

Implementation Progress of IFRS for SMEs by the SMEs in Wolaita Sodo, Southern Ethiopia: From the SMEs Owner Managers' Perspective

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The government of Ethiopia adopted the International Financial Reporting Standards (IFRS) (full IFRS, IFRS for Small and Medium Entities (SMEs) and International Public Sector Accounting Standards [IPSAS]) as financial accounting and reporting standard to the reporting entities in the country (Proclamation No. 847, 2014). Even though the standard is adopted, there has been no empirical study tried to investigate the implementation progress of IFRS for SMEs by the SMEs in Ethiopia. Therefore, the purpose of this study was to assess the implementation progress of IFRS for SMEs by the SMEs in Wolaita Sodo, Southern Ethiopia. This research used descriptive cross sectional survey approach which was based on a statistical analysis of questionnaires completed by owner managers of SMEs. The sampling rate of 10% was applied across five major sectors to come up with a sample of 67 SMEs. The findings from the study revealed that contrary to Accounting and Auditing Board of Ethiopia (AABE's) IFRS implementation road map, majority of the SMEs even did not have any information about financial accounting standards; the adoption of IFRS by the country and they are one of the reporting entities required to prepare general purpose financial statements. Based on these findings, the author recommends that, AABE needs to revise its road map and give attention to the IFRS for SMEs implementation campaign so as to entertain the expected advantages from the IFRS adoption. Professionals need to undertake research in different parts of the country and push the implementation through training of the concerned bodies. It is also suggested that, the concerned regulatory bodies should design and pursue strong regulation for the implementation of IFRS for the SMEs in the country.

Keywords: financial accounting and reporting, IFRS for SMEs, AABE, SMEs

Background Information

Financial accounting and reporting is the branch of the accounting information system which intended primarily to serve the information needs of wide variety of external users. The practice of financial accounting is guided by Generally Accepted Accounting Principles (GAAP). Before the motive to have global GAAP, there had been national GAAPs which were sometimes principles-based, rules-based, tax-oriented, or business-based developed and used by different countries in the world (Keiso, Weygandt, & Warfield, 2014, p. 8). Starting in the 20th century and intensified in the 21st century, global integration of financial markets divert the attention of the global community to demand for a high quality single set of standard to be applied all over

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the world. As noted by Mirza and Holt (2011, p. 21), in an increasingly global economy, the use of a single set of high-quality accounting standards facilitates investment and other economic decisions across borders, increases market efficiency, and reduces the cost of raising capital.

The International Accounting Standards Board (IASB) is the standard-setting body of the International Accounting Standards Council Foundation (IASC) which was renamed IFRS Foundation since 2010 (IFRS Foundation, 2015). Before the IASB began financial reporting standards internationalization operations on April 2001, International Accounting Standards (IASs) and related Interpretations/Standard Interpretation Committee (SIC) interpretations were established by the Board of IASC, which came into existence on 29 June 1973 (IASB, 2009). The standards issued by IASB since 2003 are called IFRSs and the related interpretations are International Financial Reporting Interpretation Committee (IFRIC) interpretations. The term “International Financial Reporting Standards” includes IFRSs, IASs, and Interpretations developed by the Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC) (IASB, 2016, Part A). IASB defined IFRS as

a single set of high-quality, understandable, enforceable, and globally accepted financial reporting standards developed by the IASB that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world’s capital markets and other users make economic decisions. (IASB, 2009; 2015)

In the earlier years, the financial accounting standards setters including IASB gave emphasis to the development of standards to publicly accountable entities. The IASB achieved its objectives of unifying accounting standards by developing and publishing IFRSs (full IFRSs) and promoting the use of those standards for the preparation of general purpose financial statements by publicly accountable entities. The survey by IASB in June, 2013 indicated that there is almost universal support (95 percent) for IFRS as the single set of global accounting standards (Hoogervorst, 2013, as cited in Keiso et al., 2014, p. 9). Until the year 2015, over 110 countries require or permit the use of the full IFRS for publicly traded entities (IFRS News, 2015). According to Ernst and Young LLP (2016), the IFRS Foundation reported that, 116 countries in the world requested IFRS for “all or most public companies” until the beginning of 2016. This indicates rapid acceptance of the IFRS standards by different jurisdictions for the publicly accountable entities in the world.

