficiently clear (mean diff = 0.495, sig = 0.000), and contains graphs and tables to clarify the presentation of information (mean diff = 0.078, sig = 0.000).

With comparability, it was found that companies presented financial index numbers and ratios in their annual reports (mean diff = 0.25, sig = 0.000) with notes explaining the implications of all revisions and estimates (mean diff = 0.11, sig = 0.000). These variables therefore were highly adopted during the implementation of IFRS by SMEs. Also, even though it was found that companies provide comparability of the current accounting period with previous accounting period, this result was not significant at the 0.05 level of significance.

4.1.3 Determinants of IFRS Adoption by SMEs

The study used the binary logistic regression analysis to examine the determinants of IFRS adoption by SMEs. Adoption of IFRS by SMEs serve as the dependent variable while ownership structure, number of employees, profitability, perception on IFRS adoption, requisite knowledge and skills, stakeholder pressure, competitors' pressure and regulatory pressure serve as the independent variables.

Table 4.3: Omnibus Test of Model Coefficients

		Chi-square	Df	Sig
Step 1	Step	22.186	3	0.000
	Block	22.121	3	0.000
	Model	22.121	3	0.000

Source: Field Data (2020)

The results indicate that the model is significant (sig. = 0.000 < 0.05), and the independent variables (ownership structure, number of employees, profitability, perception on IFRS adoption, requisite knowledge and skills, stakeholder pressure, competitors' pressure and regulatory pressure) predict the adoption of IFRS.

Table 4.4: Model Summary of Determinants of IFRS Adoption by SMEs

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R-square
1	151.670	0.7181	0.7540

Source: Field Data (2020)

From the results (Table 4.4), the Nagelkerke R-square value is used in the analysis (r-square = 0.7540). The reason is that most researchers adopt this value in their analysis; hence the researcher thought it wise to also use it in the interpretation. Form the Nagelkerke R-square value (r-square = 0.7540), the model is indicated to account for 75.4 % of adoption of IFRS of employees.

Table 4.5: Variables Equation of Determinants of IFRS Adoption by SMEs

		B	S.E	Wald	Sig.	Exp(B)
Step 1	Ownership Structure	0.259	0.804	1.729	0.002	0.298
	Profitability	0.223	0.168	7.534	0.000	0.241
	Perception on IFRS	0.351	0.390	9.525	0.000	0.338
	Requisite knowledge and Skills	0.245	0.517	4.585	0.000	0.299
	Difficulty of report preparation	-0.432	0.071	0.007	0.000	-0.409
	Stakeholder pressure	1.101	0.197	0.912	0.000	1.209
	Pressure from competitors	0.919	0.098	1.101	0.000	1.001
	Pressure from regulatory bodies	1.219	0.400	0.812	0.000	1.312
	Constant	0.946	0.357	0.007	0.932	0.054

a. Variable(s) entered on step 1: ownership structure, profitability, perception on IFRS, requisite knowledge and skills, difficulty of report preparation, stakeholder pressure, pressure from competitors and pressure from regulatory bodies

Source: Field Data (2020).

From Table 4.5, the result implies that ownership structure (b value = 0.259, $p = 0.002 < 0.05$), profitability (b value = 0.223, $p = 0.000 < 0.05$), perception on IFRS (b value = 0.351, $p = 0.000 < 0.05$), requisite skills and knowledge (b value = 0.245, $p = 0.000 < 0.05$), stakeholder pressure (b value = 1.101, $p = 0.000 < 0.05$), pressure from competitors (b value = 0.919, sig = 0.000 < 0.05), and pressure from regulatory bodies (b value = 1.219, sig = 0.000 < 0.05) relates positively and significantly with the adoption of IFRS. The implication is that ownership structure, profitability, perception of IFRS, requisite knowledge and skills, stakeholder pressure, pressure from competitors, and pressure from regulatory bodies positively predict the adoption of IFRS. Difficulty in report preparation negatively predicted the adoption of IFRS (b value = -0.432, sig = 0.000 < 0.05). The model for the study could therefore be stated as