It has been recognized that the SME sector is the backbone of the global economy. According to Organization of Economic Cooperation and Development (OECD) (2016b, as cited in OECD, 2017), SMEs constitute about 99% of all firms, 70% of jobs, and 50% to 60% of value added in the OECD area. SMEs represent more than 99% of all the companies; have significant influence on the GDP and the supply of jobs (Savlovschi & Robu, 2011). According to Keskgñ, Entürk, Sungur, and Kgrgg (2010), SME’s and informal enterprises account for over 60% of GDP and over 70% of total employment in low-income countries. As per Gebrehiwot (2006), the SMEs contribute up to 3.4% to the GDP of Ethiopia and 90% to the country’s employment. It was proved that SMEs considered as the backbone of the global economy in the after effects of the 2008/2009 global economic crisis (Association of Chartered Certified Accountants [ACCA], 2010).

Despite the real contribution of the SME sector, the IASB initially focused on the financial reporting needs of the publically accountable entities. In the recent years, the IASB gives great attention to the development of financial reporting standards to the SMEs. To achieve its objective of “having globally unified standard to promote the decision usefulness of the accounting information”, in the year 2009, IASB develops and publishes a separate standard intended to apply to the general purpose financial statements of, and other financial

reporting by, entities referred as SMEs, private entities, and non-publicly accountable entities. That standard is IFRS for SMEs (IASB, 2009; IFRS Foundation, 2015).

The empirical studies regarding to the adoption of IFRS for SMEs in different countries noted that adopting IFRS is crucial to SMEs since it aids the comparability of financial reporting. The study by Wisdome, Rachael, Oyebisi, Dircas, and Qudus (2018) in Nigeria pointed that IFRS is perceived to be not just important but also a core requirement to competing in an economically interconnected world by the SMEs. The adoption of IFRS has positive relationship with the performance of SMEs and increases the quality of financial reporting (Olango, 2014; Mabruk, 2013; Sdha, 2010, as cited in Wisdom et al., 2018). According to Kiliç and Uyar (2017), academics and accountants perceived that the IFRS for SMEs will enable true and fair information, and therefore will enhance the quality and transparency of financial reporting in Turkey which will benefit many stakeholders, such as auditors, creditors, accountants, banks, the state, and minority. The study by Kenneth and Grazyina (2013) on the adoption of IFRS for SMEs in Zimbabwe noted that adopting IFRS for SMEs is vital to the SMEs. Since the time of IFRS adoption in Ethiopia little has been researched on its implementation. Alemi and Pasricha (2016) tried to investigate IFRS adoption progress in Ethiopia in general and indicated the progress was at low level.

The beginning point of this study is recognizing SMEs or owner managers of SMEs as one of the most important parties which have stake in the implementation of IFRS in Ethiopia. As far as the knowledge of the researcher is concerned particularly, there had been no empirical study tried to investigate the implementation progress of IFRS for SMEs in Ethiopia. Therefore, the purpose of this research was to investigate the status of the implementation progress of IFRS for SMEs in accordance to AABE's implementation road map in Wolaita Sodo, Southern Ethiopia from the SMEs owner managers' perspective.

The study indicated points of deficiencies for the implementation of IFRS for SMEs by the SMEs in the town and enables the researcher and other interested parties to intervene accordingly. The study further showed AABE to see back its road map for the adoption and implementation of IFRS in Ethiopia and the status of the real move by businesses particularly SMEs for the implementation of IFRS in the town.

Literature Review

Definition of SMEs

There is no universally accepted definition of small and medium enterprises (SMEs) because in each economic system, every country has its own classification according to its industrial regulation. SMEs are defined differently in the legislation across countries, in particular, because the dimension "small" and "medium" of a firm are relative to the size of the domestic economy (OECD, 2017). When the International Accounting Standards Board (IASB) develop IFRS for SMEs, the IASB did not impose any kind of specific size limits to define small companies if such an approach was adopted. Instead, it might specify that size limits which are already given in national legislation or standards could be adopted for the purpose (IFRS Foundation, 2016). According to the definition set by AABE which was based on the IASBs 2009 general definition,

SMEs are entities that: do not have public accountability; and publish general purpose financial statements for external users. Examples of external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies. (Proclamation No. 847/2014, IASB, 2009)

Recently the national micro and small enterprises (MSE) development strategy guideline and the Development Bank of Ethiopia defined micro, small and medium enterprises (MSMEs) by number of employees and paid up capital. According to this definition, small enterprises are enterprises having six to 30 employees and paid up capital of birr 50,001 to 500,000 (EUR 2,001 to 20,000) in the case of service sector and from 100,001 to 1,500,000 (EUR 4,001 to 60,000) in the case of industry or manufacturing sector. However, the Development Bank of Ethiopia recently set a definition of medium enterprises (for its lease financing operations) based on number of employees and total capital irrespective of the sector in which the enterprises operate. Accordingly, medium enterprises in both the manufacturing and service sectors are enterprises with 31-100 employees and/or with a paid up capital of ETB 500,001 (EUR 20,001) to ETB 7.5 million (EUR 300,000).

IFRS for SMEs

The IFRS for SMEs is a self-contained standard of not more than 250 pages customized for the needs and capabilities of smaller businesses (Flower, 2004; Sanders, Lindberg, & Seifert, 2013, as cited in Tanaka & Sithole, 2015). The IFRS for SMEs is separate from full IFRSs and it is therefore available for any jurisdiction to adopt whether or not it has adopted the full IFRSs. It is also up to the particular jurisdiction to determine which entities should use the standard. Many of the principles in full IFRSs for recognizing and measuring assets, liabilities, income, and expenses have been simplified, topics not relevant to SMEs have been omitted, and some accounting policies options in full IFRSs are not allowed because a more simplified method is available to SMEs and the number of required disclosures has been significantly reduced. In comparison to full IFRS which are intended for listed companies, the IFRS for SME is aimed at millions of companies, which represents over 99% of all companies all over the world (IASB, 2010; IFRS News, 2015).

A complete set of financial statements prepared under the IFRS for SMEs includes: a statement of financial position as at the reporting date; either (i) a single statement of comprehensive income or (ii) a separate income statement and a separate statement of comprehensive income; a statement of changes in equity for the reporting period; a statement of cash flows for the reporting period (this can be presented using either the direct method or indirect method) and notes, comprising a summary of significant accounting policies and other explanatory information (IASB, 2009, Par. 3.17; IFRS News, 2015; Ernst and Young LLP, 2016; IFRS Foundation, 2016). Table 1 provides some comparisons from full IFRS to the IFRS for SMEs:

Table 1

Some Comparisons of Full IFRS with IFRS for SMEs

Full IFRS	The IFRS for SMEs
Numbered by standard	Organized by topics
Excess of 3,500 potential disclosures	About 10% of full IFRS potential disclosure
Around 4,300 pages in length	Revised version estimated to be less than 250 pages when published
Updated several times a year	Anticipated to be updated on a 3-yearly basis

Note. Source: IFRS News (2015, p. 6).

Adoption and Implementation of IFRS for SMEs in Ethiopia

The IASB gives two optional approaches to implement IFRS by a particular jurisdiction: totaling and customizing approaches. The first approach is known as adoption or “big bang” approach while the latter is called a convergence approach. “Big bang” approach is a strategic decision to adopt IFRS on a single date or, perhaps, a series of dates applied to companies of different sizes. Under this approach, once IFRS are adopted,

all IFRS standards should be complied while preparing financial statements and the existing accounting standard if any should be replaced with IFRS; while in convergence approach, gradual movement is made towards IFRS through customizing with the existing accounting standards and IFRS are applied gradually (IFRS Foundation Guide, 2013).