*IFRS adoption = 0.946 + 0.259 *Ownership structure + 0.223*profitability +*

*0.351*perception of IFRS + 0.245*requisite knowledge and skills + 1.101*stakeholder pressure + 0.919*pressure from competitors + 1.219*pressure from regulatory bodies – 0.432*difficulty in report presentation.*

4.1.4 Benefits of Implementing IFRS by SMEs

The study adopted the linear regression to analyse the benefits of IFRS adoption in the SMEs sector. Improvement of SMEs is adopted as the dependent variable and the adoption of IFRS becomes the independent variable. All variables of improvement in SMEs were aggregated to obtain a single variable. The same principle was adopted to get a single variable for IFRS adoption.

Table 4.6: Improvement in SMEs

Variable	Min	Max	Mean	Std. Dev
Ability to obtain funds	1	5	4.47	0.501
Engagement in international trade	1	5	2.39	1.091
Improves transparency	2	5	4.40	0.511
Increases the firm's knowledge in accounting practices	1	5	4.01	0.812
For active tax payments	1	5	2.46	1.071
Increase in firm's profitability	1	5	3.12	0.089

Source: Field Data (2020)

The mean values for the variables ranged from 2.39 to 4.47. The variables with a mean value of less than 4 are engagement in international trade (mean = 2.39, standard deviation = 1.091), appropriate tax payments (mean = 2.46, standard deviation = 1.071) and increase in firm's profitability (mean = 3.12, standard deviation = 0.089). All other variables ability to mobilize funds (mean = 4.47, standard deviation = 0.501), improvement in transparency (mean = 4.40, standard deviation = 0.511), and increase in firm's knowledge in accounting practices (mean = 3.12, standard deviation = 0.605).

With the regression analysis, the model summary is indicated in Table 4.7.

Table 4.7: Model Summary of IFRS Adoption in the SMEs Sector

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R-square	**Sig**
1	87.567	0.347	0.345	0.000

Source: Field Data (2020)

Form the Nagelkerke R-square value (r-square = 0.345), the model is indicated to account for 34.5 % of adoption of IFRS. From Table 4.7, the study is significant (p-value = 0.000 < 0.5). This means that the model is accurate, and adoption of IFRS predicts improvement in the SMEs sector.

Table 4.8: Coefficients of IFRS Adoption in the SMEs Sector

		B	S.E	Wald	Sig.	Exp(B)
Step 1	IFRS adoption	0.446	0.397	0.347	0.000	0.512
	Constant	3.656	0.274	0.221	0.000	1.054

a. Dependent Variable: Improvement in SMEs

The findings show that IFRS adoption (b-value= 0.446, sig= 0.000 < 0.05) has a positive relationship on improvement in SMEs. The equation to the model is as follows:

Improvement in SMEs = 3.656 + 0.446 (IFRS adoption) + ε.

This means that IFRS adoption predicted improvement in SMEs with an increment of 0.446.

4.1.5 Possible Implementation issues of IFRS for SMEs

To answer this objective, the study adopted the Relative Importance Index (RII). This statistical analysis ranked variables according to how respondents perceived the possible implementation issues of IFRS in the SMEs sector. Usually, indices ranging from 0.71 – 1.00 highly affect the implementation of IFRS, 0.41 – 0.70 moderately affect the implementation of IFRS and below 0.41 least affect the implementation of IFRS.

Table 4.9: Possible Implementation issues of IFRS for SMEs

Measurement indicator	RII	Rank
Heterogeneous Nature of our work	0.89	1st
Confliction of IFRS standards with certain accounting principles	0.82	2nd
Management are not committed to the IFRS implementation	0.78	3rd
Implementation of the standard is time consuming	0.72	4th
There is misunderstanding in the implementation of IFRS standard	0.65	5th
There is the lack of technical knowhow to implement the standard	0.47	6th
Tax issues	0.40	7th
There are lack of resources for effective implementation of IFRS	0.32	8th

Source: Field Data (2020)

From Table 4.9, the study variables achieved values ranging from 0.89 to 0.32. The results indicate that the highest ranked challenge to the implementation of IFRS is the heterogeneous nature of work in the SMEs sector (RII value = 0.89), followed by confliction of IFRS standards with certain accounting principles (RII = 0.82), and non-commitment of management to IFRS implementation (RII = 0.78) and the assertion that IFRS implementation is time consuming (RII = 0.72).