Ethiopia favored to change its accounting system previously guided by no single local standard to IFRS considering the “Big bang” approach. In the year 2014 with the Proclamation No 847/2014, Article (5) the government of Ethiopia officially announced the adoption of IFRS (full IFRS, IFRS for SMEs and IPSAS) for the financial accounting and reporting practice in the country (Proclamation No. 847/2014). The Accounting and Auditing Board of Ethiopia (AABE) was established in the year 2014 with the Regulation No. 332/2014 by the Council of Ministers as autonomous legal body to oversight the accounting and auditing professions and financial reporting practice in Ethiopia (Ethiopian Government 2014). Alemi and Pasrisha (2016) noted that before the establishment of AABE, there had been no single organized body responsible for regulating the accounting and auditing professions and financial reporting practices in Ethiopia and very minor provisions have been issued in various separate laws that are not found in a single place and issued by various regulatory bodies.

Since the time of adoption, AABE takes the leading role for the implementation of IFRS in the country by establishing three phase road maps for the mandatory adoption of IFRS. As per AABE, there are three phase transitions over a period of three years for reporting entities for the adoption and implementation of IFRS in Ethiopia. The first phase for implementation was to Public Interest Entities (PIEs), such as financial institutions and public enterprises owned by federal or regional governments and July 8, 2016 was the date for adoption of IFRS. The second phase was to other public interest entities (Ethiopian Commodity Exchange [ECX] member companies and reporting entities that meet PIE quantitative thresholds) and IPSAS for charities and societies and July 8, 2017 was the date for adoption of IFRS. This means that all other public interest entities and charities and societies in Ethiopia was statutorily be required to issue IFRS and IPSAS based financial statements respectively for the year ending July 7, 2018. The third, the last phase, was to SMEs and July 8, 2018 is the date for adoption. This means that all SMEs in Ethiopia was statutorily be required to issue IFRS based financial statements for the year ending July 7, 2019. Through its road map, AABE planned to disseminate IFRS by training the different groups which have stake in the accounting practice of the country (AABE, 2017).

Advantages of Adopting IFRS for SMEs

Among the challenges faced by SMEs, access to finance has been the major challenge to the SMEs (Emezie, 2017; Getahun, 2016; John & Sylvester, 2011). Most of the time financial institutions require SMEs to avail collateral not owned by the SMEs to provide debt capital. With the implementation of IFRS for SMEs, this problem can be mitigated to the SMEs through getting better access to finance with faithful and relevant financial reports to be analyzed by different stakeholders for making any business decision concerned with the SMEs. According to Oghogho, Raphael, and Kingsley (2016), the adoption of IFRS that has the benefits of attracting investment and financial support can bridge communication gap with stakeholders, attract more foreign direct investments (FDIs), and promote the uniformity in accounting language throughout the globe thereby enhancing the comparability of financial reports. Ernst and Young (2016) in their book stated one of the advantages of IFRS is enabling international capital markets to assess and compare inter-company

performance in a much more meaningful, effective, and efficient way. This should increase companies' access to global capital and ultimately reduce the cost thereof. Without single standards, it is basically not possible to compare financial information prepared by companies located in different parts of the world, particularly in an increasing global economy (Steve, 2012).

Conceptual Framework

Public sensitization and awareness is the first issue in the preparatory work for the implementation of the road map (AABE, 2017). This study considered SMEs owner managers as one of the very important parties that need to be aware of the standards for the implementation of IFRS for SMEs. Therefore, the conceptual framework for the study was based on the assumption that the implementation progress of IFRS for SMEs can be evaluated through different parameters from the SMEs owner managers' point of view. For this particular study, the parameters considered were awareness on financial accounting standards by the owner managers of SMEs; information on the adoption of IFRS for SMEs by the government of Ethiopia for the owner managers of SMEs; awareness of the SMEs owner managers about the preparation of general purpose financial statements (FSs) in accordance to IFRS for SMEs; and awareness on the advantages of IFRS for SMEs and technical preparation to implement IFRS for SMEs (see Figure 1).

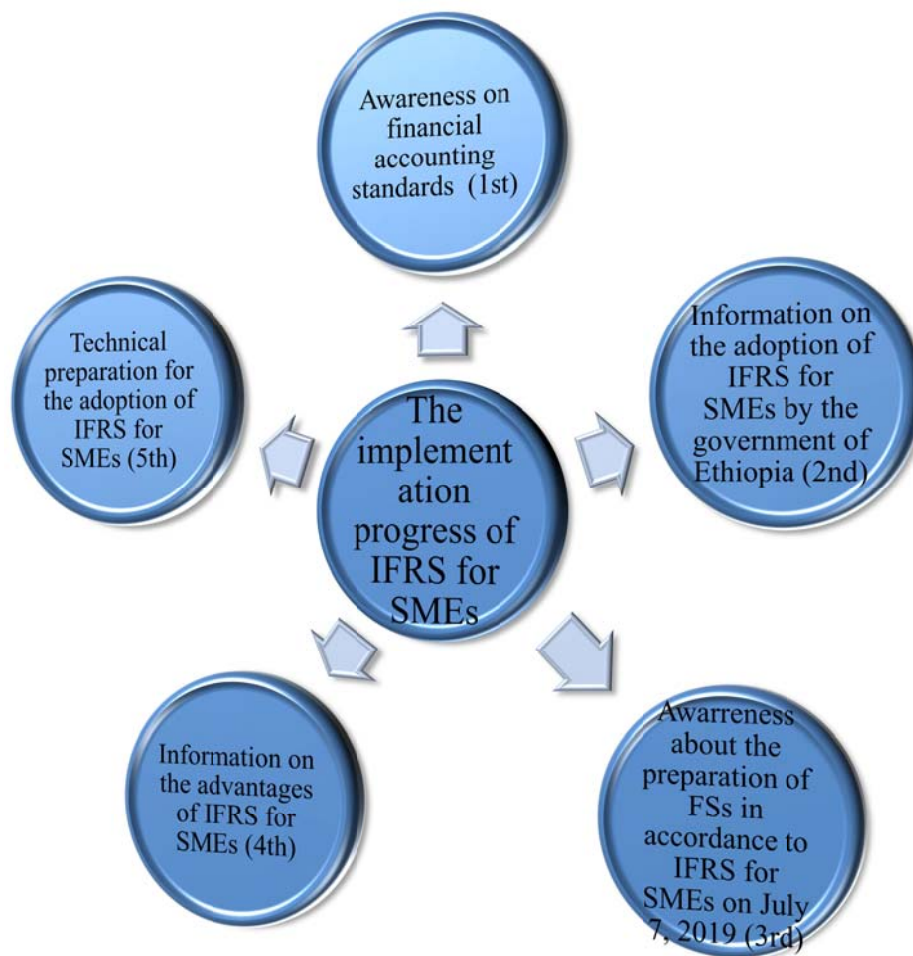


Figure 1. Conceptual framework (Source: authors own construct).

Objectives of the Study

General Objective

The general objective of the study is to assess the implementation progress of IFRS for SMEs by the SMEs in Wolaita Sodo, Southern Ethiopia.

Specific Objectives

- To evaluate the awareness on the financial accounting and reporting standards by the owner managers of SMEs.
- To investigate whether the owner managers of the SMEs have been informed about the adoption of IFRS for SMEs by the government of Ethiopia.
- To evaluate the preparation of the SMEs to prepare the first IFRS based general purpose financial statements in accordance to AABE's road map.

Methods

The research used a descriptive cross sectional survey design and data were collected from primary source (i.e., owner managers of the SMEs) using structured questionnaire. The target population selected to achieve the objective of this study included SMEs registered with the trade and industry office of Wolaita Sodo Town as of June, 2018. To differentiate SMEs in the town from other enterprises, the study assumed the definition set by national micro and small enterprises (MSE) development strategy and Development Bank of Ethiopia triangulating with the definition given by IASB and AABE to adopt IFRS for SMEs. Accordingly, 670 SMEs operating in five major sectors (40 in construction, 60 in manufacturing, 210 in service, 330 in trade, and 30 in urban agriculture) were considered. Sixty-seven (10% of the total SMEs) were selected as sample based on the stratified random sampling technique (see Table 2). Data from questionnaires were analyzed statistically using Statistical Package for the Social Sciences (SPSS 20).