Implementation challenges that were moderately ranked were misunderstanding in the implementation of IFRS (RII = 0.65) standard and the lack of technical knowhow to implement the standard (RII = 0.47). Challenges that were least ranked were tax issues (RII = 0.40) and lack of resources for effective implementation of IFRS (RII = 0.32).

4.2 Discussion of Findings

4.2.1 Level of IFRS Adoption in the SMEs Sector

The results indicated low level of IFRS adoption in terms of providing feedback to users on market events and the incorporation of non-financial information. There was a high degree of ensuring that the report provides reasons to support the judgment for certain conclusions and estimates; highlighting the positive events as well as the negative events; and presenting detail on corporate governance. Similarly, the degree of understandability of reports in terms IFRS was high. Reports are presented in a well-organized manner, with notes to the balance sheet and the income statement being sufficiently clear, and contains graphs and tables to clarify the presentation of information. With comparability, it was found that companies presented financial index numbers and ratios in their annual reports with notes explaining the implications of all revisions and estimates. There was however, a high level of ensuring that the firms use fair value instead of historical cost. In a previous study by Bova and Pereira (2012) to investigate the economic determinants and consequences of IFRS compliance in Kenya, the authors found that the adoption of IFRS was high in the SMEs sector.

4.2.2 Determinants of IFRS Adoption by SMEs

The results indicated that IFRS positively relates to adoption and ownership structure, profitability, perception of IFRS, requisite knowledge and skills, stakeholder pressure, pressure from competitors and pressure from regulatory bodies. There was however, a negative relationship between IFRS and difficulty in report presentation. It was found that 75.4% variation of IFRS adoption was explained by these factors. Bananuka, Tumwebaze, Musimenta, and Nuwagaba (2019) established the contribution of the board of directors' effectiveness, knowledge and skills, and pressure from stakeholders to the adoption of International Financial Reporting Standards (IFRSs). The authors found that stakeholder pressure and knowledge and skills predicted the adoption of IFRS. According to Velte and Stawinoga (2016), the extent of ownership concentration influences the company's preferences for information disclosure. Kurniawan and Wahyuni (2018) found a company with a large size may have sufficient resources to reduce the information production cost in the company's annual report. Then this process will increase the adoption of IFRS. On the other hand, (Durak 2013) reported a positive influence by profitability on the amount of information voluntarily disclosed. Zhou et al. (2017) found a positive relationship between competition and segment reporting, thus supporting the position on the one hand that firms facing less competition have higher proprietary costs and consequently have less incentive to publish information

4.2.3 Benefit of IFRS Adoption in the SMEs Sector

With the adoption of IFRS, SMEs were able to effectively mobilize funds, improve report transparency, and increase in firm's knowledge in accounting practices. There was positive relationship between IFRS adoption and improvement in the SMEs sector such that 34.5%

variation of improvement in the SMEs sector is explained with the adoption of IFRS. The results supported previous findings. For example, Edirin and Okoro (2016) on the effect of IFRS on the financial statement of banks, found out that IFRS adoption significantly and positively affected the financial position of banks. Similarly, Yahaya, Fagbemi, and Oyeniyi (2015) found that the adoption of IFRS improves the SMEs sector. Onipe, Musa, Yusuf, and Isah (2015) examines the effects of the adoption of the International Financial Reporting Standards and found that the implementation of IFRS positively affected banks' profitability and capacity for growth.