Table 2

SMEs in Various Sectors Which Were Sampled for the Study

Types of business sectors	Number SMEs per business sector	Sampling rate (%)	Sample size
Construction	40	10	4
Manufacturing	60	10	6
Service	210	10	21
Trade	330	10	33
Urban agriculture	30	10	3
Total	670	100	67

Results and Discussions

Respondents and SMEs Characteristics, Wolaita Sodo, 2019

The first part of the questionnaire was to understand the characteristics of the respondents and their businesses. As it is shown on Table 3, around three fourth (73.2%) of the owner managers of the SMEs in the town were within age group between 20 to 40 years which indicated the dominancy of young population in the sector. Majority of the respondents were males (70.1%). All of the owner managers were literate. 65.7% of the SMEs owner managers had experience of more than five years in doing their businesses. Around half (49.3%) of the SMEs were operating in the trade sector, 56.7% employed one to five individuals, and 71.6% operate as sole proprietorship form of business.

Table 3

Respondents and SMEs Characteristics, Wolaita Sodo, 2019

Variable		Number	Percent (%)
Age of SMEs owner managers (in Years)	20-30	17	25.4
	31-40	32	47.8
	41-50	13	19.4
	Above 50	5	7.5
Sex of SMEs owner managers	Male	47	70.1
	Female	20	29.9
Educational status	Primary	11	16.4
	Secondary	24	35.8
	Diploma holders	14	20.9
	BA/BSC degree holders	13	19.4

	Above BA/BSC degree	5	7.5
	Less than one year	3	4.5
Experience in doing the business	One-five years	20	29.9
	Above five years	44	65.7
	Trade	33	49.3
Business Sector	Service	21	31.3
	Urban agriculture	3	4.5
	Manufacturing	6	9.0
	Construction	4	6.0
Number of Employees	1 to 5	24	35.8
	6 to 30	38	56.7
	30 to 100	4	6.0
	Above 100	1	1.5
Legal ownership	Sole proprietorship	48	71.6
	Partnership	6	9.0
	Private limited company (PLC)	3	4.5
	Family owned	10	14.9

Awareness on the Financial Accounting and Reporting Standards by the Owner Managers of SMEs, Wolaita Sodo, 2019

Unlike managerial accounting, financial accounting and reporting is guided by GAAP. External reporting is required by those entities considered as reporting entities in the law of a particular jurisdiction. Since the year 2014, SMEs in Ethiopia have been considered as reporting entities required by the law to prepare general purpose financial statements in accordance to IFRS for SMEs starting on July 7, 2019. Creating awareness about the presence and importance of accounting and reporting standards to different concerned bodies' should be considered as the first step to promote the use of the standards in the reporting practice of SMEs. Contrary to this fact, around three fourth (75%) of the respondents have no awareness on the financial accounting and reporting standards (see Figure 2).

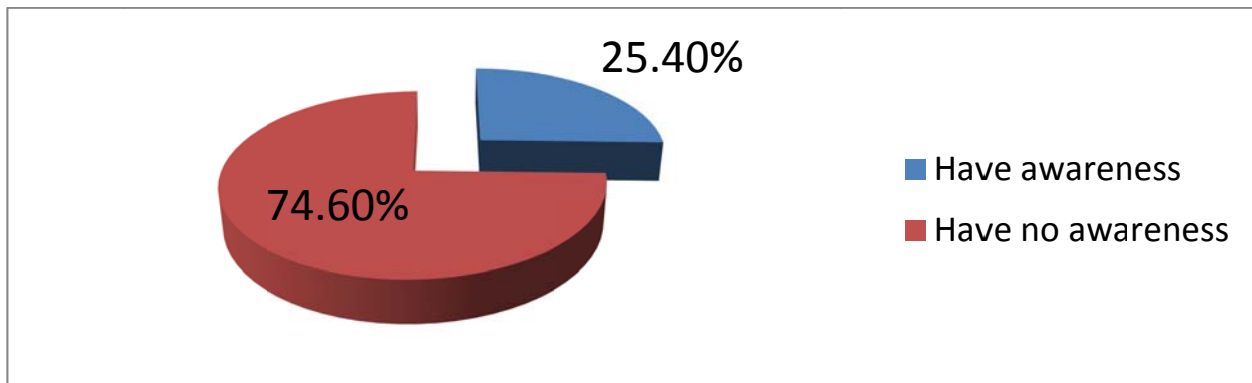


Figure 2. Awareness of SMEs owner managers about the financial accounting and reporting standards (Source: Field data, 2019).

From those owner managers who had awareness about financial accounting and reporting standards, more than two third (70.6%) had general awareness about the reporting standards as per the tax law of Ethiopia (see Table 4). They were asked about their level of understanding on the reporting standards as per the tax law of Ethiopia. The owner managers responded that they are required for the tax purpose to prepare financial

statements but did not have any more detail understanding on the standard, because they were relied on external consultants for the preparation of financial statements annually. The result also indicated that little was known about IFRS standards relative to the other generally accepted accounting standards by the SMEs owner managers. The result was consistent with the finding of other studies (Atik, 2010; Kenneth & Grazyina, 2013).

Table 4

Awareness on the Financial Accounting and Reporting Standards by the SMEs Owner Managers, Wolaita Sodo, 2019

Variables		Numbers	Percent (%)
Awareness on the specific financial accounting standards (N = 17)	U.S. GAAP	8	47.1
	IFRS	1	5.9
	Reporting standard as per the tax law of Ethiopia	12	70.6

Being aware about those standards was also affected by the education level of the owner managers. Those owners with the primary and secondary education level had information only about the reporting standard as per the tax law of the country. Among the sampled SMEs owner managers, only one owner with the education level of BA degree had awareness on the IFRS standards. Owner managers with the education level of diploma and above had better exposure to get information on U.S. GAAP that could be due to the curriculum for the accounting program in the country so far which has been in accordance to U.S. GAAP (see Figure 3).

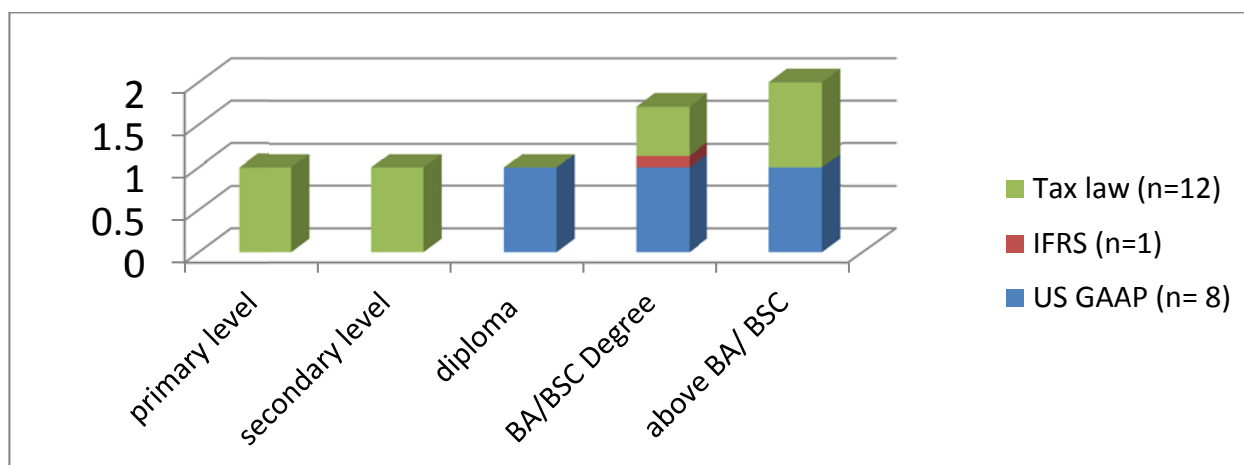


Figure 3. Awareness on the specific financial accounting and reporting standards by the SMEs owner managers at different level of education, Wolaita Sodo, 2019.

Awareness on the Adoption of IFRS for SMEs by the Government of Ethiopia as of 2014 by the Owner Managers of SMEs, Wolaita Sodo, 2019

Only 13.4% of the SMEs owner managers had information regarding the adoption of IFRS by the government of Ethiopia in the year 2014 with the Proclamation No. 847/2014 as the standard for external reporting purpose by all of the reporting entities in the country. Among the informed owner managers, 11.1% and 88.9% obtained the information through reading the proclamation for the adoption of IFRS and other ways, such as communication with friends, through media (television and radio) and the like ways respectively (see Table 5). This indicates that the training campaign on IFRS standards planned and under progress by AABE has not been addressed the SME sector in the town yet.