Sidik and Rahim (2012) recognized that in Bahrain majority of the participants who are accountants and auditors observed that by applying IFRS would lead to greater comparability of financial performance, followed by greater reliability, transparency, and relevance of companies' financial information. The adoption will improve the comparability of financial information at either national or international levels, and initiate proposed partnerships or cooperation agreements with foreign entities (Georgescu, Toma, & Afrăsinei, 2015).

Another resulting implication is that international standard adoption and implementation will also lead to improved transparency and higher quality financial reporting (Clarkson, Hanna, Richardson, & Thompson, 2011). Other findings from Cascino and Gassen 2010); and Hassan (2015) found that increased and improved sound accounting systems is associated with IFRS.

4.2.4 Possible Implementation Challenges of IFRS for SMEs

The results indicate that the highest ranked challenge to the implementation of IFRS was the heterogeneous nature of work in the SMEs sector. This was followed by confliction of IFRS standards with certain accounting principles, non-commitment of management to IFRS implementation and the assertion that IFRS implementation is time consuming. Implementation challenges that were moderately ranked were misunderstanding in the implementation of IFRS standard and the lack of technical knowhow to implement the standard. The least ranked challenge were tax issues and lack of resources. The results contradicted with previous finding by Ajekwe and Ibiamke (2020) who found that financial reporting is linked to taxation, which is inconsistent with IASB's philosophy and raises problems for an accurate IFRSs application. Therefore, IFRS for institutions would mean breaking the conventional bond between the financial statements and sales tax return (Abdulrazak, 2013). Agostino et al. (2011) found out that tax authorities are the principal users of financial statements. In their opinion, the contents and shape of financial statements are influenced by the disclosure requirements of tax authorities, and not by accounting regulators.

According to Sadri (2019), most of the laws and regulations about financial reporting were enacted several decades before the introduction of IFRS. These laws remain in place without amendments to recognize the introduction of IFRS in the respective countries. As a result, the IFRS lacks the necessary legal backing. For example, some company laws require specific formats for financial statements. These requirements often contradict the ones in international standards (Amanamah, 2017). In his comparative study on India and Australia, in terms of administrative positions toward sustainability reporting, Bhattacharyya (2014) found that managers' decisions about IFRS adoption were positive, implying that managers passed resolutions that supported IFRS adoption. To and Ngai (2007) noted that executive positions play an essential role in facilitating the adoption of IFRS.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The results of the analysis can be summarized in this chapter. The survey findings are taken and suggestions are made on the basis of the findings.

5.1 Summary of the Study

The world has become a global economy, and SMEs are also becoming increasingly global. This requires that their finances are presented in such a way that it reflects international standards. The study therefore, explores the available conditions which necessitate SMEs to adopt and apply the various IFRS in their business operations and their effectiveness. The study was cross-sectional and adopted a quantitative approach which involves the generation of data in quantitative form. The study population included the business owners, their accountants, Finance managers and auditors of SMEs. Specifically, the study focused on main stream SMEs and Auditing Firms. Using the purposive sampling technique, 57 SMEs were selected as a sample for the study. The data were analyzed with both descriptive and inferential analysis.

Objective one examined the level of IFRS Adoption in the SMEs Sector. The study found high levels of ensuring that the report provides reasons to support the decision on certain assumptions and estimates; highlighting positive and negative events; providing corporate leadership information; well-organized report presentation with sufficiently detailed balance sheet and income statement notes and graphs and tables There was also a high degree to ensure that businesses use equal value rather than historical prices. However, providing feedback to users on market events and the incorporation of non-financial information are least observed.

Objective two examine the determinants of IFRS adoption by SMEs. The results indicated that IFRS positively relates to adoption and ownership structure, profitability, perception of IFRS, requisite knowledge and skills, stakeholder pressure, pressure from competitors and pressure from regulatory bodies such that 75.4% variation of IFRS adoption was explained by these factors.

Objective three determined the benefits of IFRS Adoption in the SMEs Sector. There was positive relationship between IFRS adoption and improvement in the SMEs sector such that 34.5% variation of improvement in the SMEs sector is explained with the adoption of IFRS.

Objective four investigated the possible implementation issues of IFRS for SMEs. The results indicate that the highest ranked challenge was the heterogeneous nature of work in the SMEs; followed by confliction of IFRS standards with certain accounting principles, non-commitment of management to IFRS implementation and time consuming nature of IFRS. Implementation challenges that were moderately ranked were misunderstanding in the implementation of IFRS standard and the lack of technical knowhow to implement the standard. The least ranked challenge were tax issues and lack of resources.

5.2 Conclusion

Based on the research results, the adoption of IFRS was very beneficial in the SMEs sector. There was positive relationship between IFRS adoption and improvement in the SMEs sector such that 34.5% variation of improvement in the SMEs sector is explained with the adoption of IFRS. The implementation of IFRS is affected by several factors including ownership structure, profitability, perception of IFRS, requisite knowledge and skills, stakeholder pressure, pressure from competitors and pressure from regulatory bodies. These factors predict 75.4% variation of IFRS adoption was explained by these factors. There are however, challenges to the effective implementation of IFRS in the SMEs sector. The results indicate that the highest ranked challenge was the heterogeneous nature of work in the SMEs; followed by confliction of IFRS standards with certain accounting principles, non-commitment of management to IFRS implementation and time consuming nature of IFRS. Averagely, the level of IFRS adoption among the SMEs was high with arguments supporting the decision for certain assumptions and estimates; highlighting both the positive and negative events; providing information on corporate governance; and presenting the report in a well-organized manner.

5.3 Recommendations

1. First, it is recommended that managers of SMEs should ensure to provide feedback to users on market events and the incorporation of non-financial information.
2. It is recommended that regulatory bodies such as Bank of Ghana, and Security and Exchange Commission need to intensify the education of SMEs to the possible benefits and the need to implement IFRS. In this way, management would be more convincing to

incorporate IFRS standards such as inclusion of non-financial information and provision of feedback to users on market events.

3. The contribution of stakeholders and regulatory bodies determines IFRS adoption. The recommendation is that regulatory bodies should adopt and implement strategies that would compel SMEs to implement IFRS standards.
4. Since, the adoption of IFRS improves the SMEs sector, it is suggested that management try all means to ensure that the adoption and implementation of IFRS standards are adhered to.

5.4 Suggestions for Further Studies

Since this study was carried out within a short time frame, it is suggested that further studies be conducted over a period to allow time to evaluate more specific impacts of business operations over a duration and in different districts and regions to either confirm or refute these findings. Possibly there could be an environmental bias in the study. Also, the study was limited in the research instruments used; only questionnaire was adopted. Future research could do a more participatory-oriented study through the adoption of both surveys and interviews.

The study suggests that further research should be done on the effect of IFRS on the various financial indicators in the SMEs sector. This will help stakeholders in the SMEs sector devise appropriate means to effectively implement IFRS to boost performance in the SMEs sector.

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APPENDIX A: QUESTIONNAIRE

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF GRADUATE STUDIES

Dear Respondent,

I am a student of KNUST, conducting a study on "THE DETERMINANTS OF IFRS ADOPTION BY SMEs". I would be very glad if you could take a little of your time to answer the questionnaire. Please note that your participation in the study is voluntary and all information gathered will be treated with utmost confidentiality and would be solely used for educational purposes. Your support and contribution would be very much appreciated. Thank you.

N.B Please tick **[√]** where applicable and specify where necessary**.**

Part I: Personal Background Information

Q1. Gender: Male [ ] Female [ ]

Q2. Highest educational level: HND [ ], First Degree [ ] Post Graduate [ ] Any Other …………….

Q2. Number of years working in Firm:

Less than 5yrs [ ] 5-10yrs [ ]

11-15yrs [ ] Above 15 yrs [ ]

PART II: - IFRS Adoption

Please indicate the extent of your agreement or disagreement with each statement by **ticking [√]** a number from 1 to 5.