Table 5

Awareness on the Adoption of IFRS by the Government of Ethiopia

Variables		Numbers	Percent (%)
Information on the adoption of IFRS by the government of Ethiopia	Yes	9	13.4
	No	58	86.6
Way of getting information for the adoption of IFRS (<i>N</i> = 9)	Reading the proclamation for the adoption of IFRS	1	11.1
	Getting training on the standards/IFRSs	0	0.0
	Other	8	88.9

Information on the Preparation of the first IFRS Based General Purpose Financial Statements by the Owner Managers of SMEs, Wolaita Sodo, 2019

From those informed about the adoption of IFRS in general, around 78% had not been informed about the preparation and issuance of general purpose financial statements in accordance to IFRS for SMEs starting from July 7, 2019 as per AABE's IFRS implementation road map. Even from the SMEs owner managers, who had information about the issuance of the first IFRS based general purpose financial statements (i.e., 22.2%), none of them had enough understanding for the implementation of IFRS for SMEs and did not start any type of technical preparation for the adoption of IFRS for SMEs (see Table 6). From the open ended questions, as a reason they were pointed the absence of move from anybody to train them on the standard and push the adoption of the standard by them. This result indicate that, the SMEs owner managers in the town were not implemented IFRS for SMEs yet and not started preparation to implement IFRS for SMEs in the future.

Table 6

The IFRS for SMEs Implementation Status by the SMEs in Wolaita Sodo, 2019

Variables		Numbers	Percent (%)
Information on the preparation of general purpose financial statements in accordance to IFRS for SMEs starting from July 2019 EC (<i>N</i> = 9)	Yes	2	22.2
	No	7	77.8
Enough understanding for the implementation of IFRS for SMEs (<i>N</i> = 2)	Yes	0	0.0
	No	2	100.0

Conclusion

The study set out to determine the implementation progress of IFRS for SMEs by the SMEs in Wolaita Sodo, Southern Ethiopia. The study went further to evaluate the access for information in relation to the financial accounting and reporting standards and to investigate whether the owner managers of the SMEs have been informed about the adoption of IFRS for SMEs by the government of Ethiopia. In addition to this, the study also aimed at describing the preparation of the SMEs to prepare the first IFRS based general purpose financial statements in accordance to AABE's road map.

Majority of the SMEs owner managers were male, young, and experience of more than five years in doing their business and the entire sampled SMEs owner managers were literate. Almost half of the SMEs were operating in the trading sector followed by the service sector. More than one third of the SMEs were sole proprietorship form of businesses.

Regarding to the financial accounting and reporting standards, around 75% of the respondents had no information. Generally, all of the SMEs owner managers did not have understanding towards the adoption and implementation of IFRS for SMEs. Therefore, it was clearly showed that the actual implementation status of the IFRS for SMEs in the town is far from AABEs road map.

Recommendations

The recommendations coming out of this study will be useful for several parties, including regulatory bodies, entities, academics, preparers, auditors, and accounting professionals. Firstly, it is important for all stakeholders to participate in IFRS training workshops. In these workshops, various stakeholders, such as SMEs owner managers, financial institutions, consultants, regulatory bodies, professionals, academia, and auditors can have understanding/clarity on the adoption and implementation of IFRS for SMEs. Secondly, AABE needs to revise the implementation road map to IFRS for SMEs which was already expired and give attention to push the implementation of IFRS for SMEs with the collaboration to other stakeholders having new road map. By doing so, different stakeholders will ensure the relevance, faithfulness, and comparability of financial statements of the SMEs to be used by external users thereby mitigate one of the problems faced by the SMEs which has been lack of access to finance. In addition academicians in different universities need to incorporate IFRS in the accounting curriculum and undertake continuous researches regarding to the implementation progress of IFRS and dig out the challenges faced if any. Finally, the concerned regulatory bodies of the country needed to undertake legal enforcement to the adoption of IFRS as whole and IFRS for SMEs; particularly by doing so, we can have a single set of high quality standard nationally and enhance the internationalization of accounting standards.

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