Key:	1 = Strongly disagree	2 = Disagree	3 = Not Sure	4 = Agree	5 = Strongly agree

	RELEVANCE					
1.	The report provide feedback to users on various market events and significant transactions affected the firm	**1**	**2**	**3**	**4**	**5**

2.	The company use fair value instead of historical cost	**1**	**2**	**3**	**4**	**5**
3.	The report incorporate non-financial information in terms of business opportunities and risks	**1**	**2**	**3**	**4**	**5**
	FAITHFUL REPRESENTATION					
4.	Valid arguments are provided to support the decision for certain assumptions and estimates in the annual report.	**1**	**2**	**3**	**4**	**5**
5.	The company, in its discussion of the annual results, highlight the positive events as well as the negative events	**1**	**2**	**3**	**4**	**5**
6.	The report provide information on corporate governance	**1**	**2**	**3**	**4**	**5**
	UNDERSTANDABILITY					
7.	The report is presented in a well organized manner	**1**	**2**	**3**	**4**	**5**
8.	Notes to the balance sheet and the income statement are sufficiently clear	**1**	**2**	**3**	**4**	**5**
9.	There are graphs and tables to clarify the presented information	**1**	**2**	**3**	**4**	**5**
	COMPARABILITY					
10.	The company presents financial index numbers and ratios in the annual reports	**1**	**2**	**3**	**4**	**5**
11.	The notes to revision in accounting estimates and judgements explain the implications of the revision	**1**	**2**	**3**	**4**	**5**
12.	The company provides comparability of the current accounting period with previous accounting period	**1**	**2**	**3**	**4**	**5**

PART III: - Determinants of IFRS Adoption

1. Ownership structure of the firm

   [ ] Single Shareholder [ ] Multiple Shareholder

2. Indicate the number of employees of the firm. ………………………..

3. The firm has increased its market and asset base within the past 3 years

   [ ] Yes [ ] No

4. Do you consider the adoption of IFRS relevant? [ ] Yes [ ] No

5. The firm experience pressure from its stakeholders to adopt IFRS

   [ ] Yes [ ] No

6. The firm experience pressure from its competitors to adopt IFRS

   [ ] Yes [ ] No

7. The firm experience pressure from its regulators to adopt IFRS [ ] Yes [ ] No

PART IV: Benefits of Adopting IFRS

Please indicate the extent of your agreement or disagreement to the following statements in relation to the benefits of adopting IFRS.

Key:	**1 = Strongly disagree**	**2 = Disagree**	**3 = Not Sure**	**4 = Agree**	**5 = Strongly agree**

1.	Ability to obtain funds	1	2	3	4	5
2.	Engagement in international trade	1	2	3	4	5
3.	Improves transparency	1	2	3	4	5
4.	Increases the firm's knowledge in accounting practices	1	2	3	4	5
5.	For active tax payments	1	2	3	4	5
6.	Any Other(s), Please Indicate ………………………………………………………… ………………………………………………………………………………………… ………………………………………………………………………………………..					

PART V: Implementation Challenges of IFRS

Please indicate the extent of your agreement or disagreement to the following statements in relation to the **challenges in implementing IFRS in your firm**.

Key:	1 = Strongly disagree	2 = Disagree	3 = Not Sure	4 = Agree	5 = Strongly agree

1.	Heterogeneous Nature of our work	1	2	3	4	5
2.	Tax issues	1	2	3	4	5
3.	There is misunderstanding in the implementation of IFRS standard	1	2	3	4	5
4.	The IFRS standards conflict with certain accounting principles	1	2	3	4	5
5.	There is the lack of technical knowhow to implement the standard	1	2	3	4	5
6.	Implementation of the standard is time consuming	1	2	3	4	5
7.	Management are not committed to the IFRS implementation	1	2	3	4	5
8.	There are lack of resources for effective implementation of IFRS	1	2	3	4	5
9.	Any Other(s), Please Indicate ………………………………………………………… ………………………………………………………………………………………… ………………………………………………………………………………………..					